THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about its contents or as to the action you should take, you are recommended immediately to seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant, fund manager or other independent financial adviser authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.

This document comprises an AIM admission document and has been drawn up in accordance with the AIM Rules. This document in not an approved prospectus for the purposes of the section 85(7) of the Financial Services and Markets Act 2000. The Directors (details of which or whom appear on page 138 of this document) and the Company accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Company and 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.

To the extent information has been sourced from a third party, this information has been accurately reproduced and, as far as the Directors and the Company are aware, no facts have been omitted which may render the reproduced information inaccurate or misleading.

Application will be made for the New Ordinary Shares to be admitted, to trading on AIM. It is expected that Admission will become effective and dealings for normal settlement in the Enlarged Share Capital will commence on 20 January 2006. The Ordinary Shares are not currently dealt on any other recognised investment exchange and no application has been made or is being made for the New Ordinary Shares to be admitted to any such exchange. **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.**

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 I of this document.

Mercator Gold plc

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

ISIN Number GB00B0P4LQ95

Proposed Acquisition of assets from St. Barbara Mines Limited

Proposed Placing of up to 26,400,000 New Ordinary Shares at 50p per share after 1 for 10 Share Consolidation

Admission of the Enlarged Share Capital to trading on AIM

Notice of Extraordinary General Meeting

Nominated Adviser

BEAUMONT CORNISH Limited

Joint Brokers

King & Shaxson Capital Limited

Ocean Equities Limited

Share capital immediately following Admission and the Share Consolidation

Authorised			Issued and fully paid, assuming maximum subscription	
Number	**Amount**		**Number**	**Amount**
200,000,000	£20,000,000	Ordinary Shares of 10p each	47,288,350	£4,728,835

Beaumont Cornish Limited, which is authorised and regulated in the United Kingdom in the conduct of investment business by the Financial Services Authority and is a member of the London Stock Exchange, is acting exclusively for the Company and no one else in connection with the matters described herein and 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 contents of this document or any other matter referred to herein. Beaumont Cornish Limited's responsibilities as the nominated adviser under the AIM Rules are owed solely to London Stock Exchange plc and are not owed to the Company or to any Director or to any other person in respect of their decision to acquire Ordinary Shares or New Ordinary Shares in reliance on any part of the document. No person has been authorised to give any information or make any representations other than those contained in this document and, if given or made, such information or representations must not be relied upon as having been so authorised. No representations or warranty, expressed or implied, is made by Beaumont Cornish Limited as to any of the contents of this document. Beaumont Cornish Limited has not authorised the contents of any part of this document for any purpose and no liability whatsoever is accepted by Beaumont Cornish Limited for the accuracy of any information or opinions contained in this document. Neither the delivery of this document nor any subscription or sale made hereunder shall, under any circumstances, create any implication that there has been any change in the affairs of the Company since the date of this document or that the information in this document is correct as of any time subsequent to the date of this document.

King & Shaxson Capital Limited and Ocean Equities Limited, which are authorised and regulated by the Financial Services Authority and are members of the London Stock Exchange, are the Company's Joint Brokers for the purposes of the AIM Rules and are acting exclusively for the Company in connection with the Admission. King & Shaxson Capital Limited and Ocean Equities Limited will not be responsible to anyone other than the Company for providing the protections afforded to customers of King & Shaxson Capital Limited or Ocean Equities Limited or for advising any other person on the Admission and other arrangements described in this document. Neither King & Shaxson Capital Limited nor Ocean Equities Limited have authorised the contents of any part of this document for any purpose and do not accept any liability whatsoever for the accuracy of any information or opinions contained in this document.

This document does not constitute an offer to sell or the solicitation of an offer to buy New Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful. In particular, this document is not for distribution in or into the United States of America, Canada, Australia, South Africa, the Republic of Ireland or Japan. The Ordinary Shares have not been and the New Ordinary Shares will not be registered under the United States Securities Act 1933 (as amended) nor under the applicable securities legislation of the United States of America or any province or territory of Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan or in any country, territory or possession where to do so may contravene local law or regulations. Accordingly, the New Ordinary Shares may not, subject to certain exemptions, be offered or sold directly or indirectly in or into the United States of America, Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan or to any national resident or citizen of the United States of America, Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan. The distribution of this document in other jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restriction. Any failure to comply with these restrictions may constitute a violation of the securities law and any such jurisdiction.

Copies of this document, which contains full details about the Company and the admission of its New Ordinary Shares 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, Peek House, 3rd Floor, 20 Eastcheap London, EC3M 1EB and the offices of Beaumont Cornish Limited, 5th Floor, 10-12 Copthall Avenue, London EC2R 7DE.

CONTENTS

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Date of this document	21 December 2005
Latest time and date for receipt of Forms of Proxy	11.00 a.m. on 16 January 2006
Extraordinary General Meeting	11.00 a.m. on 18 January 2006
Completion of the Acquisition	20 January 2006
Admission effective and trading in the Enlarged Share Capital commences on AIM	8.00 a.m. on 20 January 2006
CREST accounts credited (in respect of New Ordinary Shares)	8.00 a.m. on 20 January 2006
Definitive certificates for the New Ordinary Shares (where applicable) to be despatched	3 February 2006

ACQUISITION AND ADMISSION STATISTICS

Minimum number of New Ordinary Shares in issue on Admission**		38,888,350
Maximum number of New Ordinary Shares in issue on Admission**		47,288,350
Minimum market capitalisation at 50p per New Ordinary Share*		£19.4 million
Maximum market capitalisation at 50p per New Ordinary Share*		£23.6 million
Number of Acquisition Shares		10,924,370
	Minimum**	**Maximum****
Number of Placing Shares to be issued pursuant to the Placing	18 million	26.4 million
Net proceeds receivable by the Company from the Placing	£8.1 million	£12.1 million
Percentage of the Enlarged Share Capital held by SBM immediately following Admission	23.1%	28.1%
Percentage of the Enlarged Share Capital held by SBM immediately following Admission (fully diluted)	20.0%	23.7%
Percentage of the Enlarged Share Capital represented by the Placing Shares	46.3%	55.8%
Percentage of the Enlarged Share Capital represented by the Placing Shares (fully diluted)	39.1%	48.3%

* Being the price per New Ordinary Share at which Placing Shares will be issued pursuant to the Placing.

** The statistics above assume a minimum subscription of £9 million and a maximum subscription of £13.2 million before expenses.

SUMMARY

THE FOLLOWING INFORMATION IS EXTRACTED FROM, AND SHOULD BE READ AS AN INTRODUCTION TO AND IN CONJUNCTION WITH, THE FULL TEXT OF THIS DOCUMENT.

INTRODUCTION

The Company has agreed to acquire St. Barbara's entire gold exploration and mining assets in the prospective Meekatharra Belt of Western Australia, subject to Shareholder approval. The total purchase consideration will comprise of A$18 million (£7.56 million) in cash and New Ordinary Shares plus the adoption of environmental bonding requirements of A$2.684 million (£1.12 million). Due to the size of the Acquisition in relation to the Group, the transaction is classified as a "Reverse Takeover" under the AIM Rules, and under the terms of the Sale Agreement, St. Barbara will be receiving New Ordinary Shares equivalent to between 23.1 per cent. and 28.1 per cent. (depending upon the eventual size of the Placing) of the Enlarged Share Capital. Accordingly trading in the Company's Ordinary Shares was suspended on 28 October 2005 pending the publication of this document. Trading in the Ordinary Shares is expected to recommence on 28 December 2005. In accordance with the AIM Rules, the Acquisition is subject to the approval of Shareholders at the Extraordinary General Meeting, details of which are set out below.

DETAILS OF THE ACQUISITION

The Acquisition will comprise the purchase of the following (the "Meekatharra Assets"):

- the 55 per cent. interest held by SBM in the Annean Joint Venture;
- the 3 million tonne per annum Bluebird (Yaloginda) mill and gold processing facility (the "Bluebird Plant"), together with associated plant, offices, warehouses, workshop, vehicles, spare parts, consumables, 215-person camp and tailings dams, located 12 km south of the Meekatharra township within the Annean Joint Venture area. The Bluebird Plant is currently on care and maintenance and has an estimated replacement value of A$29.6 million (£12.4 million);
- approximately 120 granted exploration tenements and 44 tenement applications in the Meekatharra region, bringing Mercator's total holding to 435 granted and pending tenements totalling 1,932 km^2;
- the SBM joint venture interest and benefits (currently 100 per cent. but reducing to potentially 35 per cent.) in the Pollelle joint venture with Elara Mining Limited (subject to Elara's right first of refusal) further details of which are set out in paragraph 11.1.10 of Part VII of this document;
- land and property assets in and around Meekatharra;
- data and intellectual property relating to exploration, mining and ore processing on the Meekatharra Tenements; and
- a six month option to purchase the Annean (167,761 ha), Norie (25,784 ha) and Cullculli (57,890 ha) pastoral leases.

The consideration for the sale is comprised of approximately A$5 million cash, the equivalent of A$13 million in New Ordinary Shares at 50p per New Ordinary Share and the assumption by Mercator Australia of the rehabilitation bonds relating to the Meekatharra Tenements which are A$2.684 million (£1.13 million).

REASONS FOR THE ACQUISITION

The Acquisition will consolidate and enlarge Mercator's holding over the Meekatharra Belt in the Murchison Gold Province, more than double the Company's gold resource base and add significant additional exploration ground to the Yaloginda project area.

Ownership of the Bluebird Plant along with the enlarged resource base is integral to giving the Company the capacity to commence gold production during 2007 should it reach its resource base criteria.

FUND RAISING

The Company is proposing to raise between £9 million and £13.2 million in the Placing, in order to fund the payment of the cash portion of the Acquisition, approximately A$5 million (£2.1 million), to increase exploration activity targeting additional quality resources, to convert resources into reserves and to provide working capital.

Under the Placing the number of New Ordinary Shares to be placed at the price of 50p per New Ordinary Share will be between 18 million and 26.4 million, following the Share Consolidation.

COMPETENT PERSON'S REPORT

Set out in Part IV of this document is a competent person's report on the mineral assets by Snowden.

EXTRAORDINARY GENERAL MEETING

The Extraordinary General Meeting will be held at 11.00 a.m. on 18 January 2006 at the registered office of the Company at Peek House, 3rd Floor, 20 Eastcheap, London EC3M 1EB.

PART I

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 or New 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 or New 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.

The mining industry has recently experienced an increase in the demand for the resources and services it consumes in exploration and mining. Such increased demand may result in an increase to the cost of the Group. The impact of these costs may affect the viability of mining certain tenements.

VOLATILITY OF METAL PRICES

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.

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 Acquisition 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 or 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.

RESERVE AND RESOURCE ESTIMATES

The Company has derived the Mineral Resource figures presented in this document from the calculations and estimates reported in the Competent Person's Report set out in Part IV 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 Mineral Resource 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 tenements which are the subject of the Acquisition.

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.

ROYALTY

There are 8 royalty agreements affecting various of the mining tenements and 2 Native Title agreements which also provide for royalty payments to be made. Further details of these royalties are set out at paragraphs 11.1.13 to 11.1.20 of Part VII of this document.

The various tenements are also subject to a statutory royalty of 2.5% payable to the State Government of Western Australia in accordance with the WA Mining Act. The impact of these royalties will affect the viability of mining certain tenements.

TENEMENTS' PLAINTS AND FINES

Within the Meekatharra Tenements the minimum spending requirements have not been met in relation to certain of the tenements and accordingly these tenements may be exposed to forfeiture by the Mining Minister or third party plaints. Plaints by a third party can result in either the imposition of a fine or an order for forfeiture.

Seventeen of the tenements are the subject of plaints for forfeiture. The outcome of these plaints cannot be guaranteed and there is a risk that one or more of the plainted tenements may be forfeited or that fines will be imposed. In the opinion of the Directors this is a contingent liability.

PROJECT STATUS

The DoIR has indicated that the "project status" which was given to St. Barbara in respect of its tenements by way of a special arrangement (and not in accordance with the process set out in the a WA Mining Act) is of questionable validity and will not be passed on to the Company. This being the case, the Company will have to seek its own group reporting status under the WA Mining Act and will then have to rely on the statutory grounds under section 102 of the WA Mining Act as the basis for any future exemption applications. The Company could use this opportunity to rationalise the tenement grouping for reporting purposes and surrender non-prospective tenements.

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 New 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 New 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 New 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 Group and are not intended to be presented in any assumed order of priority.

Mercator Gold plc

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

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)*

Registered Office:

Peek House
3rd Floor
20 Eastcheap
London EC3M 1EB

To the holders of Ordinary Shares

21 December 2005

Dear Shareholder

PROPOSED ACQUISITION OF ASSETS FROM ST. BARBARA MINES LIMITED
PROPOSED PLACING OF UP TO 26,400,0000 NEW ORDINARY SHARES AT 50P PER SHARE AFTER 1 FOR 10 SHARE CONSOLIDATION
ADMISSION OF THE ENLARGED SHARE CAPITAL TO TRADING ON AIM
NOTICE OF EXTRAORDINARY GENERAL MEETING

On 3 November 2005, the Company announced, further to the announcement on 28 October 2005, the terms of the agreement to acquire St. Barbara's entire gold exploration and mining assets in the prospective Meekatharra Belt of Western Australia, subject to Shareholder approval. The total purchase consideration will comprise of A$18 million (£7.56 million) in cash and New Ordinary Shares plus the adoption of environmental bonding requirements of A$2.684 million (£1.13 million). Due to the size of the Acquisition in relation to the Group, the transaction is classified as a "Reverse Takeover" under the AIM Rules, and under the terms of the Sale Agreement, St. Barbara will be receiving New Ordinary Shares equivalent to between 23.1 per cent. and 28.1 per cent. (depending upon the eventual size of the Placing) of the Enlarged Share Capital. Accordingly trading in the Company's Ordinary Shares was suspended on 28 October 2005 pending the publication of this document. Trading in the Ordinary Shares is expected to recommence on 28 December 2005. In accordance with the AIM Rules, the Acquisition is subject to the approval of Shareholders at the Extraordinary General Meeting, details of which are set out below.

The Directors believe that the Acquisition will consolidate Mercator's position within the Murchison Gold Province and has the potential to transform the Company from explorer to producer by providing ownership of the Meekatharra Tenements and infrastructure required to commence significant gold production.

The Acquisition will comprise the purchase of the following (the "Meekatharra Assets"):

- the 55 per cent. interest held by SBM in the Annean Joint Venture;
- the 3 million tonne per annum Bluebird (Yaloginda) mill and gold processing facility (the "Bluebird Plant"), together with associated plant, offices, warehouses, workshop, vehicles, spare parts, consumables, 215-person camp and tailings dams, located 12 km south of the Meekatharra township within the Annean Joint Venture area. The Bluebird Plant is currently on care and maintenance and has an estimated replacement value of A$29.6 million (£12.4 million);

- approximately 120 granted exploration tenements and 44 tenement applications in the Meekatharra region, bringing Mercator's total holding to 435 granted and pending tenements totalling 1,932 km^2;
- the SBM joint venture interest and benefits (currently 100 per cent. but reducing to potentially 35 per cent.) in the Pollelle joint venture with Elara Mining Limited (subject to Elara's right of first refusal) further details of which are set out in paragraph 11.1.10 of Part VII of this document;
- land and property assets in and around Meekatharra;
- data and intellectual property relating to exploration, mining and ore processing on the Meekatharra Tenements; and
- a six month option to purchase the Annean (167,761 ha), Norie (25,784 ha) and Cullculli (57,890 ha) pastoral leases.

Application will be made for the Enlarged Share Capital to be admitted to trading on AIM, subject to the Resolutions being passed by Shareholders at the Extraordinary General Meeting. It is expected that Admission will become effective and that trading in the Enlarged Share Capital on AIM will commence on 20 January 2006.

The purpose of this letter is to provide Shareholders with, *inter alia*, the background to the Acquisition and the Placing and seek their approval of the Acquisition at the EGM.

BACKGROUND TO AND REASONS FOR THE ACQUISITION

The Acquisition will consolidate and enlarge Mercator's holding over the Meekatharra Belt in the Murchison Gold Province, more than double the Company's gold resource base and add significant additional exploration ground to the Yaloginda project area.

Ownership of the Bluebird Plant along with the enlarged resource base is integral to giving the Company the capacity to commence gold production during 2007 should it reach its resource base criteria.

The Meekatharra Tenements have total gold resources of 1.94 million ounces in indicated and inferred categories which require geological input and drilling to convert to mineable ounces.

The enlarged tenement package gives Mercator the largest land holding in the Murchison Gold Province. In addition to the Meekatharra Tenements, the Company is acquiring the rights to a number of miscellaneous and general purpose licenses providing access, water, waste dump and tailings dam rights.

The Bluebird Plant has a capacity of 3 million tonnes per annum of oxide ore, dependent on ore hardness and leach residence time required. It has a standard layout with single stage crushing, open stockpile, SAG and ball milling, emergency feed, pebble/scats reject conveyors, leach and adsorption, elution, gold recovery, reagents, tailings and services areas. The Bluebird Plant's flexible configuration allows for the treatment of different ore types and throughput rates.

The Bluebird Plant and associated infrastructure located 12 km from Meekatharra could be re-commissioned at a relatively low cost as and when the Group commences mining operations. In the Directors' opinion, a large production facility with no attached debt should significantly lower the total operating costs associated with the treatment of gold-bearing ores.

Mercator considers that the replacement cost of the Bluebird Plant and associated infrastructure, including a 215-person camp, would be approximately A$29.6 million (£12.4 million).

SUMMARY OF THE ACQUISITION AGREEMENT

By an agreement dated 28 October 2005 between St. Barbara, the Company and Mercator Australia, Mercator Australia agreed to purchase the Meekatharra Assets. The consideration for the sale is comprised of approximately A$5 million cash, the equivalent of A$13 million in New Ordinary Shares at 50p per New Ordinary Share in the Company and the assumption by Mercator Australia of the rehabilitation bonds relating to the Meekatharra Tenements which are A$2.684 million. The sale was subject to Foreign Investment Review Board ("FIRB") approval, Shareholder approval being obtained by the Company no later than 28 February 2006, the completion of a minimum capital raising of £8 million by the Company no later than 28 February 2006 and ministerial approval under the WA Mining Act being obtained within 90 days of 28 October 2005. Ministerial approval and FIRB approval have now been obtained.

A deposit of A$250,000 was paid upon execution of the Sale Agreement and completion is scheduled to occur no later than 31 January 2006 but, if the only outstanding condition requiring satisfaction as at 31 January 2006

is Shareholder approval, Mercator Australia may extend the completion date to 28 February 2006 by paying a non-refundable amount of A$500,000 (which will be deducted from the balance of the consideration).

Under the Sale Agreement Mercator has also been granted an option to purchase St. Barbara's 3 pastoral leases for a consideration of A$1 million. If the option is not exercised within 6 months of completion of the Sale Agreement it will lapse. If the option is exercised the sale will be subject to the right of first refusal of the party to whom the 3 pastoral leases have been subleased. The Sublease Agreement is summarised at paragraph 11.1.23 of Part VII of this document.

St. Barbara has warranted in the Sale Agreement that it is not aware of any material breach by it of any third party agreements. The definition of third party agreements captures any agreements that relate to the Meekatharra Assets. This warranty will therefore apply to any of the material contracts summarised in Part VII of this document to which St. Barbara is, or has become, a party.

In the event that Elara matches the A$2 million being paid for the interests in the Pollelle joint venture (as referred to above), this sum (subject to any deductions for tax payable in this regard by St. Barbara) will be deducted from the cash consideration payable under the Sale Agreement.

FUND RAISING

The Placing

Pursuant to the Placing, the Company is proposing to raise between £9 million and £13.2 million in the Placing, in order to fund the payment of the cash portion of the Acquisition, approximately A$5 million (£2.1 million), to increase exploration activity targeting additional quality resources, to convert resources into reserves and to provide working capital.

The Placing is conditional, *inter alia*, on the passing of the Resolutions at the EGM, Admission becoming effective and the Placing Agreement becoming unconditional in all other respects not later than 8.00 a.m. on 20 January 2006 or such later date as the Company, Loeb Aron, Beaumont Cornish and the Joint Brokers may agree (being not later than 8.00 a.m. on 28 February 2006). It is expected that Admission will become effective on 20 January 2006.

The Placing Shares to be issued pursuant to the Placing will, following allotment, rank *pari passu* in all respects with the New Ordinary Shares including the right to receive all dividends and other distributions declared, made or paid after the date of their issue. The Placing Shares to be issued pursuant to the Placing will be created in accordance with the Act and will be in registered form.

Further details of the Placing Agreement are set out in paragraph 11.1.27 of Part VII of this document.

The Acquisition will result in SBM holding between 23.1 per cent. and 28.1 per cent. of the Enlarged Share Capital of Mercator. This recognises SBM's desire to maintain an interest in the prospective Meekatharra Tenements.

Issue of Convertible Loan Notes

Pursuant to the Convertible Loan Notes Placing, on 14 December 2005 the Company issued £1,000,000 of Convertible Loan Notes. The Convertible Loan Notes have a term of two years from the date of issue and have a face value of £5,000 each. The interest rate is 9.25 per cent. and is paid quarterly. The Convertible Loan Notes are convertible after the first anniversary of this issue, at the holder's election, into fully paid 1p Ordinary Shares at the equivalent of 6p per share (or, fully paid 10p New Ordinary Shares following the Share Consolidation at 60p per share). The Convertible Loan Notes are to be repaid in cash plus any accrued interest on the second anniversary of their issue. The terms of the Convertible Loan Notes are set out in paragraph 4.3 of Part VII of this document.

Use of Proceeds

The Company proposes to raise between £10 million and £14.2 million under the Placing and including the issue of the Convertible Loan Notes. The expenses of the Acquisition, the Placing and the Admission are estimated to be between £864,000 and £1,115,000 (depending upon the eventual size of the Placing). The net proceeds will be used to fund the cash consideration of approximately A$5 million (£2.1 million) for the Acquisition, to replace existing environmental bonds of A$2.684 million (£1.13 million), with the remainder to fund the pre-production exploration programme and provide general working capital.

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 16 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 investment in the business of gold mining in Australia and the attention of prospective investors is drawn to the Risk Factors set out in Part I 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 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 VI of this document, are £16.7 million, assuming a minimum subscription to the Placing of £9 million.

Your attention is drawn to the historical financial information on the Group which is set out in Part V of this document.

DETAILS OF THE SHARE CONSOLIDATION

At the Extraordinary General Meeting it is intended to propose a resolution consolidating the entire issued and the authorised but unissued Ordinary Shares of 1p each into New Ordinary Shares of 10p each in the capital of the Company on the basis of every 10 Ordinary Shares being consolidated into one New Ordinary Share. Full details of this resolution are set out in the notice of Extraordinary General Meeting.

EXTRAORDINARY GENERAL MEETING OF THE SHAREHOLDERS

A notice is set out at the end of this document convening an Extraordinary General Meeting of the Company to be held at the offices of the Company at Peek House, 3rd Floor 20 Eastcheap, London EC3M 1EB at 11.00 a.m. on 18 January 2006. At the Extraordinary General Meeting, the following Resolutions will be proposed:

(a) THAT the Acquisition be approved;

(b) THAT the issued and authorised but unissued Ordinary Shares of 1p each be consolidated on the basis of 10 Ordinary Shares into 1 New Ordinary Share of 10p each;

(c) THAT the authorised share capital of the Company be increased from £9,000,000 to £20,000,000 by the creation of 110,000,000 New Ordinary Shares of 10p each;

(d) THAT the directors of the Company be generally and unconditionally authorised pursuant to section 80 (1) of the Act to exercise all and any powers of the Company to allot relevant securities (as defined in section 80(2) of the Act) up to an aggregate nominal amount equal to £20,000,000. The authority will expire (unless previously renewed, varied, or revoked by the Company in general meeting) at the earlier of the conclusion of the annual general meeting of the Company next following the passing of the resolution and 15 months from the date of the resolution. The Company will be able, at any time prior to the expiry of the authority, to make an offer or agreement which would or might require relevant securities to be allotted after expiry of the authority and the directors of the Company will be able to allot relevant securities in pursuance of such an offer or agreement as if the authority had not expired; and

(e) THAT the Directors be granted Executive Share Options over the following number of New Ordinary Shares on Completion of the Acquisition, such Executive Share Options to be exercisable at 60p per share for a period of 10 years from the date of issue:

Terrence Strapp	400,000
Patrick Harford	200,000
Michael de Villiers	125,000
Dr Julian Vearncombe	125,000
Nick Allen	75,000
Michael Elias	75,000

(f) conditionally on Admission, the directors of the Company be given power pursuant to section 95(1) of the Act (with such power expiring at the same time as the authority referred to in the above paragraph (the

"Proposed Section 80 Authority")) to allot equity securities (as defined in section 94(2) of the Act) for cash pursuant to the Proposed Section 80 Authority as if section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited:

(i) to the allotment of equity securities in connection with a rights issue, open offer or otherwise in favour of the holders of equity securities in proportion to their respective holdings of such securities but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with legal or practical problems in respect of overseas holders, fractional entitlements or otherwise;

(ii) the allotment of equity securities pursuant to the Placing;

(iii) the allotment of equity securities pursuant to the Acquisition;

(iv) the allotment of equity securities pursuant to the issue of the Convertible Loan Notes; and

(v) the allotment (otherwise than pursuant to paragraphs (i) to (iv) above (inclusive)) for cash of equity securities up to an aggregate nominal amount of £2,200,000.

ACTION TO BE TAKEN

Form of Proxy

A Shareholders' Form of Proxy is enclosed for use by Shareholders at the Extraordinary General Meeting. Whether or not you intend to be present in person at the Extraordinary General Meeting, you are urged to complete, sign and return the Form of Proxy by post or by hand to your Company's Registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU as soon as possible but in any event so as to arrive no later than 11.00 a.m. on 16 January 2006. Accordingly, whether or not you intend to attend the Extraordinary General Meeting in person, you are urged to complete and return the Form of Proxy as soon as possible.

FURTHER INFORMATION

Your attention is also drawn to the information contained in Parts I and III to VII of this Document, and in particular to the Risk Factors in Part I of this document

RECOMMENDATION

The Directors, who have been advised by Beaumont Cornish, believe that the Acquisition is in the best interests of the Company and Shareholders as a whole and unanimously recommend you to vote in favour of the Resolutions to be proposed at the Extraordinary General Meeting. A notice is set out at the end of this document convening an Extraordinary General Meeting of the Company to be held at the offices of the Company at Peek House, 3rd Floor, 20 Eastcheap, London EC3M 1EB at 11.00 a.m. on 18 January 2006.

Each of the Directors who is a Shareholder intends to vote in favour of the Resolutions in respect of their own beneficial and non-beneficial shareholdings, together being 21,670,100 Ordinary Shares, representing in aggregate 21.75 per cent. of the Company's issued share capital as at the date of this document.

In providing advice to the Directors, Beaumont Cornish has relied upon information supplied by the Directors and the Directors' commercial assessments.

Yours faithfully

Terrence Strapp
Chairman

PART III

INFORMATION ON THE GROUP

INTRODUCTION

The Company is a resources company whose shares were admitted to trading on AIM, a market operated by the London Stock Exchange in October 2004. In October 2005, Mercator announced that it would acquire St. Barbara's gold exploration and mining assets in the Meekatharra area of Western Australia. Mercator is now seeking re-admission to AIM and undertaking the Placing.

LOCATION AND BACKGROUND

The Acquisition has the potential to transform the company from an explorer to a gold producer. Upon completion of the Acquisition, Mercator's mineral portfolio in the Meekatharra area will comprise a 100 per cent. interest in its Annean Joint Venture tenements; a 100 per cent. interest in the 3 million tonne per annum Bluebird gold processing facility and associated infrastructure, a 100 per cent. interest in St. Barbara's wholly-owned tenements along with St. Barbara's various joint venture interests and royalties, and land and property assets in the Meekatharra area including an option on several pastoral leases.

The Company's project areas will form a discontinuous tenement package over an area of approximately 1,932 km^2 and extending over a distance of some 200 km of the Meekatharra greenstone belt and peripheral Archaean granites.

The Meekatharra belt is prodigiously mineralised hosting several historically significant gold deposits, most notably the Gibraltar, Great Northern Highway, Bluebird-South Junction and Reedy mines, in addition to the deposits of the Paddys Flat area. Whilst the Meekatharra area has previously been extensively explored and exploited, Mercator's strategy is to identify and develop geologically driven conceptual targets considered prospective for high grade gold deposits capable of producing at least half a million ounces of gold.

Based on work completed to date, the Company has identified six key project areas, where it plans to initially focus the majority of its exploration. These key projects are the Yaloginda, Paddys Flat, Meekatharra North, Reedy, Nannine and Stakewell projects. The remaining project areas are considered by Mercator to represent regional targets at an early stage of assessment.

The Yaloginda project comprises a coherent tenement holding centred over the former Gibraltar, Bluebird, South Junction and Great Northern Highway gold mines. Despite these tenements having previously been explored on an almost continuous basis since the discovery of gold mineralisation in the Meekatharra area in the 1890s, recent exploration has highlighted the high-grade gold potential of the Surprise, Bluebird and South Junction mines, as well as the depth extents beneath the former Great Northern Highway open pit. The gold mineralisation within these former mines is generally associated with shear structures, which commonly have been intruded by granitoid and felsic porphyry.

On-going exploration and assessment programmes at Surprise and Bluebird-South Junction are planned by Mercator and will involve increasing the currently defined resource with a view towards expanding the Bluebird pit to encompass the Bluebird North, Bluebird and South Junction deposits. In addition, Mercator proposes to conduct further exploration over the Great Northern Highway deposit, some 300 m to the east of the Bluebird processing plant, to locate high grade gold zones at depth and peripheral to the established workings.

Outside of the main resource targets at Surprise, Bluebird, South Junction and Great Northern Highway, the Company plans to further assess the former Ascot open pit and the Ascot West prospect, as well as the Lukes Junction and Hawk Hill prospects where previous exploration results have been encouraging.

The Paddys Flat project area is centred over the Meekatharra township, some 12 km northeast of the Bluebird processing plant. The project area overlies the historic Paddys Flat mining centre which comprises three north-northeast trending lines of gold workings which have been worked on a semicontinuous basis since the turn of the last century. Gold mineralisation at Paddys Flat is contained along steeply-dipping zones of shearing and faulting between felsic porphyry intrusives and ultramafic-mafic volcanic and intrusive rocks. As part of its initial exploration strategy for the Paddys Flat project area, the Company plans to undertake a compilation of the available technical data in conjunction with geological mapping and sampling. A detailed analysis of the gold

distribution throughout the project will then be carried out using SpaDIS™ and other conventional software packages to highlight targets with the potential to host in excess of half a million ounces of gold.

The Company's Meekatharra North project area lies immediately adjacent and to the north of the Paddys Flat mining centre along north-northeasterly trending structures which continue into the Meekatharra North project area. The project area is considered to be prospective for large tonnage, low grade oxide gold mineralisation associated with two laterally extensive RAB and aircore gold geochemical anomalies along the northeastern extensions of Meekatharra greenstone belt concealed by variable thicknesses of alluvial cover. This cover has impeded the effectiveness of previous exploration with most work restricted to areas of outcrop along the southern margins of the project area. Recent drilling has confirmed and extended the Maid Marion and Nottingham gold geochemical anomalies, which require further investigation.

The Reedy project tenements are located approximately 40 km south-southwest of Meekatharra along the Mt. Magnet-Meekatharra shear zone. The project area hosts a large number of historic gold occurrences, including the significant former South Emu, Triton, Rand, North Rand, Boomerang, Central and Kurara open pit and underground gold mines among several other smaller mines. Collectively, the mines have a reported past production of over 650,000 ounces of gold. The gold mineralisation within the Reedy project area is structurally controlled, mainly associated with stockwork quartz veining within mafic host rocks, BIF and acid porphyry intrusions.

The Company's assessment of the Reedy project area is planned to initially focus on the compilation, interpretation and analysis of the available geophysical, geochemical and geological data with follow-up geological and structural mapping and geochemical sampling. Pit mapping will also be carried out, with the aim of establishing the controls to the mineralisation and locating zones of high grade gold mineralisation. Subject to the results of these investigations, targeted RC drilling will be carried out.

The Nannine project area lies adjacent to the historically significant Nannine gold field, which hosts the Aladdin, Bailey Island, Caledonian and Nannine Reef gold deposits. The project area is dominated by rocks within and to the immediate east of the Mt. Magnet-Meekatharra shear zone. These rocks have been intruded by the Norie Pluton, which is spatially associated with gold occurrences elsewhere in the Meekatharra Tenements. Exploration over much of the project area has been hampered by the presence of Lake Annean and associated sedimentary cover. The Company has completed initial mapping of the main open pits, however further data validation and interpretation is required in order to prioritise drill targets. Further evaluation of the mine workings is planned to determine whether the currently defined mineralisation could be upgraded to Mercator's minimum criteria of at least half a million ounces of gold.

Mercator's Stakewell project area lies immediately west of the historic Reedy mining centre and includes the former Kohinoor gold mine, in addition to several other gold occurrences. The project area is situated on the western edge of a granitoid body and predominantly covers mafic and ultramafic rocks intercalated with BIF. Mercator has identified an advanced exploration target at the Stakewell Flats prospect, which lies 1 km east of the former Kohinoor mine where recent drilling has encountered narrow zones of moderate grade (3-6g/t Au) gold mineralisation associated with quartz veining beneath small historic workings. Further work is required to determine the source of this mineralisation. Elsewhere, recent geochemical sampling has highlighted a number of gold anomalies associated with northwest trending quartz veins in BIF. Snowden considers that these provide valid exploration targets for BIF-hosted and structurally controlled gold mineralisation.

Outside of its key exploration projects, Mercator holds an extensive regional tenement portfolio, which is predominantly located peripheral to the Mt. Magnet-Meekatharra shear system. The most prospective of these regional tenements is the Polelle project, where previous drilling has identified several blind gold prospects, including Mulla Mulla, which lies 7 km south of the Bluebird processing facility, and the Kanji and Miniritchie prospects, which are extensive gold geochemical anomalies at the early stage of assessment.

Mercator's exploration strategy in the Meekatharra district will be underpinned by the presence of its wholly-owned Bluebird processing facility. This infrastructure provides Mercator with a significant opportunity to rapidly develop a number of gold deposits within its Meekatharra Tenements. As part of its due diligence for the Acquisition, Dalesford Pty Ltd ("Dalesford") was commissioned to undertake an estimate of the value of the Bluebird processing facility and associated infrastructure. Dalesford concluded that the Bluebird plant was complete and in reasonable to good condition having been properly managed under a care and maintenance regime. In Dalesford's opinion, the cost to refurbish the Bluebird processing plant and infrastructure was in the range A$1.56 million to A$4.83 million. The replacement value of the plant was estimated at A$29.6 million while

its estimated salvage value was put at A$2.15 million. Dalesford noted that its estimated replacement value for the Bluebird facility is within an accuracy of ±30 per cent.

In line with Mercator's stated objective of commencing gold production at Meekatharra by 2007, recent resource evaluation drilling within the Yaloginda, Paddys Flat and Reedy projects has defined gold resources totalling 1.94 Moz. The Mineral Resource estimates for the respective deposits as reported by Cube Consulting Pty Ltd ("Cube") is summarised in the following table:

Summary of Mineral Resources (after Cube, 2004 & 2005)

		Indicated			Inferred			Total		
Project	**Deposit**	**Tonnes (kt)**	**Grade (g/t Au)**	**Ounces**	**Tonnes (kt)**	**Grade (g/t Au)**	**Ounces**	**Tonnes (kt)**	**Grade (g/t Au)**	**Ounces**
Yaloginda	Bluebird high grade	446	4.4	64,000	1,252	4.5	180,000	1,698	4.5	244,000
	Bluebird low grade	1,617	0.8	42,000	1,966	0.6	40,000	3,583	0.7	82,000
	Surprise	1,220	0.9	34,000	2,965	1.1	107,000	4,185	1.0	141,000
	Sub total	**3,283**	**1.3**	**140,000**	**6,183**	**1.6**	**327,000**	**9,466**	**1.5**	**467,000**
Paddys Flat	Prohibition	1,435	4.1	188,000	917	2.8	82,000	2,352	3.6	270,000
	Vivian-Consols	848	7.3	199,000	137	7.9	35,000	985	7.4	234,000
	Mickey Doolan	12,375	1.0	396,000	7,119	0.9	213,000	19,494	1.0	609,000
	Golden Bar	379	1.4	17,000	50	1.1	2,000	429	1.4	19,000
	Sub total	**15,037**	**1.7**	**800,000**	**8,223**	**1.3**	**332,000**	**23,260**	**1.5**	**1,132,000**
Reedy	South Emu	618	3.4	68,000	100	3.0	10,000	718	4.5	78,000
	Rand	891	1.9	55,000	1,458	2.7	125,000	2,349	2.4	180,000
	Jack Ryan	534	2.1	36,000	846	1.7	47,000	1,380	1.9	83,000
	Sub total	**2,043**	**2.4**	**159,000**	**2,404**	**2.4**	**182,000**	**4,447**	**2.4**	**341,000**
	Total	**20,363**	**1.7**	**1,099,000**	**16,810**	**1.6**	**841,000**	**37,173**	**1.6**	**1,940,000**

Note: The resource estimates and classification have been reported by Cube in accordance with the JORC Code (2004).

TRADING AND FUTURE PROSPECTS

Since the Company was admitted to trading on AIM in October 2004, it has concentrated on the exploration programme under the Annean Joint Venture. The Directors believe that the Acquisition will consolidate Mercator's position within the Murchison Gold Province and has the potential to transform the Company from explorer to producer by providing ownership of mining tenements and infrastructure required to commence significant gold production.

Under the Placing the Company proposes to raise funds to continue the exploration and evaluation of the existing and new tenements being acquired with the objective of commencing production during 2007, should sufficient reserves be identified.

MERCATOR'S HISTORIC TRADING RECORD, FINANCING AND FINANCIAL EFFECTS OF THE ACQUISITION AND PLACING

Historic Trading record

The historical financial information on the Group for the period from 22 March 2004 to 30 June 2005 is set out in Part V of this Document.

Liquidity

The Group's liquidity and capital resources have been provided principally through cash generated from subscriptions for Ordinary Shares (including the exercise of warrants) and the issue of convertible loan notes.

Borrowings

On Admission, the Group will have no borrowings other than the Convertible Loan Notes.

Financial Effects

Set out in Part VI of this document is a pro forma statement of the net assets of the Group.

DIRECTORS AND EMPLOYEES

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 respected in the evaluation of ore deposit geology and have been members of gold exploration teams within Australia and internationally.

The Directors

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

Terrence John Strapp *– Non-Executive Chairman (aged 61)*

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 53)*

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.

Michael John de Villiers B.Comm CPA (SA) *– Finance Director (aged 42)*

Michael de Villiers was appointed as a Director and as Finance Director on 22 March 2004. He qualified as a Certified Public Accountant with Ernst & Young in Cape Town and gained some fifteen 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 50)*

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 69)*

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 Consolidated African Selection Trust and the De Beers industrial diamond distributors, D. Drukker & Zn.

Michael Elias BSc (Hons) *– Non-Executive Director (aged 54)*

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.

Senior Management

Dr Susan Vearncombe BSocSci, MSc (Hons), PhD, MAIG, RPGeo. *– General Manager Geology*

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 immediate-past Chairperson of the Western Australia branch of the Australian Institute of Geoscientists (AIG) and an AIG Federal Councillor. She resigned as a Director of Mercator on 2 December 2005.

Employees

The average number of employees employed by the Group during the period covered by the historical financial information on the Group set out in Part V of this document is 13.

CORPORATE GOVERNANCE AND FINANCIAL CONTROL

The Board supports the underlying principles of corporate governance contained in the Combined Code, notwithstanding that, as its securities are not listed on the Official List, it is not required to comply with such recommendations. It has sought to comply with the provisions of the Combined Code, insofar as is practicable and appropriate for a public company of its size and nature, and recognises its overall responsibility for the Company's systems of internal control and for monitoring their effectiveness.

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

The Company has established an Audit Committee and a Remuneration Committee, each with formally delegated duties and responsibilities.

The Audit Committee comprises Terrence Strapp as its Chairman and Nick Allen, with Michael de Villiers as an adviser to the committee. The committee meets twice a year and at any other time when it is considered appropriate to consider and discuss audit and accounting related issues. The committee makes recommendations on the appointment of the auditors and the audit fees, is responsible for ensuring the financial performance of the Company is properly monitored and reported on and receives and reviews reports from management and auditors relating to the interim reports, the annual report and accounts and internal control systems of the Company. The committee has the opportunity to meet the auditors without executive Board members being present.

The Remuneration Committee comprises Nick Allen as Chairman and Michael Elias. The committee meets 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 are set by the Board.

The Company will comply with Rule 21 of the AIM Rules relating to dealings in its shares and will ensure compliance by the 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 Group's operations, its financial position, cash requirements, prospects, profits available for distribution and other factors deemed to be relevant at the time.

The Company has not paid any dividends to shareholders since its incorporation.

RESTRICTIONS ON SHARE DEALING

Other than the lock-in arrangements, referred to below, which apply to the Ordinary Shares 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

Existing Arrangements

At the time of the Company's initial admission to AIM a number of lock-in and orderly market arrangements were in place in respect of the shareholdings of the directors at that time, their related parties and certain substantial shareholders (in each case as those terms are defined in the AIM Rules). Save as set out below, all of these arrangements have been superceded by the lock-in agreement described below under "New Arrangements" and in paragraph 11.1.28 of Part VII of this document. The remaining arrangements are as follows:

(i) by way of an agreement dated 1 October 2005, Loeb Aron agreed with the Company and Beaumont Cornish that, from 8 October 2004 until 7 October 2006, it would not dispose of any Ordinary Shares, or Share Options that it held at 8 October 2004, and any Ordinary Shares it might purchase in during the period 8 October 2004 until 7 October 2006 except with the consent of Beaumont Cornish and King & Shaxson, with a view to ensuring an orderly market in the Company's shares; and

(ii) by way of an agreement dated 1 October 2005, Paul Loudon, a former director of the Company agreed with the Company and Beaumont Cornish that for a period of 12 months from the date of the Company's initial admission to AIM he would not dispose of any Ordinary Shares that he held as at that date, or any Ordinary Shares that he might purchase or otherwise acquire during that period and that for a further period of twelve months would only do so with the consent of Beaumont Cornish and King & Shaxson, with a view to ensuring an orderly market in the Company's shares.

New Arrangements

Pursuant to the AIM Rules, the Directors and their related parties have agreed that prior to Admission they will sign an agreement not to dispose of any New Ordinary Shares held by them at Admission for a period of 12 months from the date of Admission. In addition, they have agreed not to dispose of such New Ordinary Shares for a further period of 12 months thereafter except without the consent of Beaumont Cornish and the Joint Brokers, with a view to ensuring an orderly market in the Company's shares. They Directors have also agreed not to dispose of any New Ordinary Shares that they may purchase in the 24 month period following Admission except with the consent of Beaumont Cornish and the Joint Brokers, with a view to ensuring an orderly market in the Company's shares. The Admission is conditional upon this agreement being executed.

St. Barbara have, pursuant to the terms of the Acquisition Agreement agreed to a voluntary escrow in relation to the Acquisition Shares for a period of 12 months from Admission, although following the lapse of 6 months from Admission St. Barbara may request that this restriction may be terminated and the Company has agreed that it will not unreasonably withhold its consent to such a request.

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 Articles permit the Company to issue shares in un-certificated form in accordance with the CREST Regulations 2001.

The New Ordinary Shares will be admitted to CREST. Accordingly, settlement of transactions in the New Ordinary Shares following Admission may take place within the CREST system if the relevant shareholders so wish.

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

WARRANTS AND SHARE OPTIONS

The Company has outstanding at the date of this document the Mercator Warrants which entitle holders to subscribe for up to 15,310,000 Ordinary Shares, Options in respect of 26,750,000 Ordinary Shares and the New Adviser Warrants in respect of between 320,000 and 446,000 New Ordinary Shares. Assuming the Mercator Warrants, Options and the New Adviser Warrants are exercised in full, these will represent between 8.9 per cent. and 10.4 per cent. of the Company's then enlarged issued ordinary share capital.

The outstanding Mercator Warrants comprise:

- the 10p Warrants to subscribe for up to 12,510,000 Ordinary Shares at the price of 10p per share at any time up to 7 November 2006;
- the Loeb Aron Warrant to subscribe for up to 2,300,000 Ordinary Shares at the price of 6p per share at any time up to 7 October 2007;
- the Beaumont Cornish Warrant to subscribe for up to 250,000 Ordinary Shares at the price of 8p per share at any time up to 7 October 2007; and
- the King & Shaxson Warrant to subscribe for up to 250,000 Ordinary Shares at the price of 8p per share at any time up to 7 October 2007.

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 6.6 of Part VII of this document.

No application has been made or is being made for any of the Mercator Warrants 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 Ordinary Shares, exerciseable at 8p per share were granted to the vendors of Mercator Australia. The Share Options can be exercised at anytime up to 7 October 2009.

The Company has established the Share Option Scheme for the benefit of Directors and employees of the Group pursuant to which Executive Share Options have been granted to subscribe for up to 6,750,000 Ordinary Shares. At the Extraordinary General Meeting, a resolution has been tabled to grant to the Directors further Executive Share Options as set out on page 14 of this document.

The Mercator Warrants and the Options will be adjusted following the Share Consolidation so that they will continue to represent 29.7 per cent. of the Company's then enlarged issued New Ordinary Share Capital before the issue of the Acquisition Shares and the Placing Shares.

PART IV

COMPETENT PERSON'S REPORT

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14 December 2005

The Directors
Mercator Gold plc
Peek House
3rd Floor, 20 Eastcheap
London EC3M 1EB

The Directors
Beaumont Cornish Limited
10-12 Copthall Avenue
London EC2R 7DE

Dear Sirs

COMPETENT PERSON'S REPORT ON THE MINERAL ASSETS OF MERCATOR GOLD PLC

At your request (agreement dated 17 November 2005) Snowden Mining Industry Consultants Pty Ltd ("Snowden") has prepared a Competent Persons' Report on the Mineral Assets of Mercator Gold plc ("Mercator"). It is our understanding that this report will be included in its entirety in a Re-admission Document for the Alternative Investment Market ("AIM") of the London Stock Exchange ("LSE") following Mercator's recent acquisition of St Barbara Mines Ltd's ("St Barbara") former Meekatharra gold mining operations and associated mineral tenement holdings in the Murchison region of Western Australia.

The objective of this report is to: (1) confirm the veracity of the available technical information; (2) to comment on the exploration potential of the project areas, and (3) to consider the appropriateness of the work programmes and budget proposed by Mercator.

Snowden has based its assessment of Mercator's Meekatharra tenements on detailed discussions with the management of Mercator and its consultants, and on a review of technical information compiled by Mercator, previous tenement holders and the Western Australian Department of Industry and Resources ("DoIR"), as well as published technical documents and various company reports. A listing of the documents referenced is provided at the end of this report. Consents have been sought from Mercator's consultants to include technical information and opinions expressed by them. None of the other entities referred to in this report have consented to their inclusion in this report and have only been referred to in the context of reporting material fact. Snowden accepts responsibility for its report in accordance with the AIM Rules.

Snowden did not undertake site visits to Mercator's Meekatharra tenements however, Snowden is familiar with the projects having previously conducted several reviews of St Barbara's former mining operation including for Mercator's Admission Document in 2004.

Snowden has based its findings upon information known to us as at 30 November 2005 and has satisfied itself that all material information in the possession of Mercator and its consultants has been fully disclosed to Snowden. Mercator has agreed to indemnify Snowden from any liability arising from its reliance upon information provided or from information not provided. A draft version of this report was provided to the directors of Mercator for comment in respect of omission and factual accuracy.

Snowden has prepared this report on the understanding that all of Mercator's granted mineral tenements are currently in good standing and that there is no cause to doubt the eventual granting of any applications. Snowden has not attempted to establish the legal status of the tenements with respect to ownership, Native Title claims or

potential environmental and access restrictions and is not qualified to make legal representations in this regard. Rather we have relied upon information provided by Mercator and on independent tenement searches undertaken through the TENGRAPH system of the DoIR. It is our understanding that the current ownership status and standing of the tenements has been the subject of independent legal verification.

The proposed exploration programmes developed by the management of Mercator and reviewed by Snowden have been designed to realise the potential of the project in a prudent and efficient manner. Mercator's planned commitment of A$10.63 million to the exploration and evaluation of the project represents approximately 45% of the funds proposed to be raised after costs of the issue and administration, with the remainder used to fund the acquisition. Snowden has been advised by Mercator that these amounts are sufficient to meet Mercator's minimum expenditure obligations for each tenement as specified by DoIR.

Based on Snowden's assessment of Mercator's Meekatharra projects it is our opinion that it is of merit and that the evaluation programmes proposed have been carefully conceived and costed.

This report has been prepared by Mr Jeames McKibben (Consultant) and reviewed by Mr Philip Retter (Divisional Manager Corporate Services) of Snowden's Perth office in accordance with the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Experts Reports ("the VALMIN Code") and Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ("the JORC Code").

Snowden is 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, with its principal office at 87 Colin Street, West Perth, Western Australia, also operates from offices in Brisbane, Johannesburg, Vancouver and London has prepared independent technical reports and valuations on a variety of mineral commodities in many countries.

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 report. Snowden is remunerated for this report by way of a professional fee determined in accordance to a standard schedule of rates which is not contingent on the outcome of this report.

Snowden has given and has not before lodgement of Mercator's Re-admission Document withdrawn its written consent to being named as author of this report and to the inclusion of this in its Re-admission Document.

Yours faithfully

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

Mr P C Retter *BAppSc (Hons), MAIG*
Divisional Manager – Corporate Services

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

LIST OF APPENDICES

1.0 SUMMARY

Mercator Gold plc ("Mercator") is a resources company which listed on the AIM in October 2004. In November 2005, Mercator announced that it had acquired St Barbara Mines Limited's ("St Barbara") gold exploration and mining assets in the Meekatharra area of Western Australia. Mercator is now seeking re-admission to AIM in order to fund the future assessment of this project.

Mercator's acquisition has the potential to transform the company from an explorer to a gold producer. Upon completion of the acquisition of these mineral assets, Mercator's mineral portfolio in the Meekatharra area will comprise a 100% interest in its Annean joint venture tenements; a 100% interest in the 3 million tonne per annum ("Mtpa") Bluebird gold processing facility and associated infrastructure, a 100% interest in St Barbara's wholly-owned tenements along with St Barbara's various joint venture interests and land and property assets in the Meekatharra area including an option on several pastoral leases.

Mercator's project areas will form a discontinuous tenement package over an area of approximately 1,932 km^2 and extending over a distance of some 200 km of the Meekatharra greenstone belt and peripheral Archaean granites. The Meekatharra greenstone belt is of Archaean age and consists of a bimodal volcanosedimentary sequence of mafic-ultramafic lavas and volcaniclastic units which are overlain predominantly by felsic volcaniclastic, sedimentary and jasperlitic banded iron formation ("BIF") units. These units have been subjected to greenschist to lower amphibolite facies metamorphism, deformed by polyphase folding, shearing and faulting, and intruded by dolerites, quartz feldspar porphyries and several large, post-tectonic granitoid bodies. This has resulted in a strong northeast trending fabric, paralleled by the regional-scale Mt Magnet-Meekatharra shear system, which is an anastomosing network of faults and shears intimately associated with the gold mineralisation of the region. Much of the Meekatharra belt is concealed beneath extensive alluvial and regolith cover.

The Meekatharra belt is prodigiously mineralised hosting several historically significant gold deposits, most notably the Gibraltar, Great Northern Highway, Bluebird, South Junction and Reedy mines, in addition to the deposits of the Paddys Flat area. Whilst the Meekatharra area has previously been extensively explored and exploited, Mercator's strategy is to identify and develop geologically-driven conceptual targets considered prospective for high-grade gold deposits capable of producing at least half a million ounces of gold. As such Mercator intends to generate targets using conceptual models to explore for:

- large, low-grade porphyry gold deposits and associated high-grade gold zones;
- 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.

Based on work completed to date, Mercator has identified 16 project areas of which six are considered to be key project areas. Mercator initially plans to focus the majority of its exploration at the Yaloginda, Paddys Flat and Meekatharra North projects with the Reedy, Nannine and Stakewell projects also considered high priority. The remaining project areas are considered by Mercator to represent regional targets at an early stage of assessment.

The Yaloginda project comprises a coherent tenement holding centred over the former Gibraltar, Bluebird, South Junction and Great Northern Highway gold mines. Despite these tenements having previously been explored on an almost continuous basis since the discovery of gold mineralisation in the Meekatharra area in the 1890s, recent exploration has highlighted the high-grade gold potential of the Surprise, Bluebird and South Junction mines, as well as the depth extents beneath the former Great Northern Highway open pit. The gold mineralisation within these former mines is generally associated with shear structures, which commonly have been intruded by granitoid and felsic porphyry. The volcano-sedimentary sequence at Yaloginda appears to have been complexly deformed, with the larger deposits interpreted to lie adjacent to the Mt Magnet-Meekatharra shear zone and within pressure shadows to the Norie Pluton, where the shear shows evidence of flexure and exceeds 3 km in width.

On-going exploration and assessment programmes at Surprise and Bluebird and South Junction are planned by Mercator and will involve increasing the currently defined resource with a view towards expanding the Bluebird pit to encompass the Bluebird North, Bluebird and South Junction deposits. In addition, Mercator proposes to conduct further exploration over the Great Northern Highway deposit, some 300 m to the east of the Bluebird processing plant, to locate high-grade gold zones at depth and peripheral to the established workings.

Outside of the main resource targets at Surprise, Bluebird, South Junction and Great Northern Highway, Mercator plans to further assess the former Ascot open pit and the Ascot West prospect, as well as the Lukes Junction and Hawk Hill prospects where previous exploration results have been encouraging.

The Paddys Flat project area is centred over the Meekatharra township, some 12 km northeast of the Bluebird processing plant. The project area overlies the historic Paddys Flat mining centre which comprises three north-northeast trending lines of gold workings which have been worked on a semicontinuous basis since the turn of the last century. Gold mineralisation at Paddys Flat is contained along steeply-dipping zones of shearing and faulting between felsic porphyry intrusives and ultramafic-mafic volcanic and intrusive rocks. As part of its initial exploration strategy for the Paddys Flat project area, Mercator plans to undertake a compilation of the available technical data in conjunction with geological mapping and sampling. A detailed analysis of the gold distribution throughout the project will then be carried out using SpaDIS™ and other conventional software packages to highlight targets with the potential to host in excess of half a million ounces of gold.

Mercator's Meekatharra North project area lies immediately adjacent and to the north of the Paddys Flat mining centre along north-northeasterly trending structures which continue into the Meekatharra North project area. The project area is considered by Mercator to be prospective for large tonnage, low to medium-grade oxide gold mineralisation associated with two laterally extensive RAB and aircore gold geochemical anomalies along the northeastern extensions of Meekatharra greenstone belt concealed by variable thicknesses of alluvial cover. This cover has impeded the effectiveness of previous exploration with most work restricted to areas of outcrop along the southern margins of the project area. Recent drilling by Mercator has confirmed and extended the Maid Marion and Nottingham gold geochemical anomalies, which require further investigation.

Mercator's Reedy project tenements are located approximately 40 km south-southwest of Meekatharra along the Mt Magnet-Meekatharra shear zone. The project area hosts a large number of historic gold occurrences, including the significant former South Emu, Triton, Rand, North Rand, Boomerang, Central and Kurara open pit and underground gold mines among several other smaller mines. Collectively, the mines have a reported past production of over 650,000 ounces of gold. The gold mineralisation within the Reedy project area is structurally controlled, mainly associated with stockwork quartz veining within mafic host rocks, BIF and acid porphyry intrusions.

Mercator's assessment of the Reedy project area is planned to initially focus on the compilation, interpretation and analysis of the available geophysical, geochemical and geological data with follow-up geological and structural mapping and geochemical sampling. Pit mapping will also be carried out, with the aim of establishing the controls to the mineralisation and locating zones of high-grade gold mineralisation. Subject to the results of these investigations, targeted RC drilling will be carried out. In Snowden's opinion, the Reedy project remains prospective for the discovery of additional high-grade, Reedy style lode gold deposits and lower grade supergene or laterite gold deposits.

Mercator's Nannine project area lies adjacent to the historically significant Nannine gold field, which hosts the Aladdin, Bailey Island, Caledonian and Nannine Reef gold deposits. The project area is dominated by rocks within and to the immediate east of the Mt Magnet-Meekatharra shear zone. These rocks have been intruded by the Norie Pluton, which is spatially associated with gold occurrences elsewhere in the Meekatharra tenements. Exploration over much of the project area has been hampered by the presence of Lake Annean and associated sedimentary cover.

Mercator has completed initial mapping of the main open pits, however further data validation and interpretation is required in order to prioritise drill targets. Further evaluation of the mine workings is planned to determine whether the currently defined mineralisation could be upgraded to Mercator's minimum criteria of at least half a million ounces of gold. Snowden considers this setting has good potential to host additional deposits of gold mineralisation along the margins of the Norie Pluton and within the Mt Magnet-Meekatharra shear system.

Mercator's Stakewell project area lies immediately west of the historic Reedy mining centre and includes the former Kohinoor gold mine, in addition to several other gold occurrences. The project area is situated on the western edge of a granitoid body and predominantly covers mafic and ultramafic rocks intercalated with BIF. Mercator has identified an advanced exploration target at the Stakewell Flats prospect, which lies 1 km east of the former Kohinoor mine where recent drilling has encountered narrow zones of moderate-grade (3-6 g/t Au) gold mineralisation associated with quartz veining beneath small historic workings. Further work is required to determine the source of this mineralisation. Elsewhere, recent geochemical sampling has highlighted a number of gold anomalies associated with northwest trending quartz veins in BIF. Snowden considers that these provide valid exploration targets for BIF-hosted and structurally controlled gold mineralisation.

Outside of its key exploration projects, Mercator holds an extensive regional tenement portfolio, which is predominantly located peripheral to the Mt Magnet-Meekatharra shear system. The most prospective of these

regional tenements is the Polelle project, where previous drilling has identified several blind gold prospects, including Mulla Mulla, which lies 7 km south of the Bluebird processing facility, and the Kanji and Miniritchie prospects, which are extensive gold geochemical anomalies at the early stage of assessment.

Mercator's exploration strategy in the Meekatharra district will be underpinned by the presence of its wholly-owned Bluebird processing facility. This infrastructure provides Mercator with a significant opportunity to rapidly develop a number of gold deposits within its Meekatharra tenements. As part of its due diligence for this acquisition, Dalesford Pty Ltd ("Dalesford") was commissioned to undertake an estimate of the value of the Bluebird processing facility and associated infrastructure. Dalesford concluded that the Bluebird plant was complete and in reasonable to good condition having been properly managed under a care and maintenance regime. In Dalesford's opinion, the cost to refurbish the Bluebird processing plant and infrastructure was in the range A$1.56 million to A$4.83 million. The replacement value of the plant was estimated at A$29.6 million while its estimated salvage value was put at A$2.15 million. Dalesford noted that its estimated replacement value for the Bluebird facility is within an accuracy of ±30%.

In line with Mercator's stated objective of commencing gold production at Meekatharra by 2007, recent resource evaluation drilling within the Yaloginda, Paddys Flat and Reedy projects has defined gold resources totalling 1.94 Moz. The Mineral Resource estimates for the respective deposits as reported by Cube Consulting Pty Ltd ("Cube") is summarised in the following table:

Summary of Mineral Resources (after Cube, 2004 & 2005)

		Indicated			Inferred			Total		
Project	**Deposit**	**Tonnes (kt)**	**Grade (g/t Au)**	**Ounces**	**Tonnes (kt)**	**Grade (g/t Au)**	**Ounces**	**Tonnes (kt)**	**Grade (g/t Au)**	**Ounces**
Yaloginda	Bluebird high-grade	446	4.4	64,000	1,252	4.5	180,000	1,698	4.5	244,000
	Bluebird low-grade	1,617	0.8	42,000	1,966	0.6	40,000	3,583	0.7	82,000
	Surprise	1,220	0.9	34,000	2,965	1.1	107,000	4,185	1.0	141,000
	Sub total	**3,283**	**1.3**	**140,000**	**6,183**	**1.6**	**327,000**	**9,466**	**1.5**	**467,000**
Paddys Flat	Prohibition	1,435	4.1	188,000	917	2.8	82,000	2,352	3.6	270,000
	Vivian-Consols	848	7.3	199,000	137	7.9	35,000	985	7.4	234,000
	Mickey Doolan	12,375	1.0	396,000	7,119	0.9	213,000	19,494	1.0	609,000
	Golden Bar	379	1.4	17,000	50	1.1	2,000	429	1.4	19,000
	Sub total	**15,037**	**1.7**	**800,000**	**8,223**	**1.3**	**332,000**	**23,260**	**1.5**	**1,132,000**
Reedy	South Emu	618	3.4	68,000	100	3.0	10,000	718	4.5	78,000
	Rand	891	1.9	55,000	1,458	2.7	125,000	2,349	2.4	180,000
	Jack Ryan	534	2.1	36,000	846	1.7	47,000	1,380	1.9	83,000
	Sub total	**2,043**	**2.4**	**159,000**	**2,404**	**2.4**	**182,000**	**4,447**	**2.4**	**341,000**
	Total	**20,363**	**1.7**	**1,099,000**	**16,810**	**1.6**	**841,000**	**37,173**	**1.6**	**1,940,000**

In Snowden's opinion, the resource estimates and classification have been appropriately reported in accordance with the JORC Code (2004).

Snowden has concluded from its review of Mercator's Western Australian project areas that they are of merit and worthy of further exploration. Mercator has proposed an 18 month exploration programme to evaluate a range of targets within its key and regional project areas with a budgeted expenditure of A$10.63 million. A summary of the proposed expenditure is presented in the table below.

Summary of Mercator's proposed exploration budget (A$)

	Year 1	**Year 2**	**Total**
Administration	678,000	346,000	1,024,000
Exploration – personnel and support	1,435,000	873,000	2,308,000
Exploration – geochemistry	100,000	–	100,000
Exploration – geophysics	100,000	–	100,000
Exploration – drilling	3,764,000	504,000	4,268,000
Rents and rates	1,199,000	848,000	2,047,000
Feasibility/development studies	448,000	336,000	784,000
TOTAL	**7,724,000**	**2,907,000**	**10,631,000**

Mercator's ultimate success in the discovery and development of gold deposits within its Meekatharra project area will be dependent largely upon 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 objectives. Furthermore, Snowden considers Mercator's exploration strategy to be justified and is satisfied that the proposed exploration programmes have been well defined and are appropriate.

2.0 INTRODUCTION

Mercator Gold plc ("Mercator") is a resources company which listed on AIM in October 2004. In November 2005, Mercator announced that it had acquired St Barbara Mines Limited's ("St Barbara") entire mineral tenement portfolio in the Meekatharra region of Western Australia. Mercator is now seeking re-admission to AIM in order to raise additional capital to fund the future assessment of this project.

Mercator's principal focus will be the exploration for gold deposits in the well mineralised Meekatharra greenstone belt centred on St Barbara's former Meekatharra mining operation, located near the town of Meekatharra in the Murchison Province of Western Australia (Figure 2.1). Mercator's acquisition of St Barbara's mineral assets has the potential to transform the company from an explorer to a gold producer by providing 100% ownership of an extensive tenement portfolio which extends over a 200 km strike length of the well-endowed Meekatharra greenstone belt. Included as part of the transaction is the Bluebird processing facility and associated infrastructure, as well as a significant database incorporating all recent exploration and mining activities carried out within the project tenements since the 1990s.

The Bluebird processing facility was commissioned in the early 1980s and has undergone various upgrades throughout its two decades of operation. Up until its closure in May 2004, the plant was operating at a nominal capacity of 3 million tonnes per annum ("Mtpa") and between 1986 and 2004, the Bluebird plant was estimated to have produced in excess of 1.5 Moz of gold at an average grade of 1.62 g/t Au from 31.7 Mt of ore.

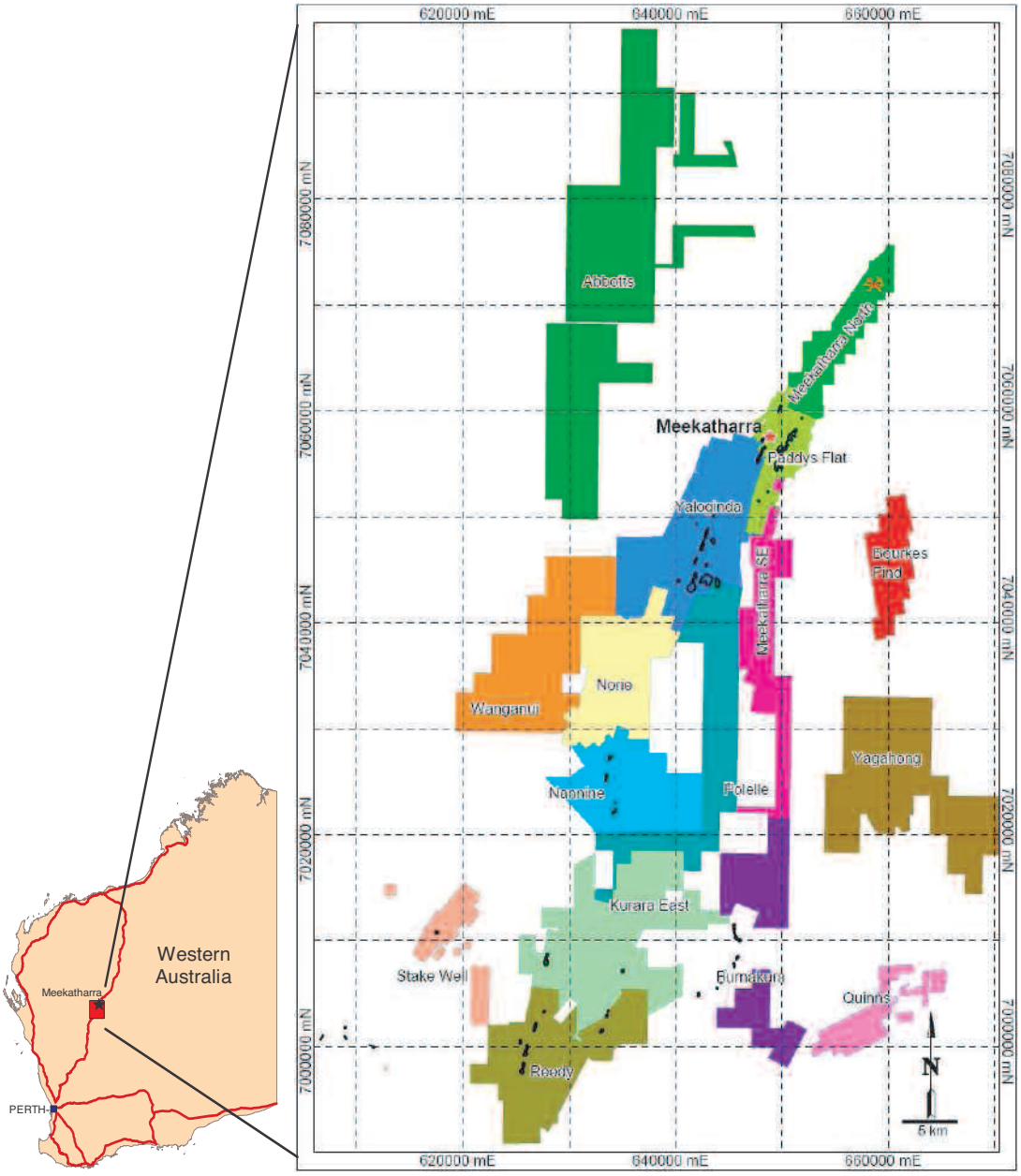

Figure 2.1 Location of the Meekatharra project tenements (prepared by Mercator)

The Meekatharra district has a long history of mining following the discovery of gold mineralisation in 1891. Since that time, extensive exploration and mining has occurred, most notably at the historic mining centres of Bluebird, Gabanintha, Kohinoor, Nannine, Paddys Flat, Reedy and South Junction. The principal host to these gold deposits is the regional-scale north-northeast trending Meekatharra greenstone belt. Whilst this greenstone belt has been extensively explored and exploited historically, Mercator considers that its tenement portfolio remains prospective for a variety of gold deposit styles including porphyry-hosted, banded iron formation ("BIF")-hosted and structurally-hosted gold mineralisation. Mercator's exploration strategy will be to identify and develop geologically-driven conceptual and advanced targets within its project targets supported by the spatial analysis of historic drilling data.

2.1 Agreements and Tenement Status

A summary of Mercator's key purchase and joint venture agreements as advised by the company is presented below. More detailed information relating to these agreements are provided in the Material Contracts section of this Re-admission Document.

- In consideration for the acquisition of St Barbara's Meekatharra gold exploration and mining assets, Mercator has agreed to pay a cash consideration of A$5 million (£2.1 million), issue St Barbara with fully paid ordinary shares equating to A$13 million (£5.46 million) at an issue price equal to the

price at which Mercator raises new capital to fund the acquisition, replace approximately A$2.68 million (£1.26 million) in Environmental Bonds currently held by St Barbara and assume all the obligations under existing production royalties over the acquired tenements. In return Mercator will receive the 55% interest that it doesn't already own in the Annean Joint Venture, a 100% interest in the 3 Mtpa Bluebird gold processing facility and associated infrastructure, a 100% interest in St Barbara's wholly-owned tenements, all of St Barbara's associated joint venture interests and benefits in the Meekatharra area, and all land and property assets in the Meekatharra area including an option over several pastoral leases;

- as noted above, Mercator will hold a 100% interest in the Annean joint venture tenements upon completion of the acquisition. Previously, Mercator had the right to earn an initial 45% interest in the Annean 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 this 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. As at the date of this report, Mercator has earned a 45% interest in the Annean joint venture tenements;
- upon completion of the acquisition Mercator will assume St Barbara's benefits and obligations in relation to the Elara joint venture over the Polelle tenements. Under the terms of St Barbara's joint venture agreement with Elara Mining Pty Ltd ("Elara") dated 10 November 2003, Elara had the right to earn a participating interest of 51% in the Polelle tenements by spending A$3 million within 2 years and 65% through A$5 million in exploration expenditure within 4 years, with a minimum expenditure of A$1 million in the first year. At October 2004, Elara had spent approximately A$600,000 at Polelle. Following the termination of Elara's Reedy joint venture with St Barbara in December 2004, Elara's expenditure at Reedy of A$600,000 was transferred to the Polelle joint venture as part of Elara's earn-in obligations, resulting in Elara meeting the required expenditure of A$1 million in the first year. Snowden has been advised by Mercator that St Barbara's interest in the Polelle joint venture is currently 100% until such time as Elara expends A$3 million; and
- there are eight royalty agreements affecting various mining tenements and two Native Title agreements which also provide for royalty payments to be made. Details of these royalties are outlined in Part VII of this document.

Mercator has grouped its Meekatharra exploration holding into 16 projects areas, referred to from north to south as; Abbotts, Meekatharra North, Paddys Flat, Yaloginda, Meekatharra SE, Bourkes Find, Norie, Wanganui, Nannine, Polelle, Yagahong, Kurara East, Stakewell, Reedy, Burnakura and Quinns. Snowden notes that the Abbotts, Meekatharra North, Yaloginda, Meekatharra SE, Norie, Nannine, Kurara East and Stakewell have previously been explored by Mercator as part of the Annean Joint Venture. These projects are shown in Figure 2.1 and details of the tenements within each project are summarised in Table 2.1. For the purpose of this report, these projects are collectively referred to as the "Meekatharra project".

Mercator has advised Snowden that Unconditional Performance Bonds of $2,684,000 have been lodged with DoIR for the rehabilitation and reclamation of the Meekatharra project tenements. Snowden understands that the outstanding closure obligations mostly relate to the rehabilitation of the mill area, haul roads, former open pits, tailings facilities and waste dumps in the Bluebird, Paddys Flat and Reedy areas.

In a recent valuation of St Barbara's mineral assets, the rehabilitation cost at closure for the Bluebird plant was estimated at A$4.2 million. In addition, Snowden notes that a provision of A$4.2 million was made in St Barbara's accounts for such rehabilitation.

Table 2.1 Mercator's tenement schedule

Number of tenements in project	Project	Tenement status*	Registered holder^	Area (km²)	Minimum expenditure (A$/pa)	Rates (A$/pa)	Rent (A$/pa)
10	Abbotts	1 ELA, 1EL, 5 MLA, 1 ML & 2 L	100% SBM	298.32	40,600	1,050	4,089
5	Bourkes Find	5 ML	100% SBM	39.61	392,600	23,609	52,687
7	Burnakura	1 ELA & 6 ML	100% SBM	79.75	551,900	71,380	31,986
48	Kurara East	5 EL, 16 MLA, 12 ML, 4PL, 5 G & 6 L	100% SBM	223.43	831,200	44,514	103,765
42	Meekatharra North	8 MLA, 3 ML & 31 PL	100% SBM	103.56	251,220	6,614	14,760
24	Meekatharra Southeast	8 MLA, 7 ML, 4 PL & 5 L	100% SBM	85.31	471,600	27,740	71,755
75	Nannine	18 MLA, 24 ML, 29 PL, 1 G & 3 L	100% SBM	125.08	570,920	22,003	49,139
43	Norie	1 EL, 10 MLA, 13 ML, 18 PL & 1 L	100% SBM	134.94	739,740	38,360	86,140
9	Paddys Flat	1 MLA, 6 ML, 1 PL & 1 L	100% SBM	42.40	419,500	24,874	55,724
12	Pollele	1 EL, 5 MLA, 4 ML & 2 L	100% SBM	136.93	326,000	14,121	33,402
30	Quinns	5 MLA, 10 ML, 14 PL & 1 PLA	100% SBM	49.53	259,060	10,863	24,243
23	Reedy	1 ELA, 1 EL, 7 MLA, 12 ML, 1 PL & 1 L	100% SBM	122.31	872,200	50,934	114,172
15	Stakewell	2 MLA, 6 ML, 1 PL & 6 L	100% SBM	32.28	217,500	11,467	28,228
10	Wanganui	2 ELA, 3 MLA, 1 ML, 3 PL &1 L	100% SBM	144.26	47,620	1,934	5,183
4	Yagahong	1 ELA, 1 MLA, 1 PLA & 1 PL	100% SBM	159.68	6,200	130	290
78	Yaloginda	19 MLA, 35 ML, 22 PL & 2 L	100% SBM	156.22	1,091,500	57,018	127,480
435				**1,932**	**7,089,360**	**367,220**	**842,442**

* EL = Exploration Licence, ELA = Exploration Licence application, ML = Mining Lease, MLA = Mining Lease application, PL = Prospecting Licence, PLA = Prospecting Licence application, G = General Purpose Lease and L = Miscellaneous Licence.

^ St Barbara = SBM

Snowden has been advised by Mercator that 17 of the above tenements are presently the subject of plaints for forfeiture. With the exception of two MLs in the Reedy project covering the South Emu, Rand and Jack Ryan resources, none of the other plainted tenements cover resources or priority exploration targets. The outcome of these plaints is currently uncertain.

2.2 SpaDIS™ Technology

Of primary importance to Mercator's assessment of the Meekatharra project tenements will be the application and success of the SpaDiS™ technology. SpaDiS™ is software developed and patented by Vearncombe & Associates Pty Ltd ("Vearncombe") which is designed to aid in the analysis of two-dimensional ("2D") and three-dimensional ("3D") spatial datasets by providing a highly visual multi-functional platform.

The software program was founded on the well established methodology of autocorrelation of point data in three dimensions. 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.

SpaDIS™ is an analytical tool that involves no assumptions on the distribution of data points and provides a visual approach to quantify characteristic spatial trends. It yields interpretable data for both small and large datasets, and is applicable at scales ranging from regional to individual deposits. At the regional scale, SpaDIS™ can assess distribution patterns of mineralisation in terms of potential controlling structures or rock types. At the deposit scale, the characteristics of mineralised zones such as direction, spacing, high-grade shoot development and grade distribution can all be understood in three dimensions.

The SpaDiS™ technology has been applied by Vearncombe previously on gold, base metal and diamond exploration programmes and led to the recognition of the gold exploration potential of the Meekatharra greenstone belt. Mercator has negotiated a five year licence with Vearncombe to apply and benefit from SpaDIS™ and any developments in technology.

Within Mercator's Annean joint venture to date, SpaDIS™ has been used extensively at the Bluebird, Surprise and Surprise Extended deposits, where Mercator consider it has correctly identified the extent and shape of mineralisation (strike, dip, plunge), flat high-grade gold zones and plunging zones within steeply-dipping ore envelopes, the keel of the host porphyry to high-grade gold mineralisation at Surprise, the location of cross-cutting faults that concentrate mineralisation at Surprise and a change in the orientation of the gold-bearing porphyry and associate changes in the gold grade at Surprise. According to Mercator, the information derived from SpaDIS™ has also assisted in the re-interpretation of historic drill hole log and assay information, highlighting key structural features and mineralised vein orientations from field and pit geological mapping and establishing the continuity of mineralisation for resource estimation purposes.

Snowden notes that the underlying techniques to SpaDIS™ have been independently verified as a mathematically valid approach to the identification of mineralised trends with the results published in several journals. However, the expertise and experience of the analyst responsible for the investigation and the availability of reliable data are strong determinants in the effectiveness of the SpaDIS™ technology. In Snowden's opinion the principals of Mercator have had extensive practical experience in the use of the technology through the development of the SpaDIS™ software and its application to a range of geological and mineral deposit investigations. As such, Snowden considers the SpaDIS™ technology to have merit as a conceptual tool in generating gold targets within the Meekatharra tenements.

2.3 Geological Overview

The Yilgarn Craton of Western Australia is a granite – greenstone – gneiss terrane of Archaean age, approximately 1,000 kilometres in both north-south and east-west extent. It includes some major nickel and gold deposits, and is one of the major sources of world gold, hosting in excess of 2,000 gold deposits. The initial gold discoveries in the Yilgarn Craton were made during the early 1890s, culminating in the discovery of Kalgoorlie in 1893.

Situated 500 km north-northwest of Kalgoorlie, the Murchison Province lies within semi-desert near the northwestern edge of the Yilgarn Craton (Figure 2.2) and importantly, is an Archaean greenstone belt that is in part covered by a veneer of younger sediments and regolith. The terrane is characterised by a number of north-northwest to north-northeast trending greenstone belts, major tectonic lineaments and granitic intrusions.

Located in the northern part of the Murchison Province, the Meekatharra greenstone belt is a 250 km long, south-southwest striking volcano-sedimentary succession comprising variably deformed basalt, BIF and ultramafic units which are overlain predominantly by felsic volcaniclastic, sedimentary and jasperlitic BIF units (Figure 2.3).

These units have been subjected to greenschist facies metamorphism, deformed by polyphase folding, shearing, faulting and are 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 2.3).

Mercator's Meekatharra project tenements cover 1,932 km^2 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.

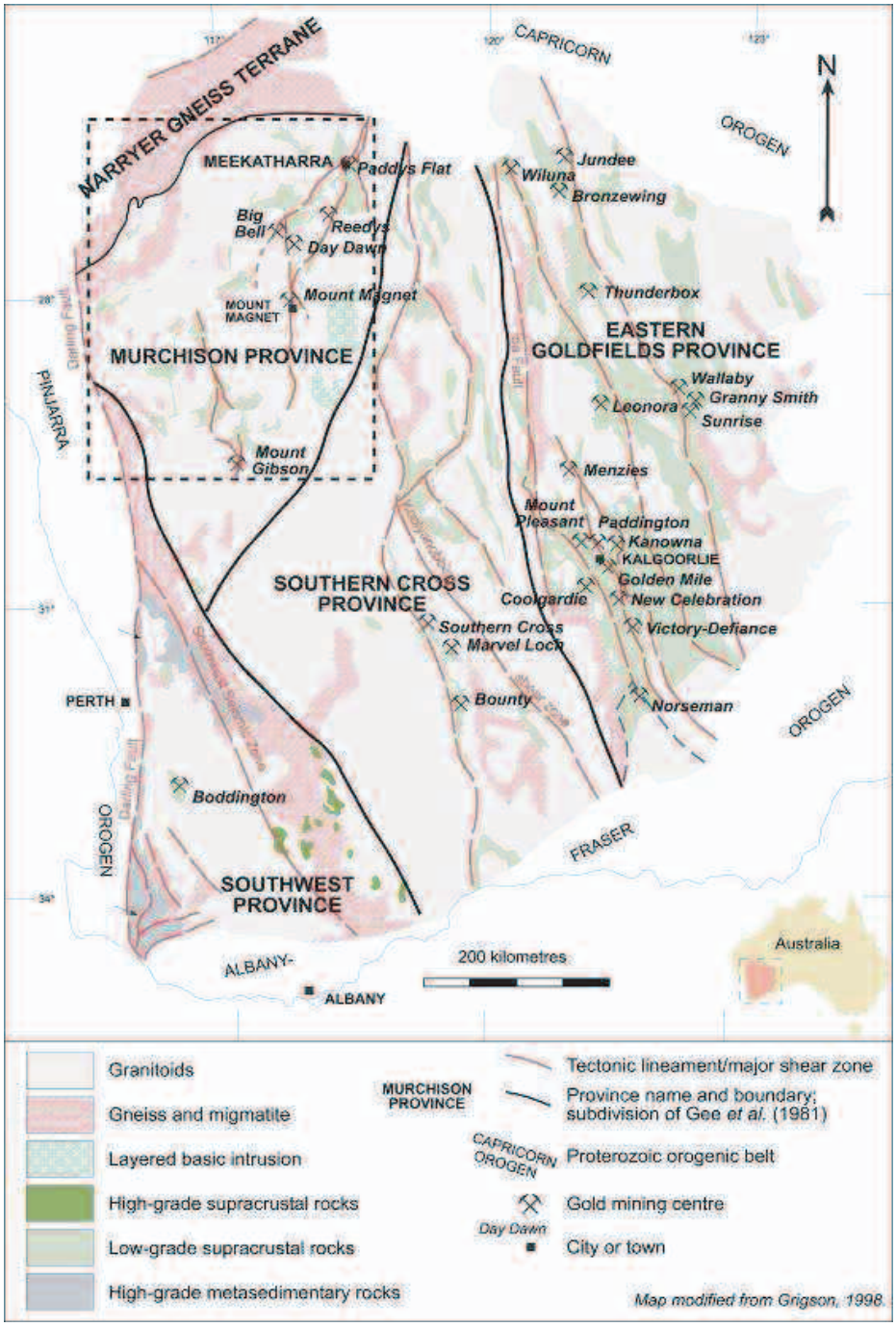

Figure 2.2 Simplified geology of the Yilgarn Craton (prepared by Mercator)

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 Meekatharra tenement block, although other smaller bodies are evident to the north and south.

Within Mercator's Meekatharra tenements, 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 200 m. These shear structures are characterised by a pervasive schistosity, quartz veining, felsic porphyry intrusive bodies and sulphide mineralisation.

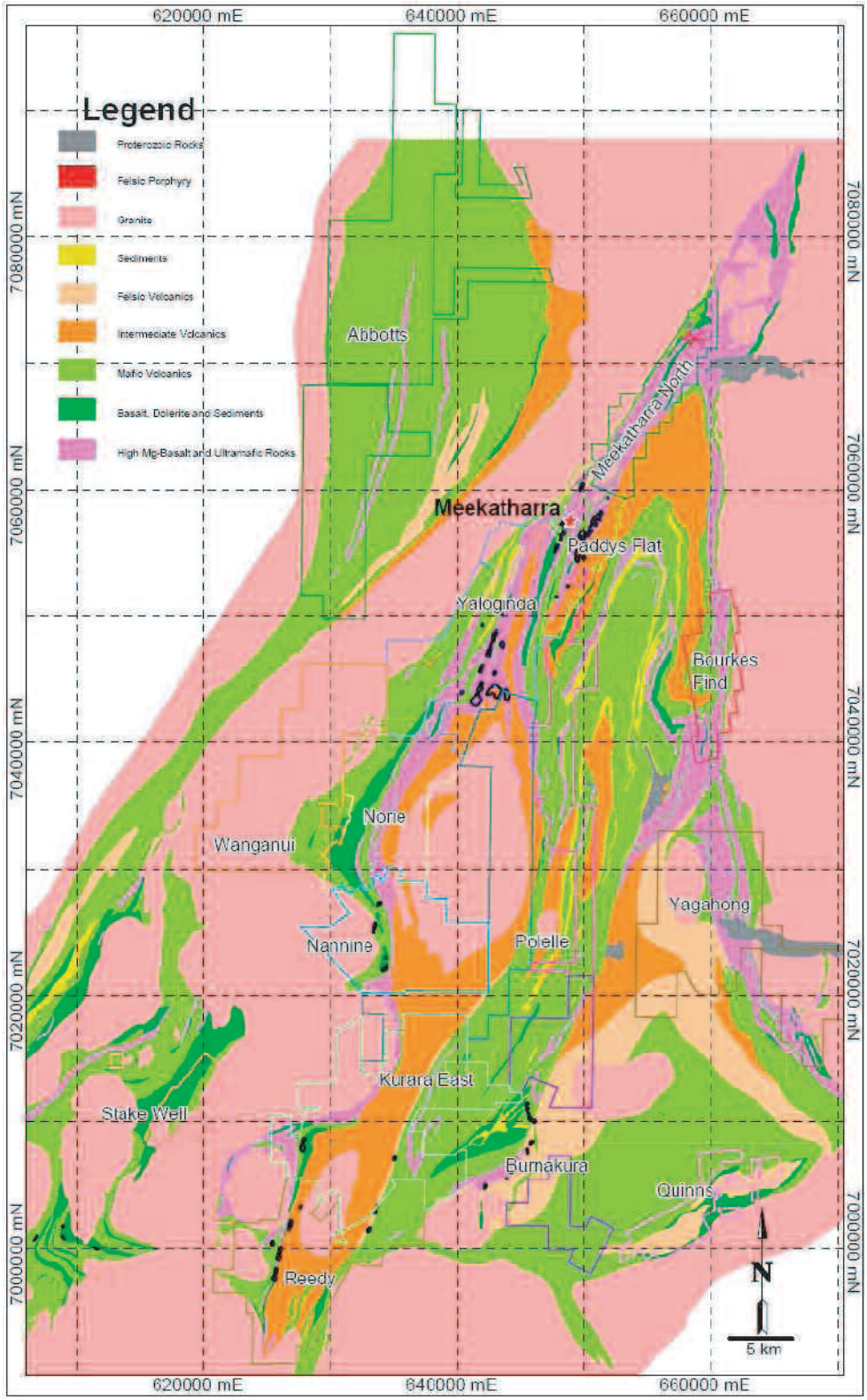

Figure 2.3 Simplified regional geology of the Meekatharra project (prepared by Mercator)

2.3.1 *Gold mineralisation*

Previous gold mining activity has been principally concentrated along the Meekatharra greenstone succession on the western flank of the Polelle Syncline. It is estimated that the gold mines of the Meekatharra district have collectively produced in excess of 3.5 Moz of gold.

Whilst gold is known to occur within all major rock types, there are three principal styles of gold mineralisation evident within Mercator's Meekatharra project tenements. These are:

- gold-bearing sulphide mineralisation occurring as disseminations, fracture fillings, or associated with quartz veining within porphyritic, felsic igneous intrusions which are typically emplaced along zones of structural weakness such as shear zones and faults, mainly in ultramafic host rocks;
- gold-bearing sulphide mineralisation occurring in cross-cutting quartz veins or as fine disseminations hosted by BIF units; and
- gold-bearing quartz veins which cross-cut 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.

Other factors recognised as being significant to the localisation of gold mineralisation are proximity to anticlinal axes, proximity to Proterozoic dolerite dykes particularly at deviations in strike and silica-pyrite alteration zones.

In the Meekatharra area, weathering has resulted in a well developed regolith profile extending to more than 100 m in depth. Lateritic caps and saprolitic clays also host supergene enriched gold mineralisation, most notably at Great Northern Highway and adjacent deposits of the Yaloginda project. The majority of gold production from within the Meekatharra tenements has been from open pits developed above the base of complete oxidation in areas of outcropping or sub-cropping bedrock.

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

The physiography of the Meekatharra area is characterised by a low, monotonous relief at an average elevation of some 450 m above sea level. Vegetation cover is dominated by sparse mulga scrubland which passes into localised woodlands and spinifex grasslands. Away from roads and tracks, rock exposure is generally poor due to the development of a thick regolith soil profile and the presence of alluvial cover over much of the area. The principal land use apart from mining includes sheep and cattle grazing.

3.0 YALOGINDA PROJECT

3.1 Location, Tenure and Access

Mercator's Yaloginda project area is centred on the Bluebird gold processing facility located approximately 12 km southwest of Meekatharra (Figure 2.1). The sealed Great Northern Highway traverses the project area, with well-formed gravel roads and numerous pre-existing mineral exploration tracks providing ready access throughout the tenements.

The Yaloginda tenements form a contiguous block comprising 35 granted MLs, 19 ML applications and 22 PLs (Table 2.1). The combined tenement area is approximately 156 km^2.

The topography of the Yaloginda project area has been extensively modified by mining.

3.2 Geology and Mineralisation

The Yaloginda project tenements predominantly cover ultramafic, mafic and BIF units located along the Mt Magnet-Meekatharra shear on the northwestern side of the Norie Pluton. Historically, gold mineralisation has been exploited on at least two geologically distinct lines; the Gibraltar line, where mineralisation is associated with sheared ultramafic units and felsic intrusives; and the Rock Lee line, where narrow zones of high-grade gold mineralisation are hosted within BIF and mafic rocks (Figure 3.1).

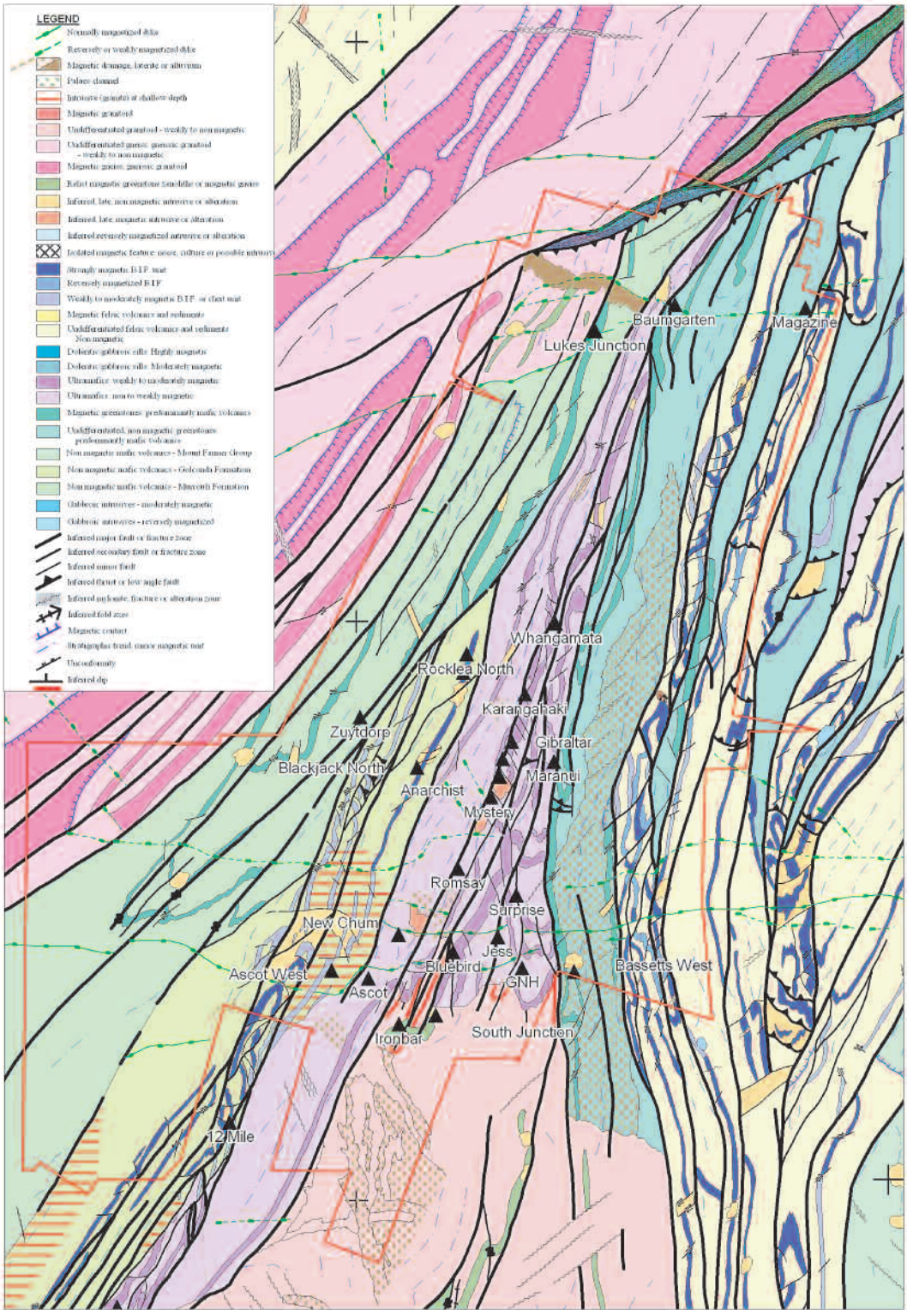

Figure 3.1 Geology of the Yaloginda project area (prepared by Mercator)

Along the Gibraltar line the larger gold deposits include the Gibraltar, Karangahaki, Magazine, Bluebird, Bluebird Extension, Surprise and South Junction deposits. These deposits are located at the intersection of the Mt Magnet-Meekatharra shear zone and within pressure shadows of the Norie Pluton.

The Rock Lee line hosts the Lukes Junction, Batavia, Rock Lee, Rock Lee South and Ascot West deposits, which are commonly associated with lenticular quartz veins occupying mineralised shear zones within BIF and mafic host rocks.

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

Meekatharra. The Gibraltar line hosts the majority of the known gold mineralisation. Thick cover and regolith sequences have hampered exploration over the remaining project tenements.

Mercator's recent exploration focus has been towards the assessment of a number of key exploration targets considered prospective for zones of high-grade gold mineralisation located within close proximity to the Bluebird processing facility. The geology of these targets is outlined below:

3.2.1 *Surprise, Surprise Extended and Jess deposits*

The Surprise, Surprise Extended and Jess gold deposits are located along a north-south trend around 300 m north of the Bluebird processing facility and to the west of the Great Northern Highway (Figure 3.2). The Surprise and Surprise Extended deposits are hosted within and along the sheared contact between felsic porphyry and high magnesian ("high-Mg") basalt. Along this contact, the basalt has been extensively sheared and altered to talc-chlorite-carbonate schist. Regional-scale northwest-trending and subordinate northeast-trending faults cut the porphyry.

Figure 3.2 Aerial photograph of the Bluebird processing facility and surrounding open pits (prepared by Mercator)

High-grade gold mineralisation at Surprise is associated with sub-horizontal quartz veining within the porphyry and on the sheared contact zones with the basalt. Coarse grained gold is evident as free particles within quartz veins.

The Jess deposit is hosted by high-Mg basalt to the south of Surprise. This basalt has been deformed along northeast trends and is strongly altered by silica and carbonate. The gold mineralisation at Jess is associated with quartz carbonate veining and contained pyrite. The deposit has a strike length of approximately 140 m and is buried beneath a thin layer of alluvium.

3.2.2 *Bluebird deposit*

The Bluebird deposit is located less than 300 m to the southwest of the Bluebird processing facility (Figure 3.2). The Bluebird deposit is hosted within a mafic-ultramafic volcanic sequence comprising high-Mg basalt and komatiite intercalated with pyritic black schist, chlorite schist, quartz porphyry and felsic to intermediate intrusives. This sequence has been strongly deformed by a series of sub-parallel, north-northeast to northeast trending, steeply east-dipping brittle fault and ductile

fault-shear zones. Multiple generations of quartz-carbonate veining are evident within the more competent units (i.e. basalt and porphyry), which exhibit quartz, carbonate and mica alteration assemblages.

Gold mineralisation is hosted along three distinct north-northeast trending zones at Bluebird, which from east to west across the deposit are known as the Polar Star, Bluebird and Edin Hope alteration zones. The Edin Hope and Polar Star zones are interpreted to represent the northern continuation of the South Junction mineralised trends which achieve widths of 25 m and 30 m respectively. The Bluebird zone is the main mineralised zone within the Bluebird open pit and is characterised by silica-carbonate±fuchsite±chlorite±biotite±pyrite alteration over a width of approximately 50 m. The Bluebird zone bifurcates into two parallel, steeply east-dipping gold zones towards the southern half of the Bluebird pit, which are termed the Eastern and Western Zones respectively. The Eastern Zone is between 5 m and 10 m in width and hosts high-grade gold mineralisation whilst the Western Zone is wider and of lower overall gold grade.

In general, high-grade gold mineralisation at the Bluebird deposit occurs at the intersection of a ductile shear zone with two separate vein sets, one dipping moderately to the southeast and the other shallowly dipping towards the south-southwest.

3.2.3 *South Junction deposit*

The South Junction deposit is located some 150 m along strike and to the south of the Bluebird deposit (Figure 3.2). South Junction is hosted within a deformed mafic volcanic package comprising talc-chlorite schist and chlorite schist which has been intruded by variably deformed quartz porphyries and felsic dykes. Deformation of this sequence is highly variable ranging from undeformed to intense high strain zones which has resulted in the development of a layer parallel schistosity, folding, faulting, brecciation and localised overturning of the stratigraphy.

The gold mineralisation at South Junction is related to the development of intense zones of quartz-carbonate-sulphide-chlorite-fuchsite alteration along the margins of the quartz porphyry bodies and within shear zones along the failed hinge zones of large scale folds.

Three main alteration zones have been identified at South Junction, two of which can be related to equivalent zones within the Bluebird deposit to the north. From east to west these alteration zones are – Archenar, Polar Star and Edin Hope. Each alteration zone hosts variably oriented quartz vein arrays, with the higher gold grades tending to be associated with high density zones of quartz veining and where sulphide mineralisation is developed along the edges of veins.

Recent work by Mercator suggests that the Edin Hope zone may continue along strike into the Iron Bar prospect area, which lies 250 m to the southwest of the South Junction open pit.

3.2.4 *Great Northern Highway deposit*

The Great Northern Highway deposit is located to the east of the Great Northern Highway and immediately opposite the Bluebird processing facility (Figure 3.2). The deposit is hosted within quartz-carbonate-fuchsite altered high-Mg basalts and felsic porphyries above an altered granite stock. This sequence has been cut by an intensely altered shear zone of up to 20 m in thickness. This shear zone dips steeply southwest and trends north-northwesterly into the Surprise Extended area.

The Great Northern Highway deposit comprises three separate gold lodes located around a south plunging synform. These lodes are locally termed the Western, Eastern and Northern Lodes. The Western Lode comprises a single, main quartz vein which striking northeast, and dips moderately to the southeast. There are several subordinate north-northeast striking veins that are less continuous, narrower and have lower gold grades. Gold grades in the main vein are commonly greater than 10 g/t Au whilst the subordinate veins have grades typically less than 2 g/t Au.

The Eastern Lode has a strike length of some 700 m and is the largest and most complex of the lodes at Great Northern Highway. It consists of an array of northeast-striking, east-dipping veins and a sub-horizontal, gently south-plunging breccia that is over 100 m wide and extends for some 200 m down-plunge. The east dipping vein package persists north and south of the breccia. The gold mineralisation within East Lode appears to be related to the breccia and also with the intensity of the associated quartz alteration and veining.

The Northern Lode extends over a 170 m strike length and varies in along strike from north-northwest to northeast trends. The widest part of the lode is situated north of the inflection point where the highest gold grades are also found.

3.2.5 *Lukes Junction prospect*

The Lukes Junction prospect is located 11 km north-northeast of the Bluebird processing facility and 2.3 km west of the Great Northern Highway (Figure 3.1). The prospect lies adjacent to the north-northeast trending Meekatharra shear zone within intercalated mafic volcanic and BIF units. High-grade gold mineralisation is associated with thin quartz-sulphide veins which are predominantly restricted to basalt and ferruginous BIF units.

3.2.6 *Hawk Hill prospect*

The Hawk Hill prospect is located 11 km north-northeast of the Bluebird processing facility and 1 km south and directly along strike of the former Magazine open pit (Figure 3.1). The prospect is hosted by sheared mafic rocks intercalated with chert and siltstone units. Anomalous gold mineralisation has previously been encountered along a sheared mafic-sediment contact.

3.3 Mining History

The gold deposits within the Yaloginda project area have been mined on an intermittent basis since the early 1890s, with an estimated 1.65 Moz of gold produced from a variety of open pit and underground sources between 1986 and 2004. Whilst production records for individual deposits are incomplete, the following information is provided as an indication of their size:

- the Surprise deposit was mined by open cut between late 1997 and early 1998 producing approximately 13,000 oz from 200,000t of ore at an average grade of 2.0 g/t Au;
- total production from Bluebird is unknown, however between 1910 and 1981 some 67,438 oz of gold was produced and a further 18,097 oz placed in low-grade stockpiles. Additional oxide ore was mined within a pit to a depth of 70 m prior to being abandoned in the mid-1990s;
- the South Junction deposit was discovered in 1989 and subsequently mined by open pit. Actual gold production is estimated to be in the order of 180,000 oz;
- the Great Northern Highway deposit was previously known as Bluebird East and was mined by both underground and open pit mining methods producing an estimated 420,000 oz of gold;
- the Magazine open pit was mined between May 2000 and April 2002 producing an estimated 1.57 Mt at an average grade of 1.55 g/t Au for 78,000 oz of gold; and
- the Gibraltar underground mine was developed in November 2001 with some 184,700t grading 2.34 g/t Au for approximately 139,000 oz extracted prior to its closure in July 2002. Total gold production from the Gibraltar open pit is unknown.

In addition, open pit mining has previously been carried out at a number of other smaller deposits including Karangahaki, Maranui, Speedys, Mystery, Romsey, Basetts West and Ascot.

3.4 Previous Exploration

3.4.1 *Summary of previous exploration work*

The Yaloginda area has been extensively prospected since the beginning of the 1900s. Between 1904 and 1947, the area had a recorded production of 20,657 oz at an average grade of 22.64 g/t Au, with additional unrecorded alluvial gold extracted by dry blowing methods. From 1947 to 1980, exploration and small-scale mining was completed on an intermittent basis, with much of the focus centred on the area's nickel and base metal potential.

A resurgence in exploration and mining occurred during the 1980s following the sharp increase in the gold price. Considerable exploration was subsequently carried out resulting in the delineation of some 18 gold deposits within the Yaloginda project tenements. Work completed between 1980 and 2004 has included detailed geological mapping, soil and rock chip geochemical surveys and aeromagnetic and ground-based electromagnetic ("EM"), induced polarisation ("IP") and gravity geophysical surveys. Substantial vacuum, RAB, RC and diamond drilling programmes have been completed to test the various anomalies resulting in several significant gold discoveries.

More recent exploration of the Yaloginda area has been carried out by Mercator and has been largely focussed on the definition of high-grade gold deposits located in close proximity to the Bluebird processing facility. Exploration completed by Mercator includes data compilation and verification, reprocessing and reinterpretation of aeromagnetic data, detailed geological, structural and alteration mapping of the Bluebird, Great Northern Highway and South Junction open pits, SpaDIS™ spatial analysis of the Surprise, Bluebird and Great Northern Highway deposits, IP geophysical surveying, drilling (RAB, aircore, RC and diamond) and resource estimates.

3.4.2 *Summary of exploration results*

Mercator's exploration work completed within the Yaloginda project tenements has defined moderate to high-grade zones of gold mineralisation at Surprise and low-grade gold mineralisation at Surprise Extended. Highlights include 15 m grading 45.1 g/t Au from a downhole depth of 127 m in 04SURC012 and 6 m at 36 g/t Au from a downhole depth of 155 m in 04SURC014 at Surprise. Based on the drilling completed to date, Mercator has successfully outlined extensions to the high-grade gold zones below and to the south of the former Surprise open pit. These results were subsequently incorporated into a resource estimate of the Surprise and Surprise Extended deposits (refer to Section 3.5).

Following detailed mapping and data validation over the Bluebird deposit, Mercator completed further resource definition and exploration drilling programmes, which returned numerous zones of low to moderate-grade gold mineralisation, including 24 m grading 4.1 g/t Au from a downhole depth of 96 m in 05BBRC011 and 10 m at 7.7 g/t Au from a downhole depth of 322 m in hole RCB201. These results were subsequently incorporated into a resource estimate of the Bluebird deposit (refer to Section 3.5).

Limited diamond drilling at the Great Northern Highway mine intersected several zones of narrow high-grade gold mineralisation including 2 m grading 18.5 g/t Au from a downhole depth of 168 m in 05GNRDD001 and 5 m at 5.7 g/t Au from a downhole depth of 224 m in 05GNRDD002.

At Lukes Junction, Mercator completed an IP geophysical survey and RAB, aircore and RC drilling, designed to test four anomalies for potential high-grade gold mineralisation identified from earlier mapping and SpaDIS™ data analysis. The results from these programmes were mixed with RAB/aircore drilling intersecting narrow zones of anomalous (<0.25 g/t Au) gold mineralisation associated with weathered mafic schists and quartz vein material. The RC drilling encountered moderate-grade (5-7 g/t Au) gold mineralisation associated with thin quartz-sulphide veins hosted by BIF units.

3.5 Rescource Estimates

At Mercator's request, Cube Consulting Pty Ltd ("Cube") completed resource estimates for both the Bluebird and Surprise gold deposits. These resource estimates were based on drill holes completed by third parties at Surprise and Bluebird, in addition to drilling carried out by Mercator since October 2004. Cube's estimates for the Bluebird high-grade and low-grade gold zones, as well as the Surprise deposit are summarised in Table 3.1.

Table 3.1 Yaloginda project Mineral Resource estimates (after Cube, 2005)

	Indicated			Inferred			Total		
Deposit	Tonnes (kt)	Grade (g/t Au)	Ounces	Tonnes (kt)	Grade (g/t Au)	Ounces	Tonnes (kt)	Grade (g/t Au)	Ounces
Bluebird high-grade	446	4.4	64,000	1,252	4.5	180,000	1,698	4.5	244,000
Bluebird low-grade	1,617	0.8	42,000	1,966	0.6	40,000	3,583	0.7	82,000
Surprise	1,220	0.9	34,000	2,965	1.1	107,000	4,185	1.0	141,000
TOTAL	**3,283**	**1.3**	**140,000**	**6,183**	**1.6**	**327,000**	**9,466**	**1.5**	**467,000**

Snowden has been advised that Cube has been appointed by Mercator as Competent Person for all the resource estimates outlined in this report and has reported the estimates in accordance with the guidelines in the JORC Code (2004). These estimates were prepared by persons who were either Members of the

Australasian Institute of Mining and Metallurgy or the Australian Institute of Geoscientists. Cube has consented to the inclusion of these resource estimates in this report.

Mercator requested Snowden to carry out a brief desktop review of the resource estimate documentation. The purpose of Snowden's desktop review was to check for any obvious flaws in the various estimates. Snowden was not required to carry out a detailed validation of the estimates and has therefore taken Cube's reporting and validation on face value.

The Bluebird estimate comprises a series of low and high-grade gold lodes which extend from the base of the Bluebird open pit down to the –30 mRL (approximately 500 m below the natural surface) over a 500 m strike length (Figure 3.3). The high-grade lodes plunge shallowly to the north and are hosted within a steeply dipping low-grade ore envelope.

The Bluebird estimate was carried out by Cube in September 2005 using two techniques for the generation of the resource. For the Bluebird low-grade zones, a 3D block modelling approach was used. This involved the construction of a three-dimensional geological/grade envelope within which a regular 3D block model was generated. The three-dimensional shape was subdivided into geological zones on the basis of orebody orientation, grade, or degree of weathering. The block size is generally at or near the average drill spacing, which in the case of the Bluebird low-grade zones was 2 m by 20 m by 10 m. Drilling data was then captured within the mineralised envelope and composited to a 2 m interval. High-grade cuts of 50 g/t Au were applied to restrict the influence of extreme grades. In all cases very few composite values were affected. The composites were then weighted using ordinary kriging and used to generate estimates into each model block. These estimates were compared against the original composite values for validation purposes. The resource model was then classified into either the Inferred (low confidence) or Indicated (higher confidence) Resource categories according to JORC Code guidelines.

Within the low-grade envelope, five narrow high-grade domains were identified and estimated using a 2D metal accumulation estimation process. In the 2D approach, a geological/grade envelope was generated as above, and was then projected onto a reference plane. This projection effectively 'unwrinkled' the orebody and simplified the number of required geological domains. The projected 3D envelope was then used to capture samples. Each drillhole intersecting the mineralisation was then composited to the full width of its intercept and converted to a horizontal width equivalent by the application of a geometrical conversion based on the deposit's dip and strike. After the application of a 50 g/t Au high-grade cut, two variables were then interpolated into a pseudo three-dimensional block model; the horizontal width, and the accumulation (i.e. width times the grade). To derive the grade of each block, the estimated accumulation variable was divided by the estimated width variable. Classification according to JORC Code guidelines was applied.

The 3D approach was applied to the more massive mineralisation which tends to be lower grade, within which regular composites can readily be derived. The 2D approach was used in thin, generally higher grade zones of mineralisation of variable width and/or orientation, within which regular length composites cannot easily be generated.

The Bluebird 2D and 3D estimates were then combined into a single 3D block model for reporting of the global resource.

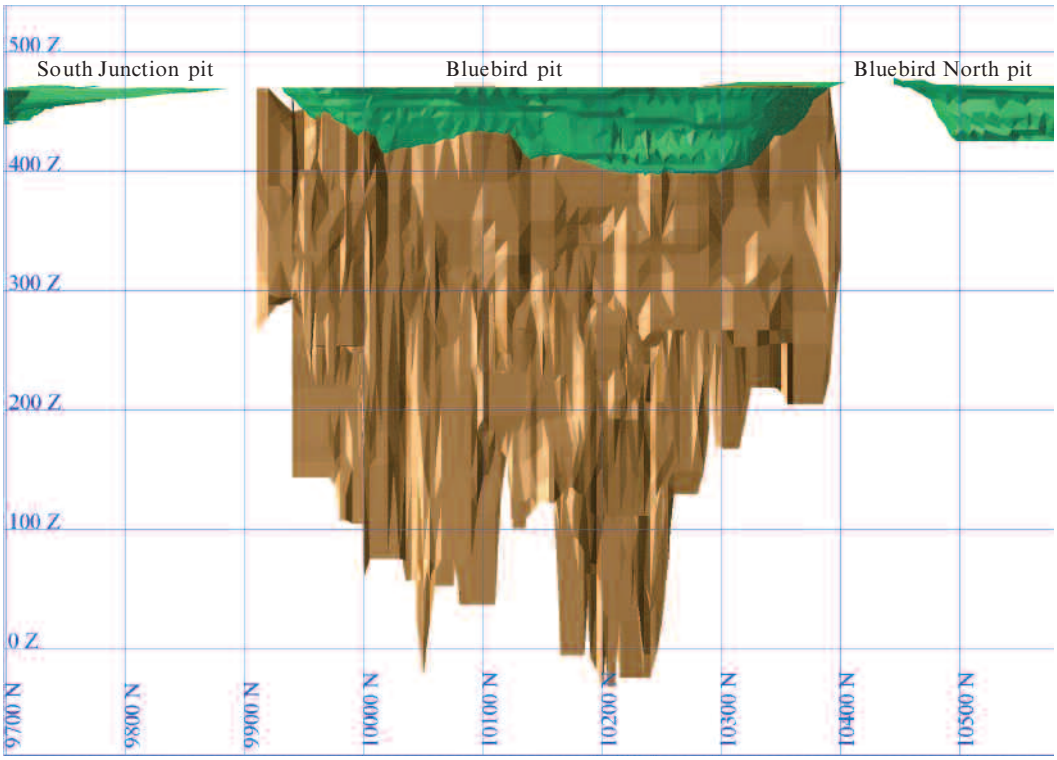

Figure 3.3 Block model longitudinal section of the Bluebird ore zones (prepared by Mercator). Surface is at 470 mRL

The Surprise estimate was carried out in August 2005 using the 3D block modelling approach outlined above with grade interpolated using ordinary kriging into 10 m by 20 m by 2 m parent blocks and applying a 50 g/t Au high-grade cut to intercepts. The wireframes were defined using a nominal 0.2 g/t Au grade cut-off which approximates the porphyry-basalt contact. The resource extends over a strike length of 725 m (striking north-northeast), and dips steeply to the east. The Surprise resource extends from the base of the Surprise pit to a vertical depth of approximately 220 m (250 mRL) and along strike to the south of the Surprise pit (Figure 3.4). The drill spacing is variable, ranging from less than 20 m by 20 m to more than 40 m by 20 m.

Snowden endorses the methodology used by Cube as being appropriate for the styles of mineralisation evident at each deposit. Snowden notes that there are some issues associated with the estimation parameters and the supporting data but none would, in Snowden's opinion, materially affect the resource tonnages and grades quoted. Snowden endorses Cube's comments that the resources are suitable for global estimation purposes and that local estimates (based upon more detailed sampling) need to be constructed prior to detailed mine planning and Ore Reserve calculation.

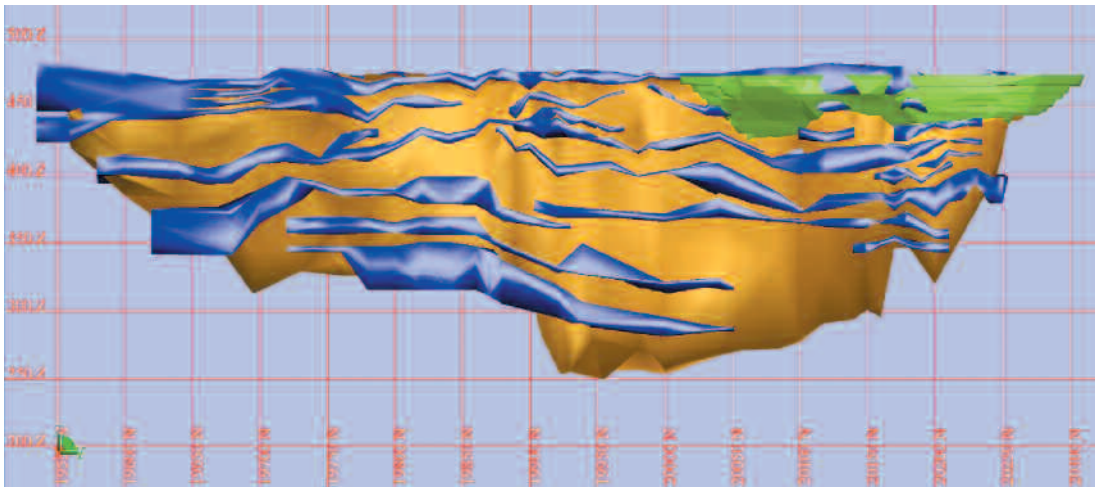

Figure 3.4 Block Model longitudinal section of the ore zones at Surprise (prepared by Mercator). Zones coloured gold represent ore, blue represents waste and green represents the extent of historic open pit mining

Snowden notes that Cube has applied a geological/grade envelope which represents a discriminator between mineralised and background material. Within these envelopes (which represent a range of effective cut-off grades from 0.2 g/t upwards), Cube has generally reported resources above a 0.0 g/t cut-off grade. In some cases the material estimated inside the envelope is below the nominal envelope cut-off grade due to the inclusion of low-grade samples required for geological or grade continuity. By reporting resources above a 0.0 g/t cut-off grade Snowden assumes that Cube has implied that all of the material reported is available for potential conversion to reserves and has reasonable prospects of eventual economic extraction as per the JORC Code.

Snowden notes that Cube's resource classifications are based on geological confidence and data density, and appear appropriate for the levels of information within each of the deposits.

3.6 Mining and Metallurgical Considerations

3.6.1 *Mining*

There is a well established history of mining within the Yaloginda area, with more recent mine developments focussed on nine surface and two underground mines in the vicinity of the Bluebird processing plant. Mine production ceased in March 2003 with the closure of the Gibraltar underground mine. Stockpiles from the surface and underground mining operations were processed up until May 2004, when the Bluebird mill was placed on care and maintenance.

Snowden notes that a number of the former open pit and underground mining operations had previously experienced ground stability difficulties resulting in modifications to the initial mine plan and schedule. Snowden understands that these problems were the result of a combination of inappropriate mining methods and poor ground conditions. As such, Snowden recommends that detailed geotechnical studies be completed for mine planning purposes and that these studies are supported by ongoing monitoring during any future mine developments.

3.6.2 *Metallurgy*

St Barbara carried out cyanide-leach testwork on oxidized and semi-oxidized mineralisation from the Surprise deposit in March 1997. The results of this testwork are summarised in Table 3.2.

Table 3.2 Metallurgical Testwork Summary

Sample	Lime (60% CaCo) kg/t	NaCN used kg/t	Leach Residue g/t Au	Gold Extraction %	Calculated Grade g/t Au
SU 66 (20-24m)	4.80	0.30	0.159	93.64	2.50
SU 85 (4-15m)	2.67	0.33	0.148	97.36	5.60

It was determined that the Surprise mineralisation was essentially "free milling" and would not require fine grinding to achieve gold recoveries exceeding 90%.

Further ore characterisation studies were completed on two composite samples of oxide material from the Surprise deposit in March 2002. The results from these studies are summarised as follows:

- mineralogical analysis showed most of the gold appears to be free or as inclusions within carbonate, leucoxene and goethite gangue;
- gravity separation response was low to moderate;
- leach kinetics were fast;
- gravity tailings leach residue gold grades were low to moderate;
- gold is concentrated in the coarse fractions; and

No information is available on test work completed on the Bluebird resource.

3.7 Processing Plant and Infrastructure

The Bluebird plant is a modern carbon-in-leach ("CIL") gold processing facility with a nominal capacity of 3.0 Mtpa situated immediately adjacent to the Great Northern Highway some 12 km south of Meekatharra. The plant has been on care and maintenance since May 2004.

In its current configuration, the plant includes:

- crushing facilities comprising a primary jaw crusher followed by a secondary cone crusher in open circuit, with crushed product reporting to two conveyors for discharge onto two stockpiles;
- stockpile reclaim tunnel consisting of five belt feeders and an apron feeder that is used for emergency feed;
- a SAG mill in open circuit;
- two ball mills for regrinding of ore in closed circuit with a cyclone cluster;
- two leach tanks of 1750 m^3 each;
- six adsorption tanks with a combined volume of 1600 m^3;
- a carbon safety screen;
- two 9 m^3 elution columns; and
- an electrowinning and smelting facility.

Prior to its closure, plant feed ranged from very soft oxidised material to hard quartz reef requiring careful blending.

The Bluebird facility also includes office buildings, workshops, accommodation quarters and various other related infrastructure, which has previously proved adequate for supporting an operational capacity of 3 Mtpa and a workforce exceeding 200 persons.

Power was supplied to the site by an on-site 8 MW diesel fired generating facility which forms part of the associated infrastructure to be acquired by Mercator.

Process plant tailings were previously pumped to the former Bassetts West open pit which was being used as a tailings storage facility. Return water from the tailings storage facility provided about 40% of the plant's requirements. The remainder was sourced from rain, borewater and groundwater accumulations in other nearby pits.

Snowden has been advised by Mercator that the Bassetts West open pit has capacity for a further 5 Mt of tailings (approximately one year's supply). Thereafter Mercator will be required to design and construct a new tailings storage facility. Snowden notes that the Bluebird Tailings storage facility Cell 5 has been partially constructed and would require some A$0.2 to A$0.3 million to bring into operation. Cell 5 is estimated to have adequate capacity for around 20 Mt of future tailings.

As part of its due diligence, Mercator contracted Mr Peter Rooke of Dalesford Pty Ltd ("Dalesford") to visit and undertake a valuation of the Bluebird processing plant and infrastructure.

Dalesford concluded from its inspection of the Bluebird facility that it was complete and in reasonable to good condition having been properly managed under a care and maintenance regime. In addition, Dalesford noted that an inventory of essential and critical spares remains at site and that the site facilities were adequate with sufficient vacant space available for maintenance, modification or expansion activities to be undertaken in a safe, planned and considered fashion.

Replacement value

Dalesford was requested to assess the value of the Bluebird plant and associated infrastructure as an operating concern. Dalesford considered the replacement value of the facilities with equipment in similar condition (i.e. second hand value) along with the value of the non-transportable assets such as concrete footings, structural steel, tankage and electrical components.

Dalesford estimated the current replacement value of the Bluebird facility at A$29.6 million exclusive of commissioning costs. Dalesford noted that this estimate is within an accuracy of ±30%.

Salvage value

Dalesford compiled second hand equipment estimates for the plant and infrastructure components that were considered likely to be worthwhile salvaging on a 'where is, as is' basis. Dalesford's estimated salvage value was A$2.15 million, but considered that in the current market the sale price for the Bluebird plant and infrastructure would likely be in the range A$5 million to A$7 million.

Refurbishment cost

The cost of refurbishing the Bluebird plant was also assessed by Dalesford which included the direct civil, steelwork, mechanical, piping and electrical costs to bring the plant up to the stage of commissioning. Dalesford's estimated cost was in the range of A$1.56 million to A$4.83 million.

Dalesford's cost estimate did not include optional items such as a gravity circuit, refurbishment of an older, unused CIL circuit or circuit modifications to handle different ore types.

Circuit modifications may be required in the future to treat certain ore types including harder and more abrasive ores and the more refractory ores from Paddys Flat (refer to Section 4.6). These modifications may also impact throughput rates, comminution performance and the gold recovery.

3.8 **Exploration Potential**

Snowden has drawn the following conclusions on the exploration potential of the Yaloginda project area from its review of the exploration work completed to date:

- the Yaloginda project area has a large gold endowment with most previous mining and exploration work focused on two well defined gold trends;
- recent drilling at the former Bluebird North and South Junction open pit operations has highlighted the potential for multiple parallel lodes at depth between each of these deposits as well as within the eastern and western pit walls;
- the most prospective mineralised zone is located to the south of the Bluebird open pit associated with the Edin Hope alteration zone. To the north of the Bluebird open pit the Bluebird alteration zone also remains open along strike and at depth;
- the Edin Hope alteration zone remains largely untested at depth below the South Junction open pit;
- to the southwest of the South Junction open pit, the Edin Hope alteration zone swings southwest into the Iron Bar prospect area, where a small gold deposit had previously been outlined. Only limited wide spaced drilling to shallow depths has been completed between South Junction and the Iron Bar prospect;
- recent data compilation and verification by Mercator has identified the Ascot open pit and Ascot West prospect areas to the west of the South Junction open pit as having potential for hosting additional zones of relatively shallow oxide gold mineralisation;
- the depth extent and southern strike extensions to the former Surprise open pit remain to be adequately drill tested for potential high-grade gold zones associated with the intersection between the host porphyry and cross cutting carbonate altered shear zones;
- whilst further data compilation and validation work is required for the Great Northern Highway deposit, initial indications suggest that several high-grade gold lodes extend down plunge from the former open pit and underground workings and that these previously mined lodes may have been partly offset by Proterozoic-aged mafic dykes which cross-cut the deposit;
- the results from recent RAB/RC drilling programmes at the Lukes Junction prospect have been mixed but indicate that a narrow south-southeast trending structure may control zones of high-grade gold mineralisation; and
- the Hawk Hill prospect is a previous soil and RAB/RC drilling geochemical anomaly lying immediately south of the former Magazine open pit. Historical drilling results, including 6 m grading 11.17 g/t Au and 15 m at 1.6 g/t Au, were returned from relatively shallow depths (<70 m) in highly weathered and oxidised material. These results have been confirmed by recent follow up RC drilling by Mercator, which returned results of 5 m grading 13 g/t Au from a downhole depth of 37 m in hole 05HHRC006 and 1 m grading 10 g/t Au from a downhole depth of 153 m in 05HHRC002.

3.9 **Future Exploration Programme**

In line with its strategy of defining deposits containing at least half a million ounces of gold, Mercator has proposed a staged programme of exploration for the Yaloginda project tenements. Initial priority will be given to the assessment of the Bluebird-South Junction line, where there is good potential to upgrade and increase the currently defined resources beneath and between the former open pits. Data compilation and

validation remains to be completed over this area to assist in the planning of the resource definition drilling programmes. Future drilling is also planned on the Bluebird alteration zone to the north of the Surprise open pit, on the Edin Hope alteration zone extending along strike and at depth from the South Junction open pit. In addition the area between the South Junction open pit and the Iron Bar prospect is likely to receive additional drill testing to both confirm the historic drill intercepts and to define the potential of the lode system along strike and at depth.

Further RC and diamond drilling is also proposed to upgrade the confidence in the Surprise resource and test for further zones of high-grade gold mineralisation beneath and immediately south of the former open pit. Further work at the Jess prospect will involve the generation of a resource model.

Evaluation work at Great Northern Highway will focus on drill testing of the down plunge extents of several high-grade targets beneath the former open pit and extending from the underground workings. Further data validation and detailed mapping programmes have been proposed for the Ascot and Ascot West prospects, prior to any drilling being carried out.

From Snowden's assessment of the exploration data it is evident that the Yaloginda project area has been extensively explored in the past, however, Mercator has identified a number of targets which remain to be adequately tested. The geologically-driven exploration strategy as presented to Snowden by Mercator provides for the discovery of further high-grade zones of gold mineralisation associated with the Surprise, Bluebird and South Junction deposits, down-dip extensions to the Great Northern Highway deposit and associated with the Hawk Hill and Lukes Junction prospects. Snowden concurs with Mercator's view that the project area remains 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. As such, Snowden considers that the project is of merit and that the work proposed by Mercator is justified.

4.0 PADDYS FLAT PROJECT

4.1 Location, Tenure and Access

Mercator's Paddys Flat project is centred over of the Meekatharra township and lies some 12 km northeast of the Bluebird processing facility (Figure 2.1). The project comprises one ML application, six granted MLs, one granted PL and one miscellaneous licence covering a total area of approximately 42 km^3 (Table 2.1).

The Great Northern and Goldfields highways traverse northeastward and eastward across the project area respectively. Due to it proximity to Meekatharra, numerous minor roads and tracks provide ready access throughout the majority of the project tenements. The topography of the project area has been significantly modified by previous mining activity and the township.

4.2 Geology and Mineralisation

Mercator's Paddys Flat project area is dominated by a package of mafic-ultramafic volcanic rocks with minor sedimentary units and porphyry intrusions (Figure 4.1). This sequence has been extensively altered and deformed along the north-northeast trending Grants-Haveluck and Paddys Flat shear zones in the south and the Grants-Haveluck shear in the north of the project.

The main gold deposits at Paddys Flat occur over a 5 km strike length are broadly divided into three north-south trending zones. From east to west these zones are:

- Eastern Zone which includes the St Frances – Commodore, Halcyon, Democrat, Macquarie and Butlers gold deposits;
- Central Zone includes the Fenian, Consols, Vivian, Ingleston, Prohibition, Red Spider and Mudlode gold deposits; and
- Western Zone includes the Phar Lap, Golden Bar, Mickey Doolan and Maramont gold deposits.

The gold mineralisation at Paddys Flat occurs as:

- disseminated sulphides and mineralised quartz veins within porphyry bodies;
- broad alteration zones within ultramafic-mafic rocks; and
- quartz veins within BIF units.

Both the porphyry and ultramafic-host disseminated deposits are typically low-grade, whereas the higher grade deposits are mostly developed within northeast trending quartz veins hosted by BIF and quartz-rich porphyry bodies.

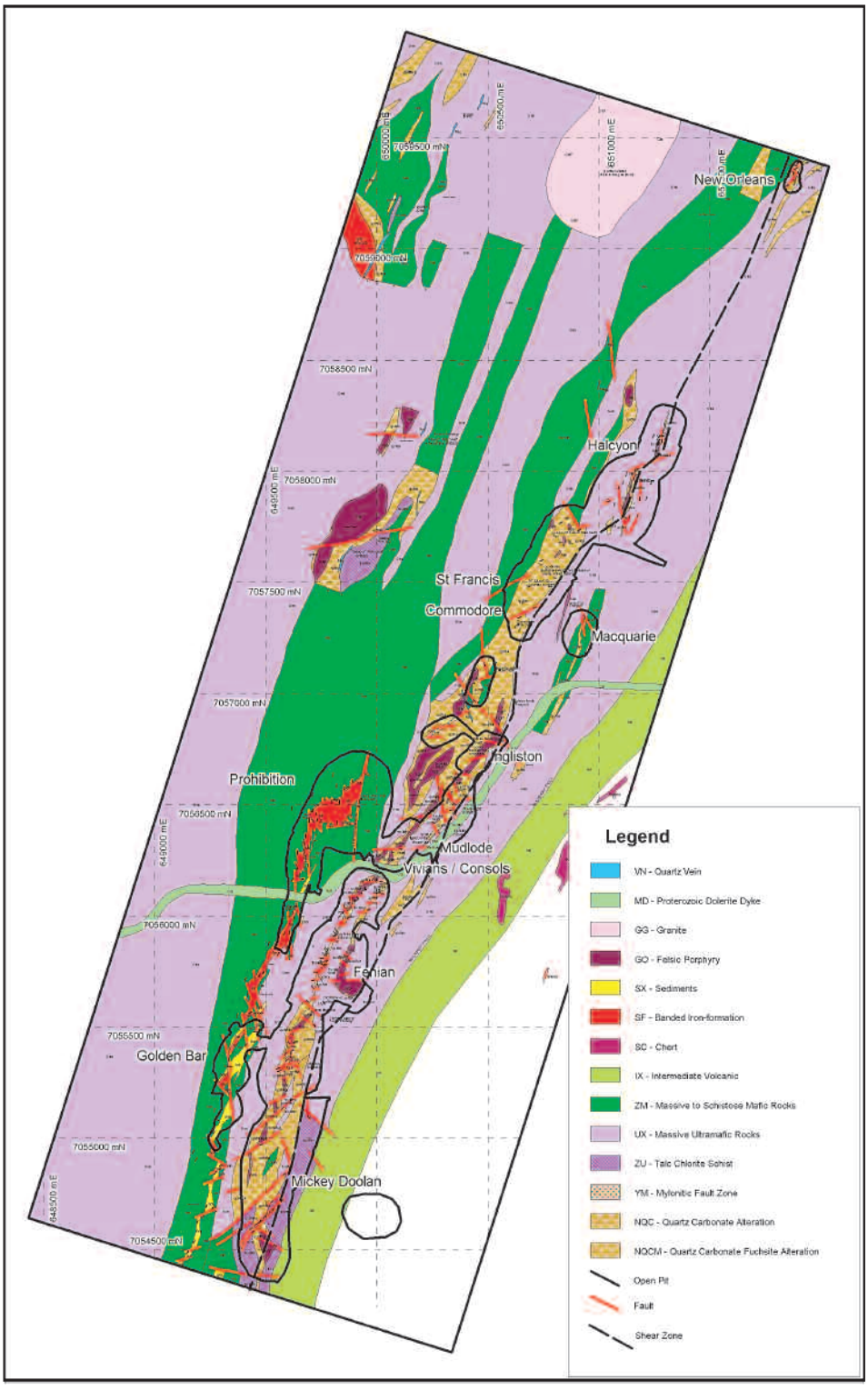

Figure 4.1 Simplified geology of the Paddys Flat project (prepared by Mercator)

The Fenian, Consols, Vivian and Ingleston deposits are all hosted by mineralised quartz veins within altered intrusive porphyry bodies whilst the Mickey Doolan, Phar Lap and St Francis-Commodore deposits occur in broad alteration zones within ultramafic and mafic hosts.

At Prohibition, a north-northeast trending BIF unit lying to the west of the Paddys Flat shear zone is cut and deformed by the Prohibition Fault. This has resulted in the development of breccia zones and associated quartz veining. The mineralised lodes at Prohibition trend sub-parallel to the fault and plunge southward towards a vertically dipping Proterozoic dolerite dyke.

The gold deposits of the eastern and western zones, including the Mickey Doolan and Prohibition deposits, are characterised by refractory gold within primary sulphide mineralisation. The deposits of the central zone are characterised by free gold with minor pyrite, arsenopyrite and rare base metal sulphide mineralisation.

4.3 Mining History

Gold was discovered at Paddys Flat in 1899 with small-scale open cut and underground mining operations commencing shortly thereafter along the Paddys Flat shear zone and to the northeast along the Haveluck Shear. Mining has continued on a semicontinuous basis ever since, with nearly 2 Moz of gold estimated to have been produced from the area. The most productive section at Paddys Flat was the 700 m interval encompassing the Ingliston, Consols, Fenian and Marmont workings. Fenian was the largest of the historic underground mines and produced an estimated 630,000 oz at an average grade of 16.8 g/t Au to a vertical depth of 380 m.

Open pit production at Paddys Flat during the period 1986 to 1996 totalled approximately 15.2 Mt grading 1.8 g/t Au for 900,000 oz. Open pit mining extended to a maximum vertical depth of 100 m and over a strike length of nearly 4 km. Mining ceased at Paddys Flat in 1995 following the exhaustion of the shallow oxide resources and the flooding of the decline developed to access higher grade primary ore at Vivians and Consols.

Prior to placing the Bluebird mill on care and maintenance in 2004, St Barbara had been augmenting ore sourced from a number of open pits at Yaloginda with low-grade stockpile material from Paddys Flat.

4.4 Previous Exploration

Due to the prolonged history of mining at Paddys Flat, there has also been considerable exploration work completed. The majority of the exploration was focussed towards the assessment of the strike and depth extents to the known deposits. Whilst these programmes encountered some reasonably substantial widths of gold mineralisation and demonstrated the continuity of the mineralised structures at depth, no high-grade zones were defined.

The most recent campaign of exploration was completed by St Barbara, who conducted a review of the historical data with a view to establishing an underground mining operation at Prohibition and developing the large low-grade Mickey Doolan deposit. To this end, St Barbara completed extensive RC and diamond drilling programmes at Prohibition, which were designed for geotechnical, model validation and metallurgical testwork purposes, as well as testing the down plunge extents to the mineralised structures. A pre-feasibility study was commissioned on developing an open pit on the refractory Mickey Doolan gold deposit. Further RC and diamond drilling was also carried out to test beneath the former Vivians and Consols open pits.

The drilling at Prohibition successfully delineated broad zones of moderate to high-grade (+3 g/t Au) gold mineralisation down plunge of the Prohibition open pit. Prohibition has now been drilled to a vertical depth of 400 m and remains open. In addition, narrow zones of high-grade gold mineralisation (+8 g/t Au) were intersected in the deeper drilling at the Vivian-Consols deposit which extended the mineralisation to 340 m vertical depth and over a strike length of 200 m. Significant drilling results were also reported by St Barbara from the Mudlode prospect, which lies to the east of and adjacent to the Vivians-Consols porphyry. The Mudlode mineralisation consists of wide zones of moderate-grade (3-4 g/t Au) gold mineralisation over a 400 m strike length and remains open at depth to the north and south.

4.5 Resource Estimates

Cube completed resource estimates for the Prohibition, Vivian Consols, Mickey Doolan and Golden Bar gold deposits in 2004 and 2005. The estimates were based on drilling completed by St Barbara and other previous tenement holders. The estimates were prepared using the methodologies outlined in Section 3.5 and are summarised in Table 4.1.

The Prohibition deposit comprises a series of mineralised lodes which are broadly tabular and plunge moderately to the south in parallel to the Prohibition Fault and the host BIF unit (Figure 4.2). The Prohibition resource extends from the base of the former Prohibition open pit down to a depth of 130 mRL (approximately 400 m vertical depth) and is continuous over a 500 m strike length.

Table 4.1 Paddys Flat project Mineral Resource estimates (after Cube, 2004 & 2005)

	Indicated			Inferred			Total		
Deposit	Tonnes (kt)	Grade (g/t Au)	Ounces	Tonnes (kt)	Grade (g/t Au)	Ounces	Tonnes (kt)	Grade (g/t Au)	Ounces
Prohibition	1,435	4.1	188,000	917	2.8	82,000	2,352	3.6	270,000
Vivian-Consols	848	7.3	199,000	137	7.9	35,000	985	7.4	234,000
Mickey Doolan	12,375	1.0	396,000	7,119	0.9	213,000	19,494	1.0	609,000
Golden Bar	379	1.4	17,000	50	1.1	2,000	429	1.4	19,000
TOTAL	**15,037**	**1.7**	**800,000**	**8,223**	**1.3**	**332,000**	**23,260**	**1.5**	**1,132,000**

The Prohibition estimate was carried out in January 2004 using a traditional 3D block modelling approach with grade interpolation by ordinary kriging into a 10 m by 4 m by 4 m block model. A 1 g/t Au cut-off grade and a 30 g/t Au high-grade cut were used. Drill spacing ranged from 10 m by 10 m to 20 m by 20 m across the deposit. Cube noted that the database used samples from a number of different drilling programmes which were assayed by different methods but concluded that all of the data was acceptable. Furthermore, Cube noted significant variability in the thickness and grade of the resource and a strong relationship between grade and the presence of quartz and sulphide.

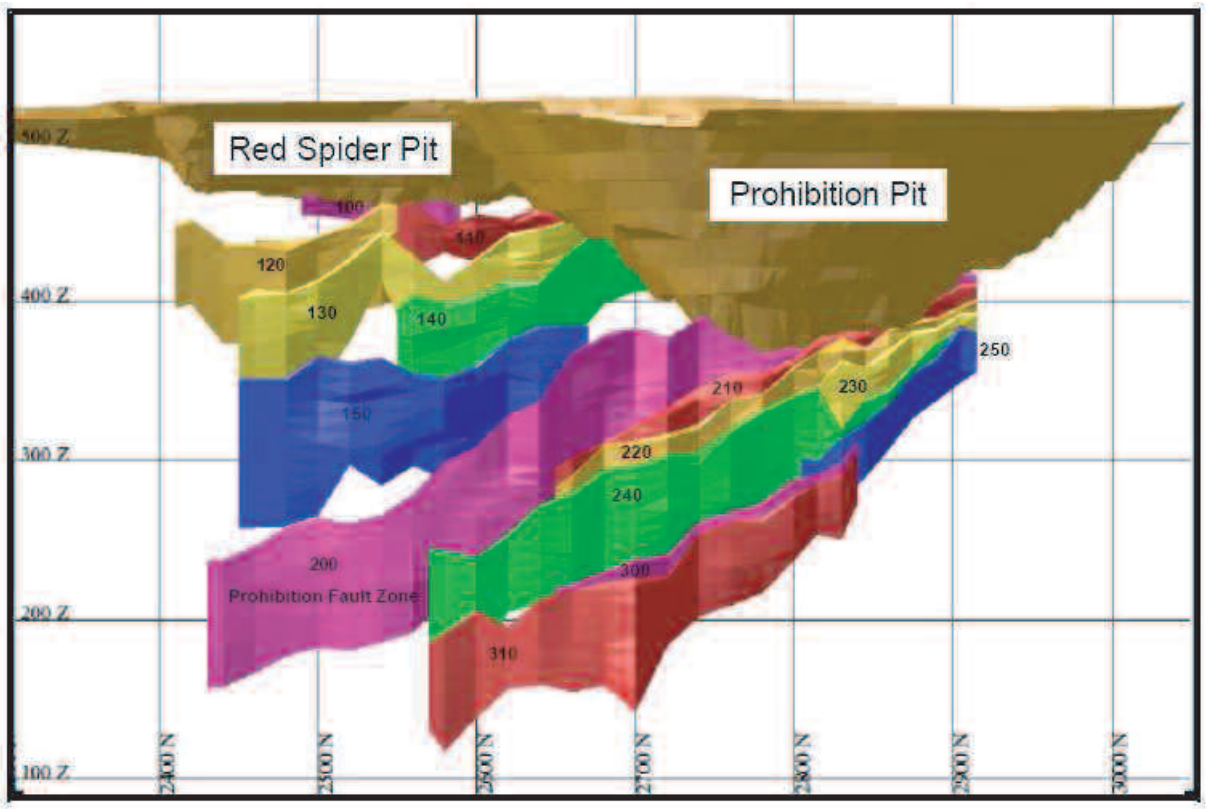

Figure 4.2 Prohibition longitudinal section looking west (prepared by Cube). Each colour represents a different lode. Surface is at 515 mRL

The Vivian-Consols estimate was carried out in November 2004 using the 2D block modelling approach outlined in Section 3.5, with grade interpolation by ordinary kriging into 20 m by 20 m blocks. Wireframes were based on an approximate 0.5 g/t Au lower cut-off grade and a 40 g/t high-grade cut was applied to intercepts. The Vivian resource is located at depth to the north of the former Vivian open pit and extends over a 300 m strike length from 480 m RL to 180 mRL (a maximum vertical depth of approximately 340 m below surface; Figure 4.3). The Consols resource lies beneath the former Consols open pit and extends over a 200 m strike length and to a vertical depth of 235 m below surface (280 mRL). The resource is based on 185 drill holes of which there are 106 RC and 79 diamond holes. The drill spacing is variable, ranging from less than 10 m by 10 m to more than 40 m by 40 m. The Vivian-Consols resource demonstrates high-grade variability or high nugget behaviour due to the presence of significant quantities of coarse gold in association with complex faults within a reasonably continuous zone of quartz-carbonate altered porphyry.

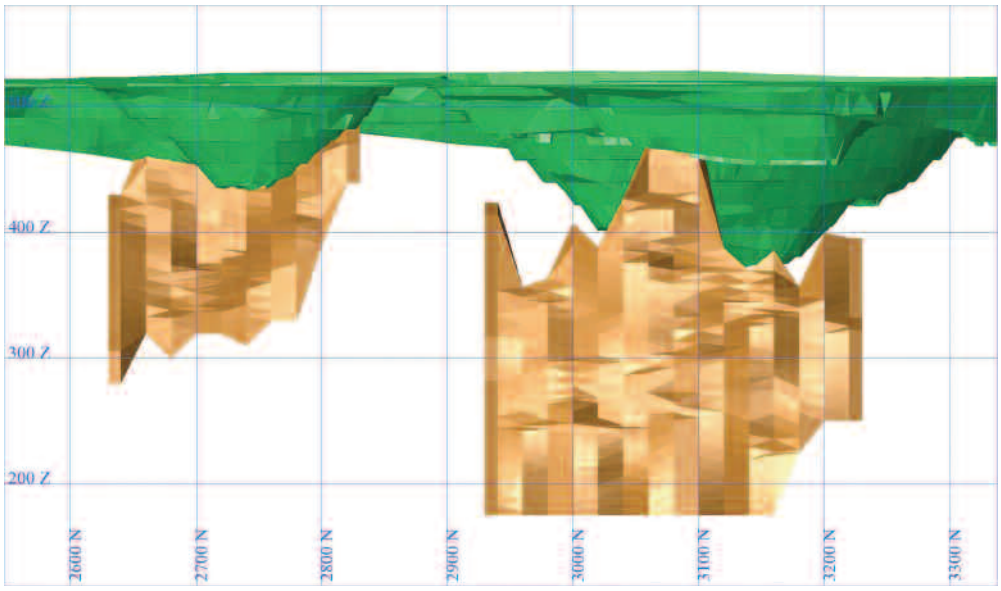

Figure 4.3 Vivian (left) and Consols (right) longitudinal sections looking with the existing open pits shaded green (prepared by Mercator). Surface is at 515 mRL

The Mickey Doolan and Golden Bar resources extend down dip from the base of their former open pits respectively. Cube identified six significant mineralised domains within the Mickey Doolan resource area which extends from 1020 mN to 2260 mN between 600 mE and 1200 mE on the Mickey Doolan local grid. The Mickey Doolan resource extends over a strike length of 1,240 m, 200 m width and to a depth of 320 m vertically below surface (Figure 4.4). The Golden Bar resource is approximately 100 m wide, 700 m long and extends to a depth of 140 m below surface.

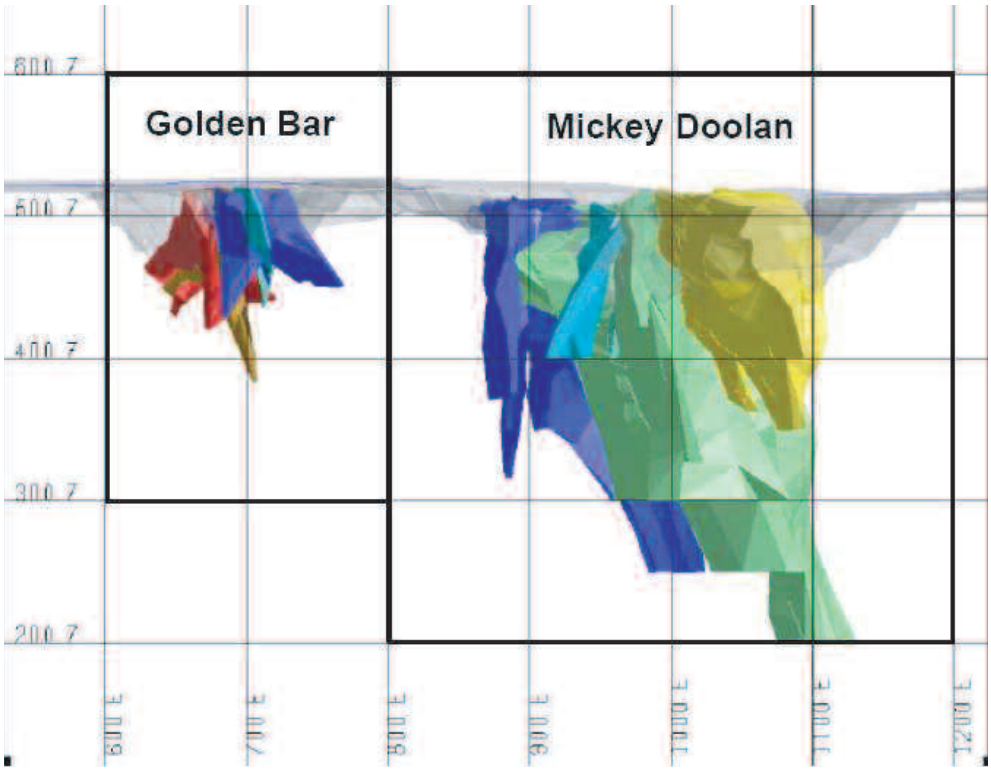

Figure 4.4 Mickey Doolan and Golden Bar mineralised domains looking north (prepared by Cube). Each colour represents a different lode. Surface is at 515 mRL

The Mickey Doolan and Golden Bar estimates were carried out in April 2005 using a 3D block modelling approach using ordinary kriging into a 20 m by 5 m by 5 m block model. Interpretation was based on

geological/alteration envelopes approximately equivalent to a 0.5 g/t lower cut-off. Both the Mickey Doolan and Golden Bar resources are based on 1,175 drill holes of which there are 1,155 RC and 20 diamond holes. Drill spacing is variable ranging from a maximum spacing of 40 m by 40 m to 20 m by 20 m within the Indicated Resource area. Outside of this, the drill spacing may be significantly more.

In Snowden's opinion, the resource estimates and classification have been appropriately reported in accordance with the JORC Code (2004).

4.6 **Mining and Metallurgical Considerations**

Extensive metallurgical testwork was carried out prior to 1995 on samples of the refractory Mickey Doolan and Prohibition mineralisation. Testwork included examination of various process routes including combinations of heap leaching, flotation, fine grinding, biological oxidation, pressure oxidation and roasting. Plant batch trials of Prohibition ore were also undertaken. The testwork demonstrated the technical feasibility of achieving high recoveries through enhanced oxidation and leaching methods.

St Barbara subsequently reviewed the previous testwork results and commenced additional testwork to modernise the results and to ensure QA/QC aspects were addressed. This testwork was designed to follow on from the previous work completed in order to identify optimum relationships between grinding, flotation, CIL leaching and pressure leaching performance.

The results from the metallurgical testwork completed by St Barbara indicated a "Readily Cyanidable" recovery of better than 80% from the Ingleston, Alberts East lode ("East Lode") and Prohibition mineralisation and that recoveries of more than 90% were achievable from Vivian-Consols mineralisation. Samples from Mickey Doolan returned lower recoveries at around 65%, due to the refractory nature of the ore there.

4.7 **Exploration Potential**

Snowden has drawn the following conclusions on the exploration potential of the Paddys Flat project area from its review of the exploration work completed to date:

- the Paddys Flat area has been subject to prolonged exploration and mining and has resulted in an extensive geological database which remains to be captured and integrated into 3D models. Data compilation and validation has the potential to highlight prospective alteration trends and structural locations;
- due to the nuggetty nature of the gold mineralisation and the tabular geometry of the contained gold mineralisation, the deposits require extensive sampling on a close spaced grid;
- the depth extent of the Prohibition resource is currently limited by a lack of drilling. As such there are several outstanding issues related to the grade continuity at depth and the location of a barren dyke intrusion. However, Snowden considers there is potential to increase the size of the currently defined resource with further deep drilling;
- the Mickey Doolan resource remains poorly constrained below 50 m vertical depth and there is potential to increase the size of the refractory primary sulphide resource, although modifications to the Bluebird processing plant will be required to process this material; and
- the Vivian-Consols deposit is a complex deposit with abrupt changes in stratigraphy and geometry resulting in a lack of geological continuity within the mineralised zone. Whilst very good grades have previously been intersected, the data density is low relative to the structural complexity of the deposit. Further data compilation and review using SpaDIS™ supported by further detailed drilling may provide further insight into this complex system and provide further confidence in the resource.

4.8 **Future Exploration Programme**

As part of its initial exploration strategy for the Paddys Flat 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 host significant gold deposits. In addition, Mercator proposes further detailed geological investigations at several of the former open pits, to investigate the potential for high-grade shoots within the previously defined low-grade resources. Subject

to the results of this data assessment phase, a programme of targeted RC and diamond drilling is proposed to assess the potential for zones of high-grade gold mineralisation.

From Snowden's assessment of the exploration and mining data it is evident that the Paddys Flat has been extensively explored, but there are sizeable areas which remain to be effectively tested. Given St Barbara's recent discovery at Mudlode, Snowden concurs with Mercator that the project area remains prospective for further zones of moderate to high-grade gold mineralisation within deformed, sheared, intensely altered and veined BIF, ultramafic and porphyritic units, in a geological setting akin to that elsewhere within its Meekatharra area.

5.0 MEEKATHARRA NORTH PROJECT

5.1 Location, Tenure and Access

Mercator's Meekatharra North project is located 2 km to the northeast of the Meekatharra township and some 25 km northeast of the Bluebird processing facility (Figure 2.1, Figure 5.1). The project comprises eight ML applications, three granted MLs and 31 PLs with a combined area of 103 km^2 (Table 2.1).

The Great Northern Highway is centrally located within and traverses much of the project area. Several well formed roads and pastoral tracks provide year round access through the project tenements, except after periods of sustained rainfall.

5.2 Geology and Mineralisation

The project area covers ultramafic and mafic units intercalated with BIF structurally emplaced against Archaean basement gneisses and granitoids (Figure 5.1). 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 tenements, with a large proportion of the area obscured by laterite, soil and alluvium. The area as a whole is deeply weathered to depths of 250 m.

The project tenements immediately adjoin the Paddys Flat line of workings to the north. The geological setting of these workings is interpreted to extend northwards into the Meekatharra North project area. A small open pit was developed in the late 1980s at Five Mile Well on a quartz breccia within an extensional shear.

5.2.1 *Maid Marion prospect*

The Maid Marion prospect is located in the far north of the project tenements, approximately 16 km northeast of Meekatharra (Figure 5.1). The geology of the Maid Marion prospect is dominated by a sequence of mafic to ultramafic schist intercalated with high-Mg basalt and occasional shale, BIF and chert units. This sequence dips steeply to the east and is folded about a northeast plunging anticline. The anticline has been cut by several east-west, northwest-southeast and northeast-southwest trending faults.

The gold mineralisation at Maid Marion appears to be associated with a broad zone of quartz veining and sulphide mineralisation developed along the contact between mafic schist and ferruginised sediments and BIF.

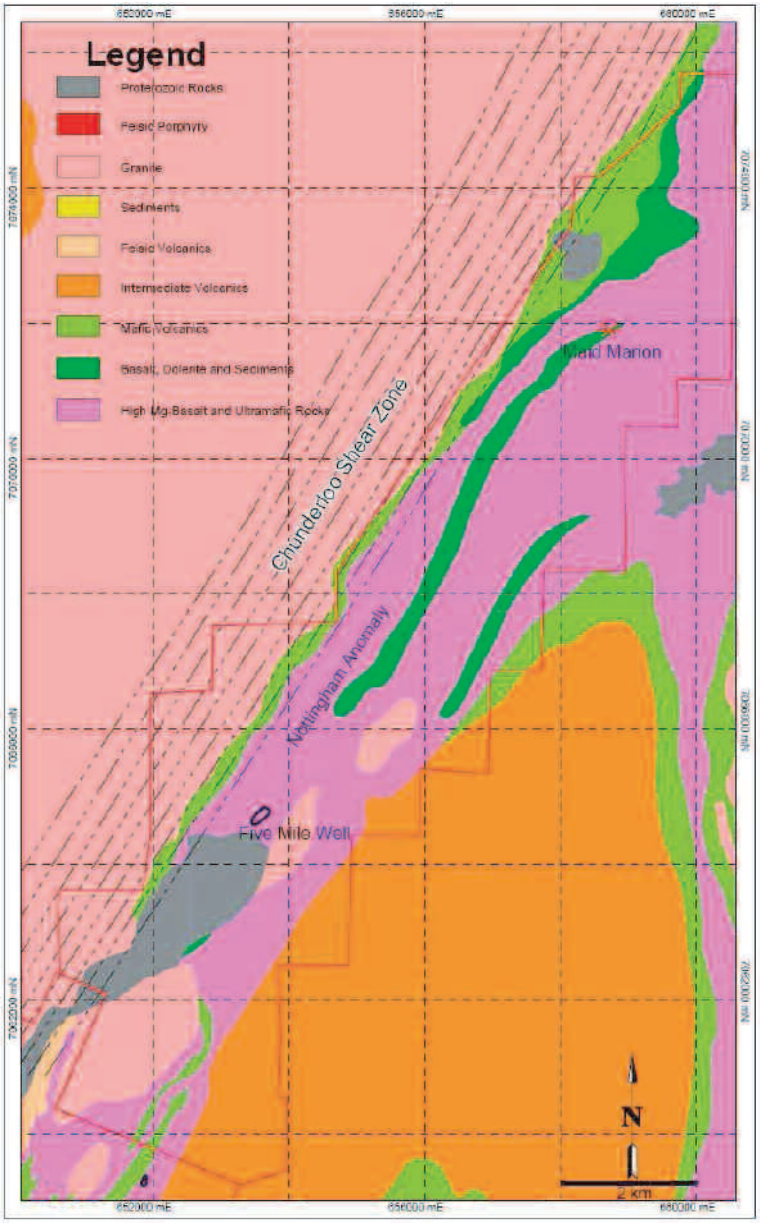

Figure 5.1 Location and geology of the Meekatharra North project including the Five Mile Well and Maid Marion prospects (prepared by Mercator)

5.3 Previous Exploration

Mercator's Meekatharra North project tenements host a number of areas of concealed gold mineralisation. These anomalies were discovered by shallow RAB drilling completed in the mid-1970s along widely spaced drill lines to test beneath the alluvial cover. Follow-up RAB, aircore and RC drilling programmes were completed by a number of companies between 1980 and 1998 and were largely focussed on the area between the Maid Marion and Five Mile Well prospects. As a result of these drilling programmes a small resource was outlined at Maid Marion.

Mercator's initial exploration work at Meekatharra North commenced in late-2004 and involved the compilation and evaluation of the historic drilling and aeromagnetic geophysical data. Subsequent work completed by Mercator included:

- geological and structural mapping to gain a greater understanding of the geology and the controls on the distribution of the gold mineralisation at the Maid Marion prospect;
- two IP geophysical surveys over the northern strike extensions of Maid Marion;
- aircore drilling aimed at defining near-surface strike extensions to the Maid Marion mineralisation and other structural targets in the surrounding area; and
- RC and diamond drilling designed to test down-dip extensions to Maid Marion.

5.3.1 *Exploration Results*

Based on the results from its data review, Mercator identified two laterally extensive, northeast trending gold geochemical anomalies at Maid Marion and Nottingham (Figure 5.2). The Maid Marion geochemical anomaly extended over a strike length of 3 km above a 0.5 g/t Au grade, whilst the Nottingham geochemical anomaly extended for a further 3.5 km to the south.

IP geophysical surveying and aircore drilling by Mercator confirmed the historic drill hole intersections and outlined consistent anomalous (+0.5 g/t Au) gold mineralisation across a series of drill fences at Maid Marion (Figure 5.2). Significant intersections recorded from Mercator's aircore drilling programme at Maid Marion included 9 m at 1.09 g/t Au from a down hole depth of 10 m in 04MMAC060, including 1 m at 5.12 g/t Au from 14 m, and 3 m at 2.34 g/t Au from a downhole depth of 49 m in 04MMAC084.

Follow-up RC and diamond drilling intersected two moderately east-dipping zones of semi-massive sulphide mineralisation (quartz-pyrite-fuchsite). The upper sulphide zone was evident over a true width of 15 m whilst the lower zone extended over a true width of 5 m and typically hosted a narrow zone of higher grade gold mineralisation. Significant intercepts included 2 m at 11.16 g/t Au from a downhole depth of 93 m in 05MMRC001, 8 m at 2.21 g/t Au from a downhole depth of 110 m in 05RC009 and 7 m at 2.07 g/t Au from a downhole depth of 157 m in 05MMRC010.

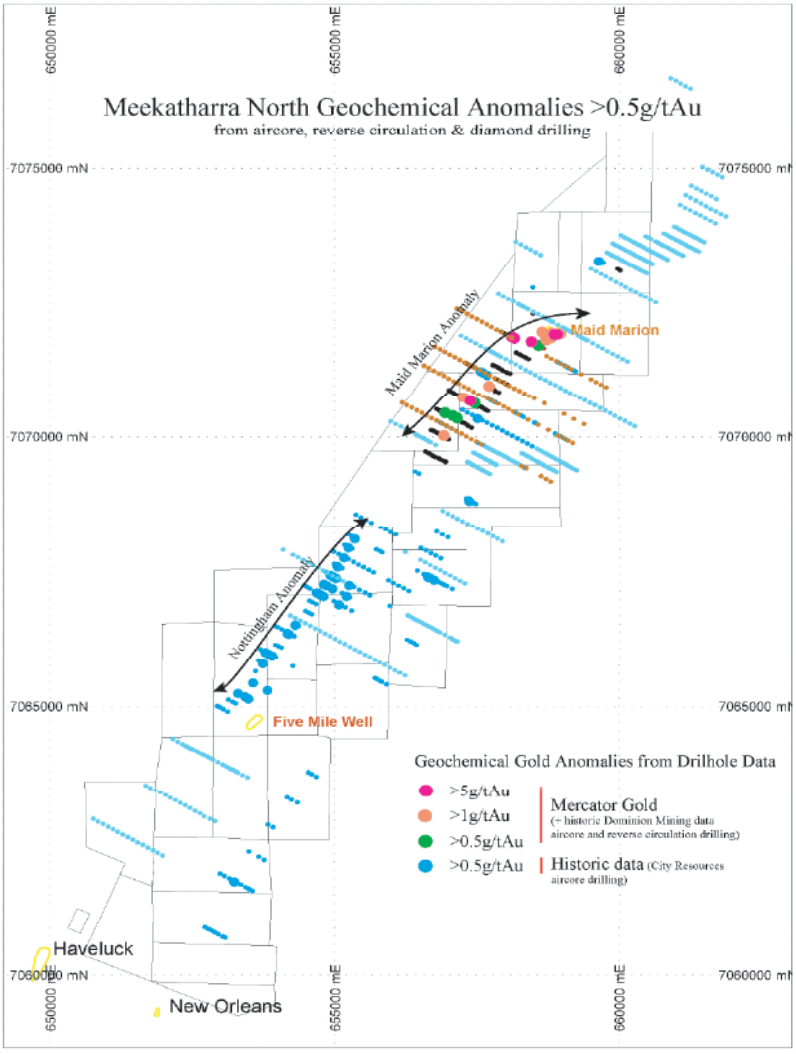

Figure 5.2 Location of the Maid Marion and Nottingham geochemical anomalies based on historic and Mercator drill results (prepared by Mercator)

5.4 Exploration Potential

Compilation of the historic exploration data has shown the Meekatharra North project area to cover concealed areas of gold mineralisation. The lack of exposure due to extensive transported cover has meant

that previous exploration was largely reliant on shallow drilling to identify targets of interest. This work met with mixed success.

Recent step-out drilling completed by Mercator at Maid Marion has confirmed the potential of this prospect both along strike and down-dip, in addition to highlighting the possibility for repetitions to the west of the main prospect. Mercator's drilling has shown low to moderate-grade gold mineralisation to extend over a strike length of more than 450 m and to a vertical depth of 100 m.

The Nottingham prospect requires further work to gain a better understanding of the structural and geological controls. Emphasis should also be given to resolving the relationship between the Maid Marion and Nottingham geochemical anomalies.

5.5 Future Exploration Programme

In line with Mercator's strategy of locating and defining new deposits of more than half a million ounces of gold, Mercator has identified the Maid Marion prospect as a priority exploration target and has also proposed an extensive exploration programme for the remainder of its Meekatharra North project area. As part of this programme, Mercator plans to:

- complete further IP geophysical surveys in order to map the distribution of sulphide mineralisation associated with the gold anomalies;
- undertake an orientation magnetic lag ("Maglag") geochemical survey to the north of Maid Marion to establish the applicability of this technique in detecting buried gold mineralisation. If successful, the programme will be extended over the Maid Marion and Nottingham areas;
- complete further exploration drilling over the Nottingham and Maid Marion geochemical anomalies; and
- undertake further RC and diamond drilling at the Maid Marion prospect, with the objective of defining a resource of more than 500,000 oz of gold.

Based on its review of the available technical data, Snowden concurs with Mercator that the Meekatharra North project area remains prospective for structurally related and porphyry hosted gold mineralisation as demonstrated by the presence of laterally extensive, low level gold geochemical anomalies already defined over a significant strike length within the project area and the lack of previous systematic exploration. Furthermore, the internal granitoid bodies within a sheared and deformed mafic-ultramafic-BIF sequence which hosts the historic gold workings at Five Mile Well and the strike extents of the Paddys Flat mining centre to the immediate south are also considered high priority targets. Snowden is therefore of the opinion that the Meekatharra North project is of merit and that the work programme proposed by Mercator is appropriate.

6.0 REEDY PROJECT

6.1 Location, Tenure and Access

Mercator's Reedy project is located 40 km south-southwest of Meekatharra to the east of the Great Northern Highway (Figure 2.1). Access to the majority of the project area is gained via pastoral and mining tracks.

The Reedy project tenements form a contiguous block of 12 granted MLs, seven ML applications, one granted PL, one granted EL and one EL application (Table 2.1). The total tenement area is approximately 122 km^2.

Snowden has been advised by Mercator that 14 of these tenements are presently the subject of plaints for forfeiture. With the exception of two MLs covering the South Emu, Rand and Jack Ryan resources, none of the other plainted tenements cover resources or priority exploration targets. The outcome of these plaints is currently uncertain.

6.2 Geology and Mineralisation

Within the Reedy project area, the greenstone stratigraphy is traversed by three large strike-parallel, northeast to north-northeast trending, gold mineralised shear zones which collectively form part of the regionally significant Mt Magnet-Meekatharra shear zone (Figure 6.1). Locally, these are referred to as the Reedy, Turn of the Tide and Tough Go shear zones. Gold mineralisation occurs as localised strike parallel and sub-parallel sulphide lodes along these main shear zones and adjacent sub-ordinate structures.

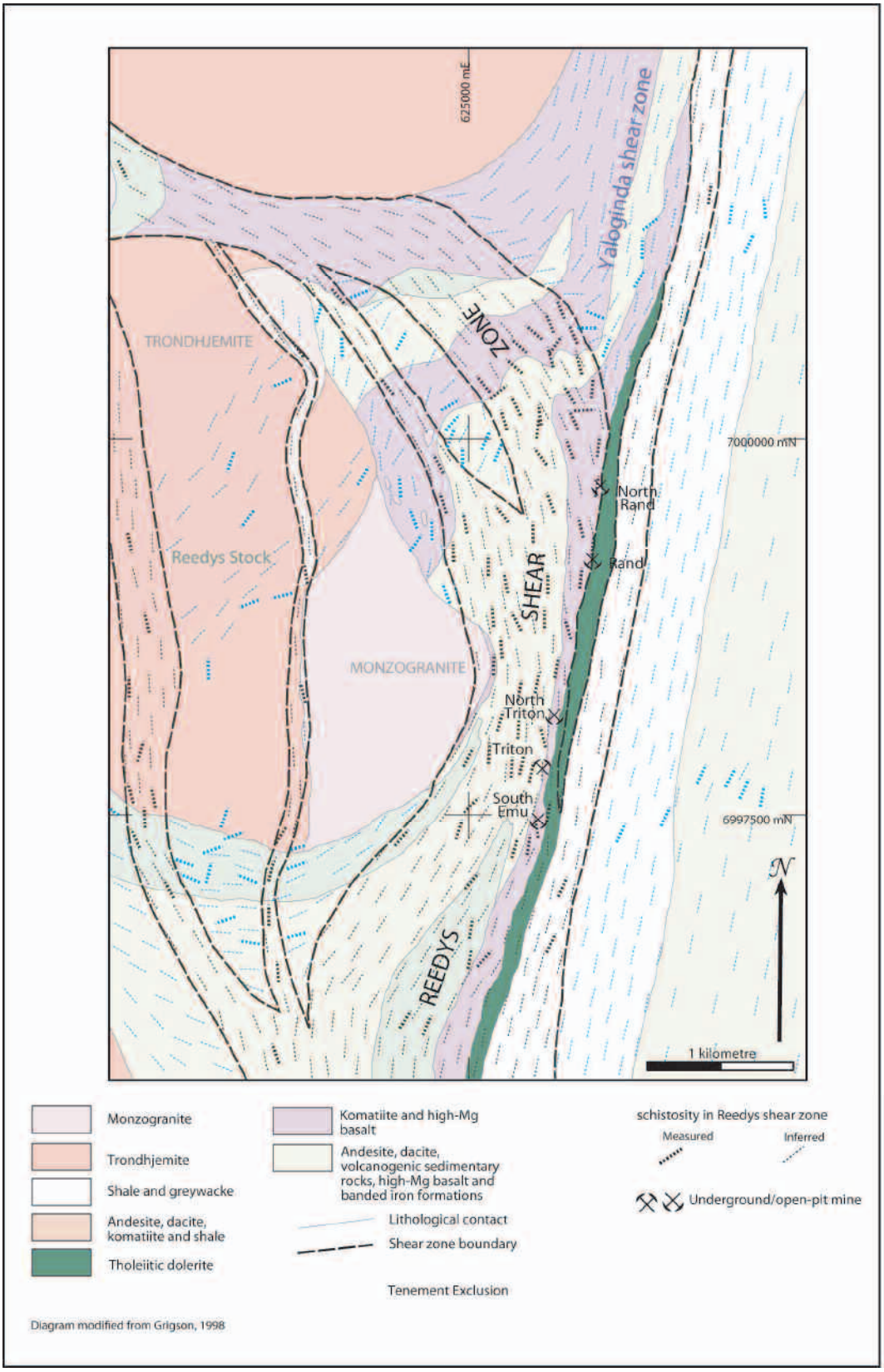

Figure 6.1 Geology and main gold deposits of the South Emu-Triton-Rand line (prepared by Mercator)

The project tenements cover the former open pit and underground gold mines along the South Emu-Triton-Rand and Boomerang-Central-Kurara lines hosted by the Reedy shear and the Turn of the Tide shear, with a combined historic gold production of more than 650,000 oz. Historically the majority of gold production has been derived from the Reedy shear, a shear system hosted within mafic and ultramafic rocks with associated feldspar porphyry intrusives.

6.2.1 *South Emu-Triton-Rand line*

The South Emu, Triton and Rand open pit mines are hosted along a 10 to 15 m wide, north-northeast trending, sub-vertical to steep east-dipping mylonitic shear developed at the contact of a basalt and BIF footwall sequence to the west, and a hangingwall sequence comprising mafic volcanic rocks, dolerite and fine grained meta-sedimentary rocks. The shear has been intermittently intruded by massive quartz feldspar porphyry. The gold mineralisation along this line is associated with pyrite with accessory, non-auriferous pyrrhotite.

6.2.2 *Boomerang-Central-Kurara line*

Further to the north along the Boomerang-Central-Kurara line, the north-northeast trending Reedy shear zone dips steeply to the west, with a localised roll at 25 m depth in the former Boomerang open pit. The western, hangingwall rocks comprise a sequence of mafic volcanic rocks and BIF in contact with a central zone consisting of a 10-25 m thick, schistose talc-carbonate ultramafic unit. The eastern, footwall rocks consist of a sequence of mafic volcanic rocks, which include schistose tuffaceous units, basalts and minor siliceous BIF. The main mineralised zone is associated with a carbonated, silicified, pyritic shear developed within the hangingwall, close to a major BIF unit.

6.2.3 *Turn of the Tide shear zone*

Gold mineralisation along the Turn of the Tide shear zone is associated with quartz veining hosted by deeply weathered, sheared felsic volcanic rocks at the former Turn of the Tide Main, Culculli and Culculli North mines, and within sheared mafic, ultramafic schists and BIF-mafic contacts at the Thompsons mine. Little is known of the mineralisation, due to the depth and intensity of oxidation and the shallow extent of previous drilling and mining.

6.2.4 *Tough Go shear zone*

Gold mineralisation along the Tough Go shear zone consists of thin, ferruginous, oxidised quartz veins trending parallel to the main shear, which cuts a sequence of deeply weathered mafic schists and thin, cherty BIF units. Many sections of the Tough Go shear zone are associated with anomalous gold geochemistry, but little else is known of the shear's potential due to the lack of previous mining, the depth of weathering and the presence of increasingly thick alluvial cover over the northern extent of the shear.

6.3 Mining History

Gold was initially discovered along the Reedy line in 1901 by prospector Tom Reedy. The area was mined intermittently over the next 50 years, with the majority of production derived from underground mines at South Emu and Triton. Modern mining of the Reedy area commenced in 1984 with open pit operations at the Rand gold deposit, which was followed by the South Emu, Triton, Rand and North Rand open pits developed between 1984 and 1995. All ore was treated on site.

In 1983, gold was discovered in the North Reedy area and was subsequently exploited within open pits and underground mines at Boomerang, Central and Kurara between 1987 and 1997. In addition to these mines, prospectors developed a large number of other smaller-scale workings elsewhere along the Reedy, Turn of the Tide and Tough Go shear zones. During the 1990s, small satellite, open pit gold mines were developed at the Missing Link, Callisto and Turn of the Tide prospects.

Total historical gold production from the Reedy project area is unknown, but has been estimated at around 900,000 oz Au. The available figures indicate that the majority of this production came from mines within the current project tenements.

6.4 Previous Exploration

A number of companies evaluated the Reedy area for its open pit potential. Work completed during this time included open pit and underground geological mapping and sampling, soil, rock chip and lag geochemical sampling, aeromagnetic and ground magnetic surveying and vacuum, RAB, RC and diamond drill testing.

This exploration resulted in the discovery and subsequent open pit development of the Boomerang, Central and Kurara gold deposits in the North Reedy area, the Missing Link, Jack Ryan and Callisto deposits in the Reedy area and the Cullculli, Cullculli North, Thompsons and Paddys open pit gold deposits along the Tough Go and Turn of Tide shears.

The Reedy project was sold to St Barbara in June 1998, who continued to explore the area and process low-grade ore stockpiles. Under three separate joint ventures, RC drilling was completed over M51/233 covering the South Boomerang prospect in 2002, RAB and aircore drilling over the Turn of the Tide and Tough Go shears in 2003 and aircore drilling along the Turn of the Tide shear in 2004.

Deeper drilling of the Reedy shear was undertaken by St Barbara between December 2004 and March 2005 with campaigns completed on the Jack Ryan and North Rand deposits. In summary, four RC holes for 800 m were completed at Jack Ryan, investigating the northern plunge continuation of mineralisation. At Rand, 14 RC holes with NQ diamond tails for 5,230 m were completed. St Barbara subsequently carried out a review of the geological interpretation and previous resource estimates prior to completing updated estimates for the South Emu, Rand, North Rand and Jack Ryan deposits.

6.4.1 *Summary of exploration results*

Most of the previous exploration completed within the Reedy project targeted the gold potential of the Reedy, Turn of the Tide and Tough Go shears, with many gold deposits and numerous prospects found as a result. A total of fourteen deposits have since been mined as open pits, with four of these also having significant underground gold production.

Between 2000 and 2003, St Barbara and its joint venture partners completed a number of reconnaissance RAB and RC drilling programmes largely focussed on the follow-up evaluation of previously defined geochemical anomalies. Whilst these programmes intersected a number of narrow zones of low-grade (1-3 g/t Au) gold mineralisation at shallow depths, the continuity and extent of the mineralisation was considered insufficient to warrant further investigation.

More recent exploration within the Reedy project was focussed on the Jack Ryan and Rand areas. In August 2004 St Barbara estimated a resource for Jack Ryan and completed an open pit optimisation study. This study concluded the deposit was marginal. Further drilling by St Barbara at Jack Ryan from late 2004 to early 2005 was met with limited success.

However, at Rand and North Rand St Barbara reported a number of significant intersections at depths of 300 m below the base of the former Rand and North Rand open pits. Significant results included 46 m grading 2.66 g/t Au (including 6 m at 11.5 g/t Au) from a downhole depth of 232 m in hole RDRCD005 and 42.6 m at 2.5 g/t Au from a downhole depth of 267 m and 4 m grading 8.5 g/t Au from a downhole depth of 300 m in hole RDRCD013. A south-plunging high-grade shoot extending from North Rand was identified, with further drilling focussed on establishing a resource down to a vertical depth of 250 m. The pits at Rand and North Rand were completed to depths of 120 m and 80 m below surface respectively.

6.5 Resource Estimates

Cube completed resource estimates for the South Emu, Rand and Jack Ryan deposits in July 2005 which are summarised in Table 6.1. The estimates are based on drilling completed by St Barbara and previous tenement holders at the South Emu, Rand and Jack Ryan deposits.

Table 6.1 Reedy project Mineral Resources (after Cube, 2005)

	Indicated			Inferred			Total		
Deposit	Tonnes (kt)	Grade (g/t Au)	Ounces	Tonnes (kt)	Grade (g/t Au)	Ounces	Tonnes (kt)	Grade (g/t Au)	Ounces
South Emu	618	3.4	68,000	100	3.0	10,000	718	4.5	78,000
Rand	891	1.9	55,000	1,458	2.7	125,000	2,349	2.4	180,000
Jack Ryan	534	2.1	36,000	846	1.7	47,000	1,380	1.9	83,000
TOTAL	**2,043**	**2.4**	**159,000**	**2,404**	**2.4**	**182,000**	**4,447**	**2.4**	**341,000**

The estimate for South Emu and the lower part of the Rand deposit was based on 2D metal accumulation modelling (as outlined in Section 3.5), whilst the upper part of the Rand deposit and the Jack Ryan deposit was modelled using a traditional 3D block modelling approach.

The South Emu resource comprises six separate mineralised domains which extend down dip below the base of the former open pit to a depth of 200 mRL (approximately 300 m vertical depth) and is relatively

continuous over a 350 m strike length (Figure 6.2). At South Emu grades were interpolated by ordinary kriging into a 2 m by 20 m by 20 m block model with a high-grade cut of 125 g/t Au applied.

The Rand resource comprises five mineralised domains which extend over a 600 m north-south strike extent and to a depth of 75 mRL (approximately 410 m vertical depth) beneath and between the former Rand and North Rand open pits (Figure 6.3). The Rand resource was estimated by a combination of 2D and 3D modelling techniques, with high-grade cuts applied on a domain basis and grades interpolated by ordinary kriging into 5 m by 20 m by 5 m parent cells.

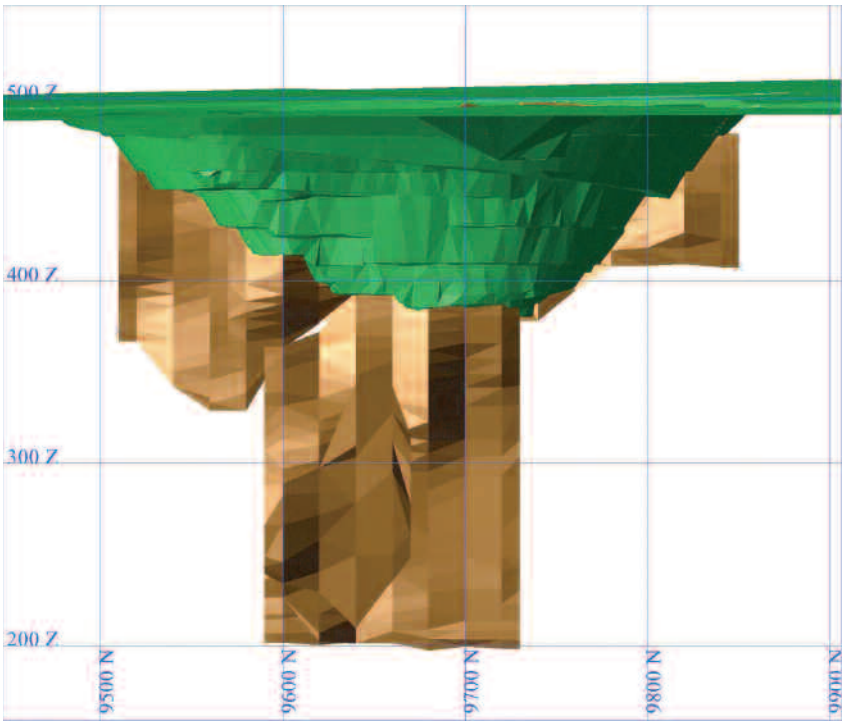

Figure 6.2 South Emu longitudinal section looking west (prepared by Mercator). The existing open pit is colour green and surface is at 495 mRL

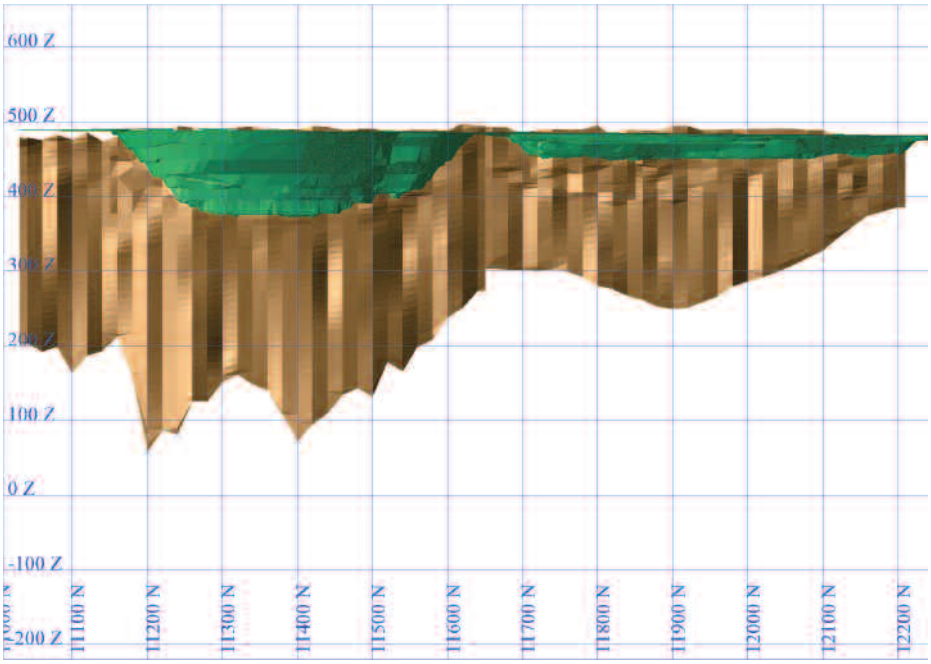

Figure 6.3 Rand longitudinal section looking west (prepared by Mercator). The existing open pits are coloured green and surface is at 485 mRL

The Jack Ryan resource plunges shallowly to the south from the base of the open pit to a depth of 280 mRL (approximately 200 m vertical depth) and extends over a 1,000 m strike length. The Jack Ryan estimate was carried out using a 3D block modelling approach using ordinary kriging into 20 m by 10 m by 5 m block model.

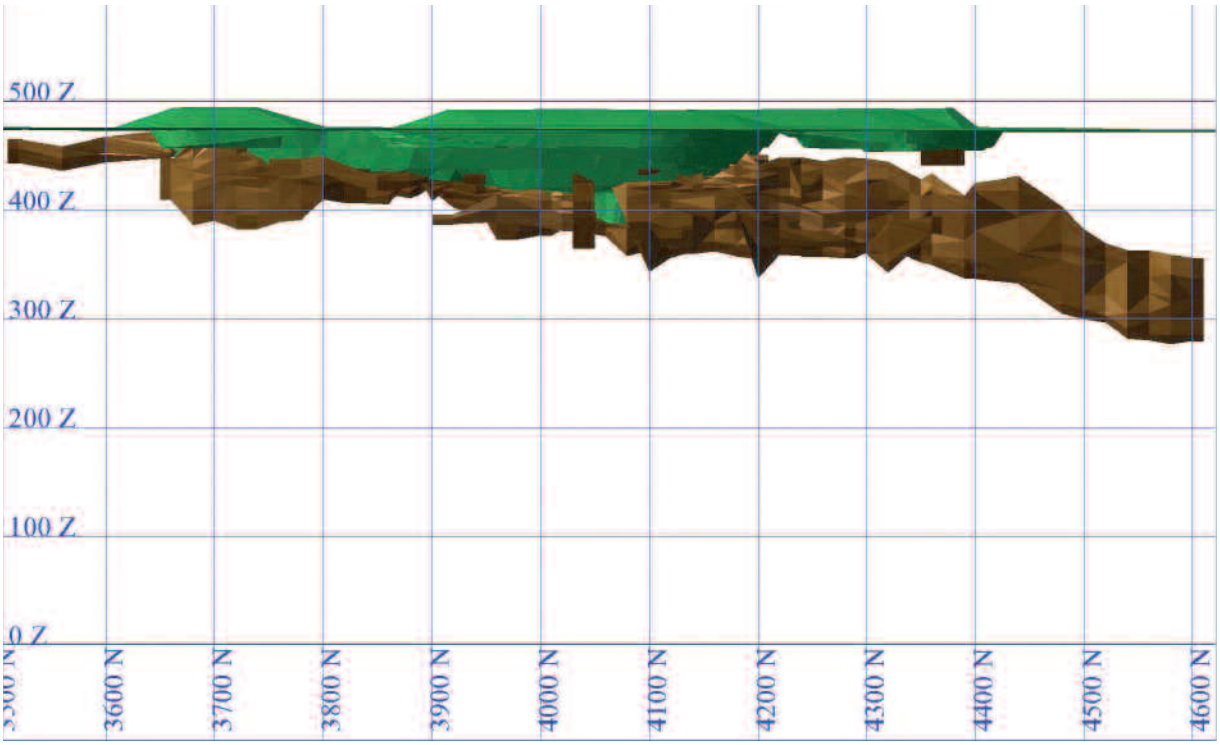

Figure 6.4 Jack Ryan longitudinal section looking west (prepared by Mercator). The existing open pits are coloured green and surface is at 475 mRL

In Snowden's opinion, the resource estimates and classification have been appropriately reported in accordance with the JORC Code (2004).

6.6 Exploration Potential

From Snowden's assessment of the exploration data it is evident that the Reedy project has been subject to detailed evaluation in the past, but there are significant areas that remain lightly explored principally associated with subordinate structures to the Reedy, Turn of Tide and Tough Go shears. Several prospective areas are apparent where these shear structures are concealed under significant cover. In particular, the 20 km strike extent of the Reedy shear zone between South Emu and the project area's southern boundary is considered a priority exploration target, as there has been limited drilling in this area to depths greater than 60 m.

In addition, there is good potential to expand the defined resources along the Reedy line, in particular the down dip extensions of the high-grade shoots. Specific targets include the area to the immediate south of South Emu pit below 100 m depth; extensions to the South Emu Deeps resource below 300 m; the Reedy shear between the South Emu and Triton mines and between Triton and Rand mines below 100 m depth; and the North Rand "swell" structure beneath the Rand and North Rand open pits below 250 m depth.

The Turn of the Tide and Tough Go shear zones also remain prospective for gold mineralisation having only been previously exploited by small pits targeting ferruginous quartz veins hosted by narrow BIF and mafic schist units. Previous exploration along these shears has identified a number of geochemical anomalies and intersected several narrow mineralised zones.

6.7 Future Exploration Programme

Mercator's assessment of the Reedy project area is planned to initially focus on the compilation, interpretation and analysis of all available geophysical, geochemical and geological data in conjunction with geological mapping and geochemical sampling. Detailed open pit mapping will be carried out as part of this programme, with the aim of establishing the controls to the gold mineralisation and defining high-grade zones for future drill assessment. Subject to the results of these investigations, targeted RC and diamond drilling will then be carried out.

Based on its review of the available technical data, Snowden considers the Reedy project area to remain prospective given the project's location over the well mineralised Reedy, Turn of the Tide and Tough Go shears which remain to be fully assessed. Snowden is of the opinion that the Reedy project is of merit and that the work programme proposed by Mercator is appropriate.

7.0 NANNINE PROJECT

7.1 Location, Tenure and Access

Mercator's Nannine project area is located approximately 35 km southwest of Meekatharra and comprises 24 granted MLs, 18 ML applications and 29 granted PLs covering an area of approximately 125 km^2 (Table 2.1).

Access throughout the area is good with numerous station tracks feeding off the Great Northern Highway along the eastern boundary of the project area. The general area is characterised by minimal topographic relief with minor outcrop of basalt and granite. Mulga scrub covers much of the project area except in the southwest which is covered by alluvial sediments associated with Lake Annean.

7.2 Geology and Mineralisation

The project covers a structurally complex greenstone succession that wraps around the western side of the Norie Pluton and comprises a thick sequence of amphibolite and basalt intercalated with metasedimentary units including black shale, siltstones, chert, sandstone and BIF (Figure 7.1). This sequence is cut by a series of north to north-northeast trending structures associated with the regional-scale Mt Magnet-Meekatharra shear zone, including the Gabanintha, Aladdin and Caledonian faults.

Gold mineralisation is generally confined to a central, north-northwest trending corridor associated with extensive, although discontinuous, BIF horizons. Oblique faults and quartz-filled shear zones transect and disrupt the host BIF horizons. The main gold deposits of the Nannine project area appear to be located along subsidiary splays to the Mt Magnet-Meekatharra shear zone, which are characterised by networks of cross-cutting quartz veins. These deposits form podiform shoots that plunge along the intersection of these shears and BIF units in proximity to the contact between metasedimentary units and granitoids (e.g. Caledonian, Nannine and Bailey Island deposits) and amphibolite-basalt (e.g. Aladdin deposit).

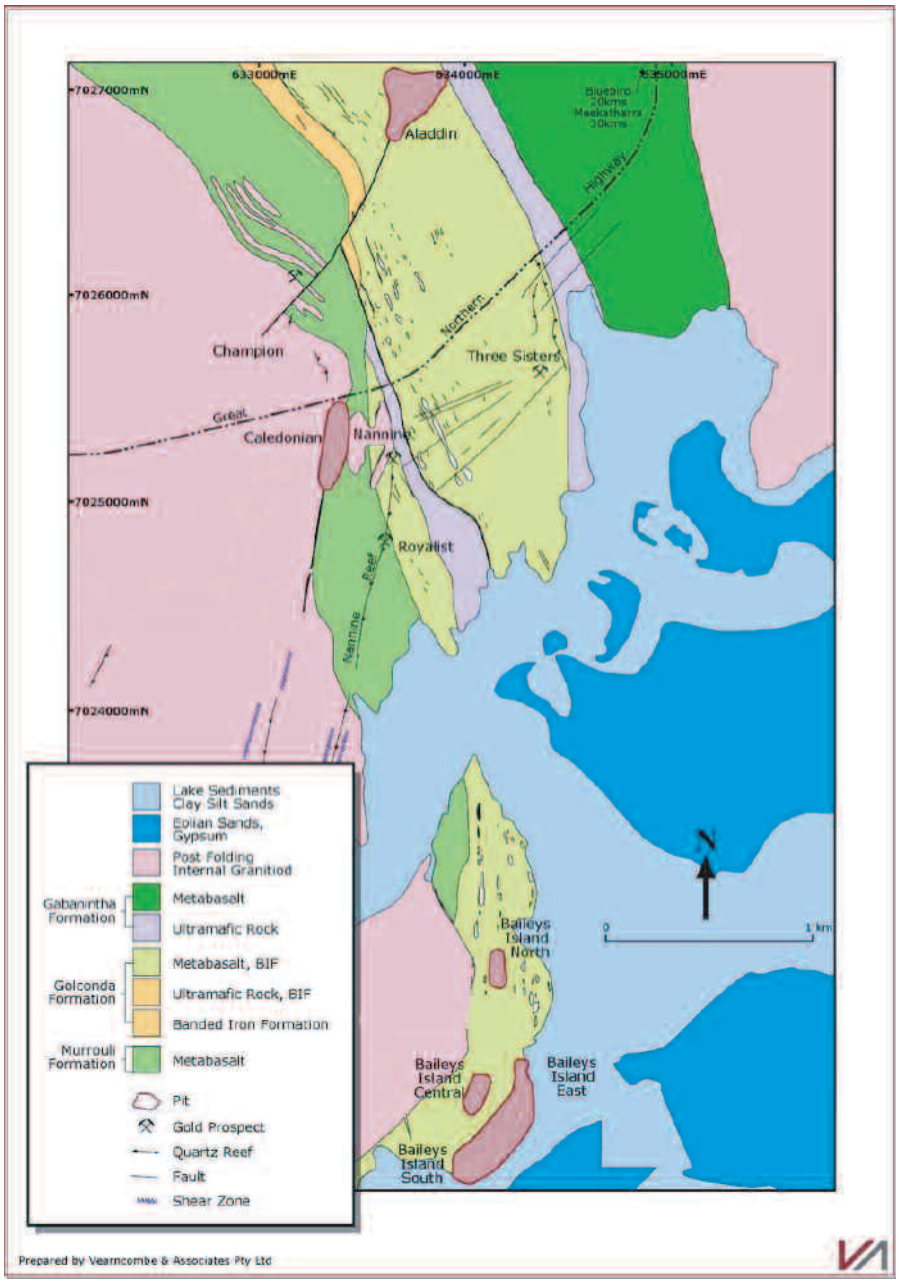

Figure 7.1 Geology of the main gold deposits within the Nannine project area (prepared by Mercator)

7.2.1 *Aladdin deposit*

At Aladdin, the gold mineralisation appears to be related to a north to northeast trending shear which cuts across the contact at a high angle between amphibolite and metasedimentary units. The gold mineralisation occurs as a steeply north-plunging sulphide rich (pyrite + chalcopyrite) lode associated with a series of northwest trending quartz veins up to 5 m in thickness. These host rocks are typically altered by silica and carbonate.

7.2.2 *Bailey Island deposits*

Three different deposits have been identified at Bailey Island, each with different structural and mineralisation features. At Bailey Island North, a small open pit was developed over north-trending basalt and metasedimentary sequence comprising black shales, siltstone, sandstone, BIF and chert. This sequence has been cut by a north-northeast trending shear zone which hosts narrow, anastomosing quartz veins. Gold mineralisation appears to be largely confined to haematitic basalt and chert horizons within the BIF and plunges steeply to the north along the intersection between the shear and BIF units.

The mineralisation in the former Bailey Island Central pit occurs at the contact of BIF and mafic rocks, adjacent to a granitoid contact.

The Bailey Island South open pit is located at the intersection of a north trending mafic and metasedimentary sequence with a series of northeast trending faults. Gold mineralisation occurs within tabular, steeply southwest-dipping lodes associated with the BIF, which contains pyrite, magnetite and quartz veining. The surrounding wall rocks are intensely altered by carbonate, silica and haematite.

7.2.3 *Caledonian deposit*

The Caledonian deposit comprises three southwest dipping lodes which are hosted along the faulted contact between a granitoid and underlying highly altered basalts. The contact is characterised by a 3-4 m wide zone of faulting, brecciation and intense silicification. Gold mineralisation is hosted within a quartz vein stockwork, with gold occurring as discrete grains in association with pyrite or goethite. Most of the gold is hosted by the granitoid.

7.2.4 *Nannine Reef deposit*

Gold mineralisation at Nannine Reef is related to quartz veining developed along the intersection between steeply northeast dipping metasedimentary units and steeply north-northwest dipping faulting and shearing associated with the Gabanintha shear zone. The gold mineralisation forms moderately north-plunging lodes along the intersection of the Nannine quartz reef and BIF units.

7.3 **Previous Exploration and Mining**

Gold was discovered in the Nannine area in 1891 and by 1946 some 80,000 oz of gold had been produced from 136,000 tonnes of ore, with more than 90% of this production being prior to 1910.

Modern systematic exploration commenced in 1981 with several resources subsequently defined, including Aladdin, Nannine Reef, Luggs Reward and the Bailey Island deposits. Several of these deposits were exploited by open pit, principally at the Aladdin and Bailey Island Central and South mines, with a combined gold production in excess of 110,000 ounces. Snowden has not been provided with production data from the individual deposits.

Outside of these deposits, limited reconnaissance aircore drilling was completed over the Nannine project area with limited success.

Since entering the Annean joint venture in 2004, Mercator has carried out data compilation, regional-scale mapping with an emphasis on structure and alteration features, detailed mapping of the Aladdin, Caledonian, Bailey Island North and Bailey Island South open pits. In addition, Mercator has acquired a number of different aeromagnetic data sets which have been integrated, reprocessed and reinterpreted.

7.4 **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 in the past other than the immediate 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 Bailey Island, Nannine Reef and Aladdin deposits has received limited attention to date.

Mercator's review of the project tenements to date has highlighted the potential to define further high-grade mineralisation below the limits of the historic workings at Nannine Reef, which has not been assessed to date.

7.5 **Future Exploration Programme**

Mercator is proposing to undertake detailed investigation of the Aladdin and Bailey Island mine areas, including further data validation, geological interpretation and if warranted, drilling. In addition, Mercator has proposed additional work at the Nannine Reef deposit with a focus on the evaluation of the underground workings in order to define high-grade targets.

Based on its previous production history, the Nannine project area has potential to host further BIF-related gold deposits particularly in the southern half of the project area concealed under Lake Annean and in the north where multiple BIF units have been identified. Both of 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.

8.0 STAKEWELL PROJECT

8.1 Location, Tenure and Access

Mercator's Stakewell project comprises six contiguous granted MLs, two ML applications and one PL, located 57 km southwest of Meekatharra (Figure 2.1, Figure 8.1, Table 2.1). These tenements have a combined area of approximately 32 km^2.

Primary access to the tenements is via the Great Northern Highway which passes along the eastern margin of the project area. Access throughout the majority of the area is generally good. Outcrop is sparse, although BIF units form prominent ridges.

8.2 Geology and Mineralisation

The project area is situated on the western edge of a granitoid body and predominantly covers mafic and ultramafic rocks intercalated with BIF (Figure 8.1). Several east-northeast trending dolerite dykes of Proterozoic age have intruded this sequence. This sequence has been subject to greenschist facies metamorphism with localised areas of amphibolite facies.

The known gold mineralisation at Stakewell is structurally controlled and is associated with a series of steeply north-plunging shoots hosted by east-northeast trending BIF units. These BIF units have been deformed and locally rotated by northwest trending shears, which cut the BIF units at a high angle. Quartz veins are preferentially developed along these shear zones with ore shoots plunging steeply northward along the intersections between the quartz veins and the BIF units. The lode system is characterised by fine to medium grained quartz-pyrite-pyrrhotite schist.

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 40 m within the BIF unit. Supergene enrichment is also a pronounced feature of the Stakewell gold deposits.

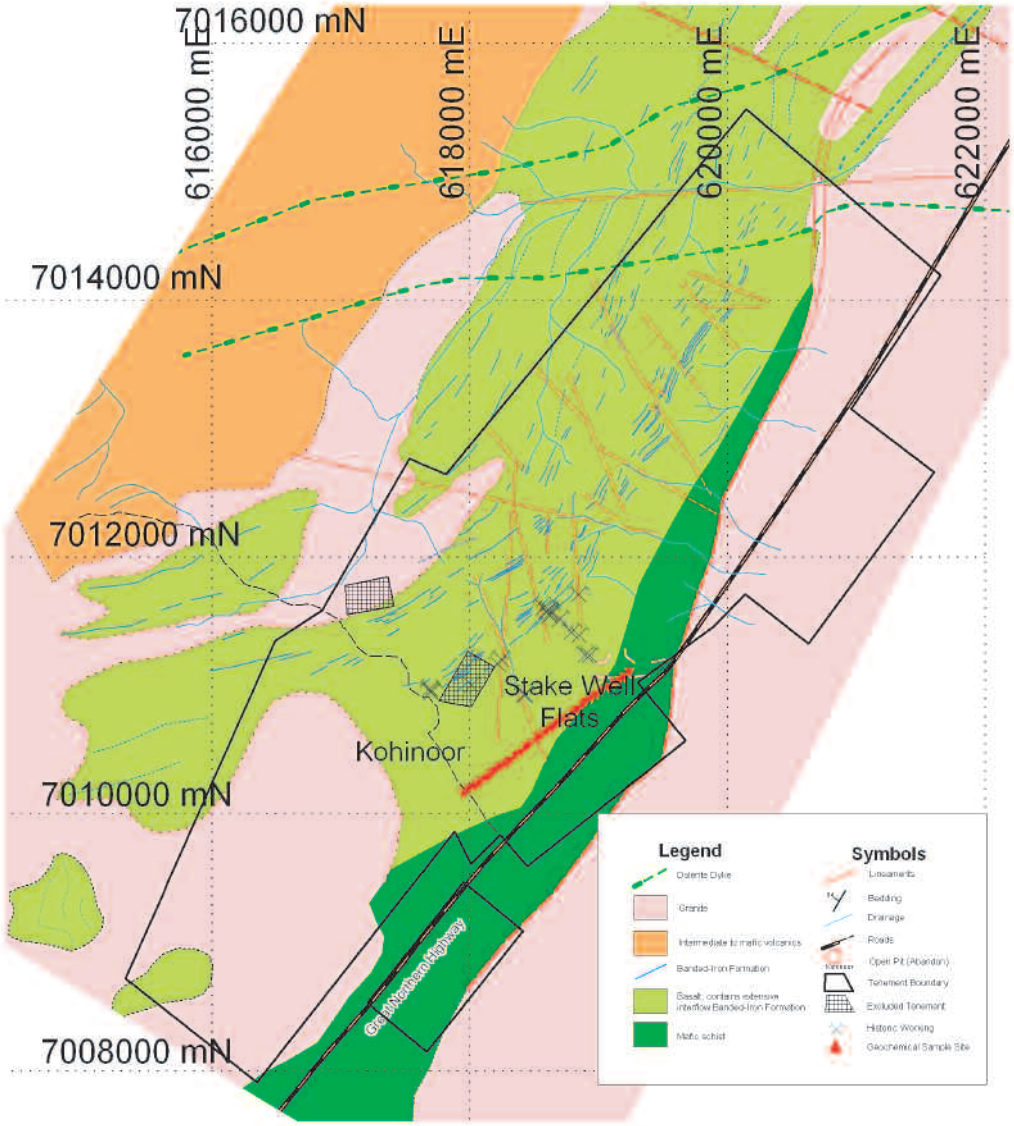

Figure 8.1 Stakewell project tenements and simplified geology (prepared by Mercator)

8.3 Previous Exploration and Mining

The Stakewell project has been explored on an intermittent basis since gold was discovered at Kohinoor in the late 1890s. Between 1897 and 1911, some 21,000t grading 15 g/t Au for 9,563 oz of gold was extracted from the Kohinoor mine, which is centrally located within the project area (Figure 8.1).

Since the early 1980s, a number of companies have completed systematic exploration and limited production over this area with a primary focus on the gold potential of the BIF units and the associated quartz veins. Work completed since the 1980s has included geological, structural and regolith mapping, lag, soil and rock chip geochemical sampling, aeromagnetic and radiometric geophysical surveys and RC and diamond drilling. The significant phases of exploration and mining are summarised as follows:

- 1985 to 1988: extensive RAB drilling was carried out over the main Kohinoor trend and a parallel gold system to the northeast. Follow-up RC and diamond drill testing led to the development of a small open pit to a vertical depth of 65 m at Kohinoor, with some 45,144t of ore produced at a grade of 2.43 g/t Au;
- 1993 to 1995: underground mining was carried out at Kohinoor to a vertical depth of 150 m. An estimated 5,300 oz of gold was reportedly recovered however no production figures are available; and
- 2002 to 2003: geochemical and geophysical surveying and follow-up aircore drill testing was completed over three sub-parallel, quartz veins systems of up to 250 m in length to the east of the Kohinoor deposit. Results from this drilling were encouraging with several significant intervals reported, including 28 m grading 2.17 g/t Au and 4 m at 4.6 g/t Au.

Mercator commenced exploration work at Stakewell in October 2004 focussing largely on the compilation and verification of the previous exploration data. Since that time Mercator has completed detailed mapping of the former Kohinoor open pit, developed a regional geological interpretation, completed an orientation 'Maglag' geochemical survey and drilled six RC drill holes to test several historical workings at the Stakewell Flats prospect, approximately 1 km east of the Kohinoor open pit.

The results from this work was encouraging with two significant Maglag anomalies (peak values of 270ppb and 298ppb Au) identified in the east of the project area and several narrow zones of low-grade gold mineralisation intersected at shallow depths, including 2 m at 4.59 g/t Au from a downhole depth of 83 m in hole 05SWRC005 and 2 m grading 2.23 g/t Au from a downhole depth of 71 m in hole 05SWRC002.

8.4 Exploration Potential

Based on the available technical data, the Stakewell project area hosts several potentially mineralised BIF units which appear to be relatively under-explored. Several target areas are apparent where quartz veining and shear zones intersect the BIF units. The 'Maglag' geochemical anomalies require further investigation to establish whether the source of the gold anomalism is related to interpreted underlying faults or contamination from nearby gold workings.

8.5 Future Exploration Programme

Mercator has proposed detailed aeromagnetic and photographic interpretation of the Stakewell project area prior to further drilling being carried out. In addition, Mercator has proposed further 'Maglag' geochemical sampling along the eastern and western flanks of the centrally located BIF ridge and IP gradient array geophysical surveying to better define the zones hosting the quartz veining.

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 high-grade gold deposits associated with the BIF units. 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, particular targets 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.

9.0 REGIONAL TARGETS

Outside of its six key project areas, Mercator proposes to conduct further exploration over its extensive regional tenement portfolio, which is predominantly located peripheral to the Mt Magnet-Meekatharra shear system. The regional projects comprise the Abbotts, Bourkes Find, Burnakura, Kurara East, Meekatharra SE, Norie, Polelle, Quinns, Wanganui and Yagahong project areas.

9.1 Abbotts Project

Mercator's Abbotts project area is located approximately 30 km north of Meekatharra and covers an area of approximately 298 km^2 over the Abbotts greenstone belt, which consists of felsic and mafic volcanic units with intercalated metasediments. The Abbotts 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.

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

9.2 Bourkes Find Project

Mercator's Bourkes Find project area is located approximately 15 km to the southeast of Meekatharra and comprises 5 granted MLs covering an area of 39 km^2. The project area surrounds several groups of small historic gold workings hosted within ultramafic rocks which are partly excised from Mercator's tenements. Drill testing of a contact zone in the north of the project area has outlined several discrete zones of low-grade gold mineralisation. However in general, whilst the project has a favourable structural setting with encouraging geochemistry, exploration to date has met with limited success.

9.3 **Burnakura Project**

Mercator's Burnakura project area is located approximately 50 km south of Meekatharra and overlies alluvium covered ground to the south of the Polelle project. The project comprises one EL application and six granted MLs covering a total area of 79 km^2. Despite the limited amount of exploration work that has been completed over the project area, patchy gold mineralisation has been reported to the immediate west of a small granite stock in M51/178.

9.4 **Kurara East Project**

Mercator's Kurara East project is located approximately 50 km southwest of Meekatharra covering an area of approximately 223 km^2. There is no recorded gold production from within the project tenements, although the area covers the northern extent of the prospective Reedy, Turn of the Tide and Tough Go shear zones (refer Section 6.2). In addition, the Kurara East project lies to the southwest of the Polelle project, where recent drilling 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 a north-northeast trending greenstone sequence which has been deformed and/or deflected by the granitoid intrusion, and the northeast-trending Mt Magnet-Meekatharra shear zone. The majority of the Kurara East project is concealed under variable depths of cover, including lake sediments, thus limiting Mercator's current understanding of the geology.

Extensive wide-spaced RAB, aircore and RC drilling has been carried out in the past 5 years defining several gold anomalies in the central and eastern portions of the project area, including the Bluebush, Cassia, Mingah and Ti Tree prospects. Gold mineralisation at Bluebush and Mingah is associated with sulphidic quartz veinlets hosted mainly in altered granite and to a lesser extent in the adjoining greenstones. Recent RC drilling and relogging of the historic RAB drill holes at the Mingah and Bluebush prospects by Mercator has shown the gold mineralisation to be associated with granitic rocks.

9.5 **Meekatharra SE Project**

Mercator's Meekatharra SE project area is located approximately 15 km south of Meekatharra and covers an area of approximately 85 km^2. The project area is located adjacent to the Mt Magnet-Meekatharra shear zone and overlies volcanogenic sediments, BIF, basalts and other mafic units within the core of the Polelle Syncline. Although this setting is considered prospective for gold mineralisation, being located immediately south of the extensively mineralised Paddys Flat mining centre, the project area is not concealed under significant thicknesses of cover and hosts no historic gold workings.

The project area has been subject to limited exploration work to date with the results being mostly negative.

9.6 **Norie Project**

Mercator's Norie project area is located approximately 25 km southwest of Meekatharra covering an area of approximately 135 km^2 over a concealed, sheared greenstone succession cut by the Mt Magnet-Meekatharra shear along the western margin of the Norie Pluton. Numerous historic gold workings are associated with BIF units and quartz veins however no substantial production has been recorded despite their location directly along strike of the significant gold deposits of the Bluebird and Reedy 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 geochemical sampling and wide-spaced RAB-aircore drilling.

This previous soil sampling and drilling work outlined gold mineralisation associated with the 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. Based on a recently completed fractal analysis of integrated aeromagnetic and legacy drill hole data, further RAB-aircore drilling has been proposed by Mercator over the 12 Mile prospect.

9.7 **Polelle Project**

Mercator's Polelle project area is located approximately 30 km south-southwest of Meekatharra and comprises one granted EL, five ML applications and four granted MLs covering 137 km^2 of greenstone terrain, the majority of which is covered by transported alluvium. The project is currently the subject of

the Elara joint venture, whereby Strata Mining Corporation Ltd has the right to earn a 65% interest in the project by spending $5 million within 4 years (refer to Section 2.1).

Due to the paucity of outcrop, the Polelle project area has not been as rigorously tested as other projects in close proximity to the Bluebird processing facility and as a consequence only one deposit, Mulla Mulla, has been delineated to date. At Mulla Mulla, low-grade gold mineralisation and broad zones of anomalous supergene-related gold mineralisation occur in association with quartz veining within a sheared felsic sequence near a granite contact.

Recent drilling has also highlighted the Kanji and Miniritchie prospects, which are large, structurally controlled gold geochemical anomalies in the early stage of assessment as well as the Baja prospect. Baja is a supergene-related gold anomaly, although no primary source for the mineralisation has been located from the deeper drilling completed to date.

9.8 **Quinns**

Mercator's Quinns project area is located approximately 55 km south of Meekatharra and consists of 5 ML applications, 10 granted MLs, 14 granted PLs and one PL application covering a total area of approximately 49 km^2. The project area covers several historic gold workings, the most significant of which was the Two Jacks mine in M51/532. There is no record of the results from the previous RC drilling completed at Two Jacks. No significant results were reported from the drill testing of other gold workings at Nuggety Hill in P51/1746 and Nowthanna in M51/19.

9.9 **Wanganui**

Mercator's Wanganui project area is located approximately 30 km southwest of Meekatharra and consists of two EL applications, three ML applications, one granted ML and three granted PLs covering a total area of 144 km^2. Two zones of remnant low-grade gold mineralisation are reported to extend from the base of the former Wanganui North and South open pits as well as at Wanganui Central prospect which was never exploited. These deposits are hosted by silicified shear zones in granite and have been closed-off along strike. Outside of these deposits disappointing results have been returned from limited exploration carried out over the remaining project tenements.

9.10 **Yagahong**

Mercator's Yagahong project area is located approximately 35 km southeast of Meekatharra and comprises one EL application, one ML application, one PL application and one granted PL covering a combined area of 160 km^2. Extensive previous exploration has been completed along the northwest strike extent of the former Gabanintha gold mining centre within the project area. Previous RAB drilling over application M51/789 encountered three narrow high-grade gold intercepts along a line of historic gold workings developed on quartz veined mafic xenoliths in granite. A small deposit of shear-related copper mineralisation was previously defined within ultramafic rocks at Copper Hills in E15/960, however the associated gold mineralisation was of low-grade and narrow and discontinuous in nature. The project contains an area of Aboriginal significance.

9.11 **Opinion**

Based on its review of the available technical data, Snowden considers the Polelle project to currently represent the most prospective of Mercator's regional projects. Snowden notes that while the Polelle project is concealed under considerable thicknesses of cover material, recent exploration has identified extensive zones of low-grade gold mineralisation within a sheared mafic sequence located in proximity to a granite contact. As such, Snowden considers the Polelle project to be a potential source of large tonnage low-grade gold mineralisation for Mercator's Bluebird plant. The project is also considered prospective for the discovery of high-grade, Reedy-style lode gold deposits.

The remaining projects have been the subject to varying levels of exploration to date which has mostly provided limited encouragement despite the presence of several small historic gold mining centres. Mercator has not proposed a concerted work programme for these project areas other than an assessment of targets generated through an integrated regional review of the Meekatharra tenements. Snowden recommends the projects are subject to a rapid appraisal using Mercator's geologically-driven approach to determine their resource potential and that surplus tenements which are deemed to be unprospective are relinquished to reduce Mercator's statutory holdings costs (i.e. rents and rates).

10.0 PROPOSED EXPLORATION PROGRAMME AND EXPENDITURE

Mercator has proposed a staged programme of exploration for its Meekatharra projects over an 18 month period following its re-admission to AIM. Going forward, Mercator's programme will focus on the compilation, verification and critical assessment of the geology and historical exploration data to generate new exploration targets for subsequent follow-up assessment. Mercator proposes to assess these targets through geological mapping, soil, lag and rock chip geochemical sampling, geophysical surveying, interpretation of satellite and aeromagnetic imagery and aircore and RC drilling. Potential targets include the Mulla Mulla mineralisation at Polelle and the Nottingham geochemical anomaly at Meekatharra North.

In concert with this target generation phase, Mercator plans to:

- undertake further evaluation drilling at the advanced prospects along the Bluebird – South Junction line with a view to upgrading and expanding the currently defined resources and outlining higher grade zones within the Great Northern Highway gold system within the Yaloginda project; and
- re-evaluate advanced targets such as historical gold workings and structural-stratigraphic positions with favourable geological indicators to define drill targets capable of hosting high-grade gold resources. Mercator plans to initially assess these targets through data compilation and validation, followed by geological mapping, detailed geochemical and geophysical surveys, interpretation and modelling and RC drilling. Potential targets include the currently defined resources within the Paddys Flat and Reedy project areas as well as the Maid Marion mineralisation at Meekatharra North and the Hawk Hill and Lukes Junction mineralisation at Yaloginda.

Snowden considers the work programme proposed by Mercator to be well conceived and provides adequate consideration of the differing styles of mineralisation and maturity of the targets to be assessed. These work programmes have been designed to realise the potential of the project areas in a prudent and efficient manner with the objective of recommencing gold production by 2007. The exploration programmes currently planned by Mercator total $7,724,000 in Year 1 and $2,907,000 in Year 2 following its re-admission to AIM (Table 10.1). Snowden has been advised by Mercator that these amounts are sufficient to meet Mercator's minimum expenditure obligations for each tenement as specified by the DoIR.

Table 10.1 Mercator Gold plc – Exploration Budget Summary (A$)

	Year 1	Year 2	Total
Administration	678,000	346,000	1,024,000
Exploration – personnel and support	1,435,000	873,000	2,308,000
Exploration – geochemistry	100,000	–	100,000
Exploration – geophysics	100,000	–	100,000
Exploration – drilling	3,764,000	504,000	4,268,000
Rents and rates	1,199,000	848,000	2,047,000
Feasibility/development studies	448,000	336,000	784,000
TOTAL	**7,724,000**	**2,907,000**	**10,631,000**

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 gain a good appreciation of the economic potential of its key resource target areas at Yaloginda, Paddys Flat, Meekatharra North, Reedy, Nannine and Stakewell in the 18 month period. Furthermore the budget proposed should permit a meaningful assessment of the potential of key targets identified within its regional projects of Abbotts, Bourkes Find, Burnakura, Kurara East, Meekatharra SE, Norie, Polelle, Quinns, Wanganui and Yagahong. 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.

11.0 DECLARATIONS BY SNOWDEN MINING INDUSTRY CONSULTANTS PTY LTD

11.1 Independence

Snowden is an independent firm of consultants providing a comprehensive range of specialist technical and financial services to the mining industry in Australia and overseas, through offices in Perth, Brisbane, Johannesburg, Vancouver and London. Our corporate services include technical audits, project reviews, valuations, independent expert reports, project management plans and corporate advice.

This report has been prepared independently and in accordance with the Code of the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Experts Reports ("the VALMIN Code") and Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ("the JORC Code"). The authors do not hold any interest in Mercator its associated parties, or in any of the mineral properties which are the subject of this report. Fees for the preparation of this report are being charged at Snowden's standard rates, whilst expenses are being reimbursed at cost. Payment of fees and expenses is in no way contingent upon the conclusions drawn in this report.

11.2 **Qualifications**

The principal personnel responsible for the preparation and review of this report are Mr Jeames McKibben (Consultant) and Mr Philip Retter (Divisional Manager Corporate Services) respectively.

Mr Jeames McKibben (BSc (Hons), MBA, MAIG) has 10 years experience gained as an exploration geologist in Australia, Zambia and Morocco, and as a geologist/analyst with the government agency, Tasmania Development and Resources. Having completed his MBA at Macquarie University, Mr McKibben joined the Corporate Services Division at Snowden, where he is involved in independent technical reviews, audits and valuations of mining and exploration assets.

Mr Philip Retter (BAppSc (Hons), MAIG) is a professional geologist with 20 years experience including 10 years mining and exploration experience in Australia and 7 years as an independent consultant based in Jakarta, Indonesia. Mr Retter joined Snowden in July 1996 as the General Manager of its Jakarta office and is currently the Manager of Snowden Corporate Services in Perth. He has been involved in numerous independent reviews and valuations of precious and base metal projects in Australia, Africa and Asia.

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APPENDIX 1

GLOSSARY OF TECHNICAL TERMS

Abbreviations	oz – ounce, km – kilometre, m – metre, M – million, t – tonne, ha – hectare, bcm – bulk cubic metres, tpa – tonnes per annum, μm – microns.
Aeromagnetics	A geophysical technique utilised from an airborne craft.
Alteration	A change in mineralogical composition of a rock commonly brought about by reactions with hydrothermal solutions or by pressure changes.
Amphibolite	A metamorphic rock composed predominantly of amphibole and plagioclase.
Andesite	A fine grained volcanic rock with phenocrysts of plagioclase and mafic minerals.
Anomalous	A departure from the expected norm. In mineral exploration this term is generally applied to either geochemical or geophysical values higher or lower than the norm.
Anticline	Applied to strata which dip in opposite directions from a common ridge or axis.
Apophysis	A branch or offshoot of a larger intrusive body.
Archaean	The oldest rocks of the Earth's crust – older than 2 400 million years.
Arsenopyrite	An iron sulphide mineral containing arsenic.
Auger	A screw-like boring or drilling tool for use in clay or soft sediments.
Basalt	A dark, fine-grained extrusive igneous rock composed of feldspar and iron and magnesium rich minerals.
Bedrock	Solid rock that underlies soil or other unconsolidated material.
Bimodal	Comprised of two populations or associations.
Biotite	A dark coloured mica mineral.
Block model	Representation of a mineral deposit where tonnes and grade are estimated for each cell or block used to fill the resource volume.
Breccia	Fragmented rock with angular components.
Carbonaceous	Containing carbon or coal particles.
Carbonate	Common mineral type consisting of carbonates of calcium, iron, and/or magnesium.
Chalcopyrite	A copper iron sulphide mineral, the most important ore of copper.
Chemical symbols	Au – Gold, Ni – Nickel, Cu – Copper, Zn – Zinc, Co – Cobalt, Pb – Lead, W – Tungsten, As – Arsenic, Ag – Silver.
Chert	A hard, extremely fine grained sedimentary rock consisting almost entirely of interlocking quartz crystals, of which flint is a dark variety.
Clastic	Term to describe sedimentary rocks that consist of fragments of rock or other material that have been transported from their place of origin.
Colluvium	Loose soil or rock fragments accumulated by slow down-slope creep or rain-wash, as found at the base of slopes or hillsides.
Compression	Tectonic forces acting to reduce volume or shorten material.
Cumulate (texture)	An igneous rock formed by the accumulation of crystals that settle out from a magma by the action of gravity.
Cupola	A small dome-like protuberance projecting from the main body of a larger igneous intrusion.
Dacite	A medium grained felsic intrusive rock composed mostly of quartz and feldspar.

Diamond drilling	Method of obtaining a cylindrical cor of rock by drilling with a diamond impregnated bit.
Differentiated	The process by which more than one rock type is derived from a parent magma.
Dilatant	Deformation characterised by an increase in volume while maintaining the overall shape.
Dilution (mining)	The addition of waste to mineralised material in the mining process.
Dip	The angle at which rock stratum or structure is inclined from the Horizon.
Disseminated	Scattered particles (of gold, silver, copper etc) in the rock.
Dolerite	A medium grained basic intrusive rock composed mostly of pyroxenes and sodium-calcium feldspar.
Dunite	An ultramafic igneous rock composed almost entirely of olivine.
Dyke	A tabular intrusion of igneous rock that cuts across the planar structure of the surrounding rock.
En echelon	Geologic features that are in a staggered or overlapping arrangement.
Epiclastic	Volcanic deposits formed through weathering, erosion and reworking of primary volcanic rocks.
Epigenetic	Mineral deposits formed later than the enclosing rocks.
Extensional	The elongation or separation of material during a tectonic event, often perpendicular to the direction of maximum compressive stress.
Fault	A fracture in rocks along which rocks on one side have been moved relative to the rocks on the other.
Felsic	Light coloured rock containing an abundance of any of the following: feldspars, felspathoids and silica.
Footwall	The underlying side of a fault, orebody or mine workings.
Gabbro	A coarse grained intrusive rock, which is low in silica and has relatively high levels of magnesium minerals.
Galena	A lead sulphide mineral.
Geochemical exploration	Used in this report to describe a prospecting technique which measures the content of certain metals in soils and rocks and defines anomalies for further testing.
Geophysical exploration	The exploration of an area in which physical properties (eg. resistivity, gravity, conductivity, magnetic properties) unique to the rocks in the area are quantitatively measured by one or more geophysical methods.
Gossan	The oxidised, near surface part of underlying primary sulphide minerals.
Grade	g/t – grams per tonne, ppb – parts per billion, ppm – parts per million, dwt – pennyweight.
Granite	A medium to coarse-grained felsic intrusive rock which contains 10-50% quartz.
Granodiorite	A coarse grained igneous rock containing quartz, plagioclase (sodium – calcium feldspar) and potassium feldspar, with biotite, hornblende or pyroxene.
Greenschist metamorphism	A low grade, low temperature regional metamorphism that results in a mineral assemblage typically containing chlorite, epidote and/or actinolite.
Hangingwall	The overlying side of a fault, orebody or mine workings.
Hydrothermal	A term applied to magmatic emanations rich in water and to the alteration products and mineral deposits produced by them.
Igneous	A rock that has solidified from molten material or magma.

Intrusion/Intrusive	A body of igneous rock that invades older rocks.
Ironstone	An iron rich sedimentary rock either deposited directly as a ferruginous sediment or resulting from chemical replacement.
Isoclinal fold	A fold whose limbs are parallel.
JORC	Joint Ore Reserves Committee (of the Australian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and the Minerals Council of Australia).
K-feldspar	Potassium feldspar – the minerals microcline, orthoclase and sanidine.
Kimberlite	An ultramafic rock, often brecciated, which occurs in vertical pipes, dykes and sills.
Limb	The side of a fold.
Limonite	A general term for a yellow to brown-black iron oxide minerals which are a common weathering product.
Lineament	A linear feature of regional extent, generally recognisable in the topography; commonly detected by satellite imagery.
Lithology	A term pertaining to the general characteristics of rocks. It generally relates to descriptions based on hand sized specimens and outcrops rather than microscopic or chemical features.
Lode deposit	A vein or other tabular mineral deposit with distinct boundaries.
Mafic (composition)	Igneous rocks composed dominantly of iron and magnesium minerals.
Malachite	A copper carbonate mineral found in oxidised zone of copper deposits.
Matrix	The finer grained material filling the spaces between and enclosing larger grains or crystals in a rock.
Metamorphism (metamorphic rocks)	The process by which changes are brought about in earth's crust by the agencies of heat, pressure and chemically active fluids.
Metasediment	Metamorphosed sedimentary rock.
Monzogranite	An intrusive igneous rock similar in composition to granite with minor quartz.
Mylonite	Chert-like rock with a streaky or banded structure produced by extreme granulation and shearing of rocks.
Oxide zone	Near surface material affected by weathering and leaching of minerals.
Palaeochannel	A buried stream channel.
Percussion drilling	Method of drilling where rock is broken by the hammering action of a bit and the cuttings are carried to the surface by pressurised air returning outside the drill pipe.
Peridotite	An ultramafic rock consisting predominantly of olivine with or without pyroxene.
Phenocryst	Large crystal or mineral grain within a finer grained ground mass.
-phyre, -phyric	A suffix denoting a porphyritic rock.
Physiography	The surface relief or landforms.
Pisolite, pisolitic	Pea shaped rock particles grown by accretion and forming a sedimentary unit.
Plunge	The inclination of a linear geological structure from the Horizon.
Porphyry	An igneous rock that contains conspicuous crystals in a fine-grained matrix.
Primary	Un-oxidised.
Proterozoic	The Precambrian era after Archaean.
Pyrite, pyrrhotite	A common pale bronze iron sulphide mineral.
Pyroxenite	An ultramafic rock dominated by pyroxene crystals.

QA/QC	Quality Assurance/Quality Control, system of checks and methodologies to assess the quality and reliability of data obtained.
Quartz	Mineral species composed of crystalline silica.
Radiometrics	Geophysical technique measuring emission from radioactive isotopes.
Regolith	The layer of unconsolidated rock material, of whatever origin, that underlies the surface and rests on bedrock.
Reverse Circulation (RC) drilling	A method of drilling whereby rock chips are recovered by air flow returning inside the drill rods rather than outside, thereby providing usually reliable samples.
Reverse fault	A fault on which the hanging wall appears to have moved upward in relation to the footwall.
Rhyolite	A felsic volcanic rock, often porphyritic and with flow textures and very fine grained groundmass. The volcanic equivalent of granite.
Rock chip sample	A series of rock chips or fragments taken at regular intervals across a rock exposure.
Rotary Air Blast (RAB) drilling	Method of drilling in which the cuttings from the bit are carried to the surface by pressurised air returning outside the drill pipe. Most "RAB" drills are very mobile and designed for shallow, low-cost drilling of relatively soft rocks.
Saprolite	A weathered or decomposed, clay-rich rock.
Schist	Fine grained micaceous metamorphic rock with laminated fabric.
Search ellipse	The search distances used to capture data for the calculation of tonnes and grade at a given point in a resource model estimate.
Sericite	A white, fine grained potassium mica.
Serpentinized	Hydrothermally altered magnesium rich rock dominated by serpentine minerals.
Sedimentary rock	Rocks formed by deposition of particles carried by air, water or ice.
Shale	Fine-grained sedimentary rock with well defined bedding planes.
Shear zone	A generally linear zone of stress along which deformation has occurred by translation of one part of a rock body relative to another part.
Silcrete	A deposit cemented by silica commonly formed in the weathering profile.
Silicified	Alteration of a rock by introduction of silica.
Sill	A tabular intrusion that parallels the planar structure of the surrounding rock.
Sinistral	A geological structure with a leftward offset.
Skarn	An impure limestone or carbonate rock which has been altered through contact metamorphism (ie generally lies within close proximity to an intrusive body).
Specific gravity	The weight of a substance compared with an equal volume of water.
Sphalerite	A zinc sulphide mineral.
Stock	A small igneous intrusion.
Stockwork	A network of veins.
Stope	An underground excavation in an orebody.
Stratabound	Orebodies restricted to a particular stratigraphic unit or part of the stratigraphic column.
Stratiform	Orebodies that are parallel to bedding and with limited development perpendicular to it.
Stratigraphy	The study of formation, composition and correlation of sedimentary rocks.
Strike	The direction of bearing of a bed or layer of rock in the horizontal plane.

Sulphides	Minerals consisting of a chemical combination of sulphur with a metal.
Supergene	An enrichment or deposit formed by descending fluids in weathered rock.
Tailings	Finely ground waste product from the crushing and grinding of ore.
Tectonic	Forces or movements resulting in the formation of structural features.
Thrust, thrust contact	An overriding movement of one crustal unit over another; the juxtaposition of two rock types caused by thrusting.
Top cut	The reduction of anomalously high grades to a statistically determined figure, to remove possible undue influences in grade calculation.
Ultramafic	An igneous rock comprised chiefly of mafic minerals.
Vergence	The direction of overturning or inclination of a fold.
Volcanics	Collective term for extrusive igneous rocks.
Volcaniclastic	Sediments comprising rock fragments derived by explosion or eruption from a volcanic vent.
Vuggy	Containing small cavities in a rock.

PART V

HISTORICAL FINANCIAL INFORMATION ON THE GROUP

MERCATOR GOLD PLC (the "Company")

INTRODUCTION

The directors of the Company report on the financial information set out below which has been prepared for inclusion in the admission document of the Company dated 21 December 2005 (the "Admission Document") relating to the proposed re-admission of the Company to AIM.

For the purpose of this report, the consolidated results of Mercator Gold plc are referred to as the "Group". The Group consists of:

Name of company	Nature of business	Country of Registration	Proportion of shares held
Mercator Gold plc (the "Company")	Holding company	United Kingdom	n/a
Mercator Gold Australia Pty Limited	Mineral evaluation and production	Australia	100% Ordinary
Island Gold plc	Dormant	United Kingdom	100% Ordinary

The Company was incorporated as Western Australia Gold Mines Limited on 22 March 2004 under company number 05079979. It changed its name to Mercator Gold Limited on 21 May 2004 and subsequently to Mercator Gold plc on 17 September 2004. The Company gained admission to AIM on 8 October 2004.

Basis of preparation of financial information

The financial information set out below is based upon the statutory financial statements prepared by the directors and covers the period from incorporation to 30 June 2005. The financial statements were audited by PKF (UK) LLP of Farringdon Place, 20 Farringdon Road, London, EC1M 3AP.

The audit report dated 26 September 2005 was unqualified, but an 'emphasis of matter' paragraph was included referring to the going concern disclosures made by the Company. These disclosures referred to a proposed fund raising exercise which was planned to take place to ensure the going concern status of the company.

As the Company has received the proceeds of the Convertible Loan Notes, and irrevocable undertakings have now been received by the Company in relation to the Placing, the Directors consider it appropriate for the financial information contained in this Admission Document to be prepared on a going concern basis.

GROUP CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	Period ended 30 June 2005 £
Administrative costs		(926,654)
Operating loss	(v)	(926,654)
Net interest receivable and similar items	(vii)	59,335
Loss on ordinary activities before taxation		(867,319)
Taxation	(viii)	–
Loss on ordinary activities after taxation		(867,319)
Loss per share	(ix)	(2.03)p

All amounts relate to continuing activities.

There are no recognised gains or losses other than the loss for the period.

GROUP CONSOLIDATED BALANCE SHEET

	Notes	As at 30 June 2005 £
Fixed assets		
Intangible	(xi)	1,453,885
Tangible	(x)	65,934
		1,519,819
Current assets		
Debtors	(xiii)	194,972
Cash at bank and in hand		954,467
		1,149,439
Creditors: amounts falling due within one year	(xiv)	(572,611)
Net current assets		576,828
Net assets		2,096,647
Capital and reserves		
Called up share capital	(xvi)	871,198
Share premium	(xvi)	2,492,599
Merger reserve	(xii)	(399,831)
Profit and loss account	(xvii)	(867,319)
Equity shareholders' funds		2,096,647

STATEMENT OF GROUP CASHFLOW

	Notes	30 June 2005 £
Net cash outflow from operating activities	(xviii)	(527,003)
Returns on investments and servicing of finance	(xviii)	29,718
Capital expenditure and financial investment	(xviii)	(1,541,662)
Net cash inflow before management of liquid resources and financing		(2,038,947)
Management of liquid resources		(647,000)
Financing:		
Issue of shares		2,963,797
Increase in cash in the period		277,850
Reconciliation of net cash flow to movement in net funds	(xviii)	
Increase in cash in the period		277,850
Change in net funds resulting from cash flows		277,850
Exchange differences		29,617
Movements in short term deposits		647,000
Movement in net funds in the period		954,467
Net funds at 22 March 2004		–
Net funds at 30 June 2005		954,467

(i) ACCOUNTING POLICIES

Accounting convention, basis of preparation and going concern

The consolidated financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards. The principal accounting policies of the Group are set out below.

The financial statements to 30 June 2005 were prepared on a going concern basis, which the directors believed at the date when the accounts were approved (26 September 2005) to be appropriate, for the following reasons:

"In common with many exploration companies, the Company raises finance for its exploration and appraisal activities in discrete tranches to finance its activities for limited periods only. Further funding is raised as and when required, the most recent being in September 2005.

The directors are of the opinion that the Company will need to raise additional financial resources to enable the Group to undertake an optimal programme of exploration and appraisal activity over the next twelve months. Accordingly, the directors intend to raise further funds during the course of the next twelve months. Whilst the directors are confident that the Group will be able to secure additional funding to enable it to continue to meet its debts as they fall due and to undertake the programme described above for at least the next twelve months from the date of approval of these financial statements, there can be no guarantee that this will be the case. The financial statements do not include any adjustments, particularly in respect of fixed assets, investments, loans and provisions for winding up which would be necessary if the Company and Group ceased to be a going concern."

As the Company has received the proceeds of the Convertible Loan Notes, and irrevocable undertakings have now been received by the Company in relation to the Placing, the Directors consider it appropriate for the financial information contained in this Admission Document to be prepared on a going concern basis.

Basis of consolidation

Details of principal subsidiaries are given in note (xii). The Group accounts consolidate the accounts of Mercator Gold plc and its subsidiary undertakings. The acquisition of Mercator Gold Australia Pty Ltd in August 2004 was accounted for in accordance with the principals of merger accounting set out in Financial Reporting Standard 6 on "Acquisitions and Mergers". Accordingly the consolidated financial statements are presented as if Mercator Gold Australia Pty Ltd has been controlled by the Company throughout the period from its incorporation on 19 January 2004.

Exploration and development costs

All costs associated with mineral exploration and investments are capitalised on a project-by-project basis, pending determination of the feasibility of the project. Costs incurred include appropriate technical and administrative expenses but not general overheads. If an exploration project is successful, the related expenditures will be transferred to mining assets and amortised over the estimated life of the commercial ore reserves on a unit of production basis. Where a licence is relinquished or a project abandoned, the related costs are written off. Where the Group maintains an interest in a project, but the value of the project is considered to be impaired, a provision against the relevant capitalised costs will be raised.

The recoverability of all exploration and development costs is dependent upon the discovery of economically recoverable reserves, the ability of the company to obtain necessary financing to complete the development of reserves and future profitable production or proceeds from the disposition thereof.

Computer software

Computer software is initially capitalised at cost and amortisation is provided on a straight line basis over the estimated useful life of three years. The Company reviews the carrying value on a regular basis and a provision is made in the year that any impairment is determined by management.

Tangible fixed assets and depreciation

Tangible fixed assets are included at cost less depreciation. Depreciation is calculated to write off office furniture, equipment and vehicles on a straight line basis over their estimated useful lives, which range from three to five years.

Investments

Investments are stated at cost less amounts written off.

Taxation

The charge for taxation is based on the profit or loss for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed at the balance sheet date, except as otherwise required by FRS19. Deferred tax assets are recognised when it is more likely than not that they will be recovered.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating result. For the purpose of consolidation, the balance sheets of the foreign subsidiaries are translated at the closing rate and the profit and loss accounts at the average rate during the year.

Pension schemes

The Group does not operate any pension schemes for the benefit of its employees.

Financial instruments

Financial assets are recognised in the balance sheet at the lower of cost and net realisable value. Provision is made for diminution in value where appropriate.

Income and expenditure on financial instruments is recognised on the accruals basis and credited to the profit and loss account in the financial period to which it relates.

Operating lease

Rentals payable under operating leases are charged to the profit and loss account as they fall due, unless such a payment relates to exploration and evaluation costs in which case it is capitalised.

Liquid resources

In accordance with FRS 1 on "Cash Flow Statements", for cash flow purposes, cash includes net cash in hand and bank deposits payable on demand within one working day and liquid resources include all of the group's other bank deposits.

(ii) OPERATING ENVIRONMENT AND RISKS

The Company's operations are located principally in Australia. Australia has a stable, advanced economic and legal infrastructure, and hosts extensive and long established mining industries.

(iii) SEGMENTAL ANALYSIS

By geographical location:

	Loss before taxation	Net assets
	£	£
UK	(623,606)	672,191
Australia	(243,713)	1,424,456
Total	(867,319)	2,096,647

(iv) EMPLOYEES

	30 June 2005 £
Wages and salaries	425,074
Social security costs	10,231
	435,305

The average monthly number of persons employed by the Group was as follows:

	30 June 2005 No.
Management	8
Others	5
	13

(v) OPERATING LOSS

The operating loss is stated after charging:

	30 June 2005 £
Depreciation of tangible fixed assets	12,512
Computer software amortisation	9,500
Auditor's remuneration:	
Audit services – UK	19,250
Audit services – overseas	5,750
Non-audit services – UK	33,500
Operating leases	5,995

(vi) DIRECTORS' EMOLUMENTS

	30 June 2005 £
Directors' emoluments	311,998

The highest paid director received remuneration of £77,636.

(vii) NET INTEREST (PAYABLE)/RECEIVABLE AND SIMILAR ITEMS

	30 June 2005 £
Foreign exchange gain	29,617
Interest payable on bank loans and overdrafts	(2,162)
Interest receivable	31,880
	59,335

Foreign exchange gains and losses principally relate to exchange differences on intra-group balances denominated in Pounds Sterling and owing to the Company by its Australian subsidiary. The latter prepares its financial statements in Australian Dollars, and consequently recognises in its profit and loss account any Australian Dollar movement in the corresponding opening intra-Group balances, resulting from changes in the Australian Dollar/Pound Sterling exchange rate over the period. For accounting purposes, such gains and losses are also recognised in the Group's consolidated financial statements.

(viii) TAXATION

There is no taxation charge due to the availability of taxation losses.

	30 June 2005 £
Group loss on ordinary activities before tax	(867,319)
Loss on ordinary activities multiplied by standard rate of corporation tax (30%)	(260,196)
– capital allowances in excess of depreciation	(610)
– expenses not deductible for tax purposes	15,757
– UK tax losses carried forward	159,959
– losses on overseas subsidiary	85,090
Total current tax	–

The Group's business operations currently comprise mining projects in Australia, which are all currently at an exploration stage. The Group has tax losses carried forward on which no deferred tax asset is recognised that may affect the future tax position, as and when its mining projects reach a development stage. At the year-end, deferred tax assets of £245,049 have not been recognised because there is insufficient evidence of the timing of future taxable profits against which they can be recovered.

(ix) LOSS PER SHARE

The loss per share has been calculated on the loss and weighted average number of ordinary shares in issue during the period.

	30 June 2005
Loss (£)	(867,319)
Weighted average shares in issue (no.)	42,807,238
Loss per share (pence)	(2.03)

There is no dilutive effect of share options or warrants as the exercise price was more than the fair value of the underlying share at the date of issue.

(x) TANGIBLE FIXED ASSETS

	Plant and machinery £	Office equipment £	Motor vehicles £	Total £
Cost				
As at 22 March 2004	–	–	–	–
Additions	29,781	9,552	39,113	78,446
At 30 June 2005	29,781	9,552	39,113	78,446
Depreciation				
As at 22 March 2004	–	–	–	–
Charge for the year	8,586	1,010	2,916	12,512
At 30 June 2005	8,586	1,010	2,916	12,512
Net book value				
At 30 June 2005	21,195	8,542	36,197	65,934
As at 22 March 2004	–	–	–	–

(xi) INTANGIBLE FIXED ASSETS

	Exploration and development costs £	Computer software £	Total £
Cost			
As at 22 March 2004	–	–	–
Additions	1,430,282	33,103	1,463,385
At 30 June 2005	1,430,282	33,103	1,463,385
Depreciation			
As at 22 March 2004	–	–	–
Charge for the year	–	9,500	9,500
At 30 June 2005	–	9,500	9,500
Net book value			
At 30 June 2005	1,430,282	23,603	1,453,885
As at 22 March 2004	–	–	–

(xii) INVESTMENTS

At 30 June 2005, the Company and the Group had interests in the following material subsidiaries, which are included in the consolidated financial statements:

Name of company	Nature of business	Country of Registration and country of operation	Proportion of shares held
Mercator Gold Australia Pty Limited	Mineral evaluation and production	Australia	100% Ordinary
Island Gold plc	Dormant	United Kingdom	100% Ordinary

(a) Mercator Gold Australia Pty Limited (formerly Aurogenic Resources Pty Limited)

The Company acquired the entire share capital of Mercator Gold Australia Pty Limited, a company incorporated in Australia, via a share for share exchange. In accordance with the terms of the acquisition agreement, on 4 August 2004 the Company issued 20,000,000 ordinary shares of £0.01 each for the purchase of the company and subsequently, on 26 January 2005 issued 20,000,000 shares of £0.01 each as a bonus.

The transaction has been accounted for by the merger method of accounting.

A merger is a business combination where the shareholders of the separate parties come together to share the risks and rewards of the combined body, and in which no party has control over the other which was the case in this transaction.

Equity acquired:	£
Shares issued at par	(400,000)
Share capital acquired	169
Merger reserve	(399,831)

(b) Island Gold plc

On 11 December 2004, the Company incorporated and subscribed for the entire share capital of Island Gold plc for £50,000. Island Gold plc has not traded since incorporation.

(xiii) DEBTORS

	30 June 2005 £
Trade debtors	3,703
Other debtors	80,372
Other taxes	87,250
Prepayments and accrued income	23,647
	194,972

(xiv) CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	30 June 2005 £
Trade creditors	475,980
Other taxes and social security costs	23,530
Other creditors	600
Accruals and deferred income	72,501
	572,611

During the period, non-interest bearing unsecured convertible Loan Notes were issued and subsequently converted to ordinary shares as follows:

- notes to the value of £180,000 were issued on 8 April 2004, equivalent to 3,000,000 shares upon conversion;
- notes to the value of £300,000 were issued on 1 June 2004, equivalent to 5,000,000 shares upon conversion.

Conversion took place at £0.06 per share to ordinary shares of £0.01, including a share premium of £0.05 as follows:

- 7,476,667 shares on 4 August 2004;
- 523,333 shares on 10 August 2004.

Directors' interests in the Loan Notes and their conversion amounted to £50,400 in respect of 840,000 shares.

(xv) FINANCIAL INSTRUMENTS

The Group is at an early stage of development and has yet to commence commercial production. Two risks which the Group encounters are currency exposure and liquidity risk. Currency exposure is managed as far as is practical by financing the Group's development and exploration activity in hard currency and to match the currency of borrowing to the expected revenue stream. Liquidity risk is managed by tight controls over expenditure.

The Board determines, as required, the degree to which it is appropriate to use financial instruments or hedging contracts or techniques to mitigate risks. During the period ended 30 June 2005, the Group has not entered into any hedging or forward exchange rate contracts.

There is no material difference between fair value and book value of financial instruments.

The information below describes the Group's financial instruments. Short-term debtors and creditors are excluded from the numerical disclosures below with the exception of the currency risk disclosures.

Financial assets

	30 June 2005 £
Cash	
Pounds Sterling	693,746
Australian Dollars	260,721
	954,467

Financial assets are at floating rate, comprising cash earning interest at various rates set with reference to the prevailing LIBOR or equivalent for the relevant country.

Financial liabilities

As at 30 June 2005, the Group had no financial liabilities, other than short-term creditors such as trade creditors and accruals.

As at 30 June 2005, there were no un-drawn committed facilities.

Currency risk

The table below shows the extent to which Group companies have monetary assets and liabilities in currencies other than their functional currency. Foreign exchange differences on re-translation of such assets and liabilities are taken to the profit and loss account.

Group Net Foreign Currency Monetary Assets/(Liabilities)

	Denomination GBP £	Denomination A$
Functional currency of Group operation		
GBP £	–	–
A$	(1,720,442)	–
30 June 2005	(1,720,442)	–

(xvi) SHARE CAPITAL AND SHARE PREMIUM ACCOUNTS

	Number of shares	Nominal value £
Authorised share capital		
On incorporation – ordinary shares of £1 each	1,000	1,000
Sub-divided into ordinary shares of £0.01 each on 7 June 2004	100,000	1,000
Creation of additional shares of £0.01 each on 7 June 2004	899,900,000	8,999,000
At 30 June 2005 – Ordinary shares of 1p each	900,000,000	9,000,000

Changes in issued Share Capital and Share Premium

	Number of shares	Nominal value £	Share premium £	Total £
Subscriber shares issued upon incorporation 22 March 2004	1	1	–	1
Share issue on 24 March 2005	1	1	–	1
	2	2	–	2
Sub-division into £0.01 shares on 7 June 2004	200	2	–	2
Conversion of loan notes – 4 August 2004	7,476,667	74,767	373,833	448,600
Share issue costs charged to share premium	–	–	(26,916)	(26,916)
Conversion of loan notes – 10 August 2004	523,333	5,233	26,167	31,400
Share issue costs charged to share premium	–	–	(1,884)	(1,884)
Shares issued at £0.06 each – placing on 20 September 2004	14,766,600	147,666	738,330	885,996
Share issue costs charged to share premium	–	–	(53,160)	(53,160)
Shares issued at £0.06 each – placing on 23 September 2004	8,728,000	87,280	436,400	523,680
Share issue costs charged to share premium	–	–	(31,421)	(31,421)
Shares issued at £0.01 each for purchase of Mercator Gold Australia Pty on 4 August 2004	20,000,000	200,000	–	200,000
Shares issued at £0.01 each for purchase of Mercator Gold Australia Pty on 26 January 2005	20,000,000	200,000	–	200,000
Shares issued at £0.08 each – placing on 16 February 2005	12,500,000	125,000	875,000	1,000,000
Share issue costs charged to share premium	–	–	(50,000)	(50,000)
Shares issued at £0.08 each – placing on 25 February 2005	3,125,000	31,250	218,750	250,000
Share issue costs charged to share premium	–	–	(12,500)	(12,500)
Ordinary shares of £0.01 each in issue on 30 June 2005	87,119,800	871,198	2,492,599	3,363,797

All shares were issued for cash apart from those related to the Mercator Gold Australia Pty Ltd acquisition.

Potential issues of ordinary shares

Share options and warrants

At 30 June 2005, the Company had 26,750,000 options and 37,294,600 warrants outstanding for the issue of ordinary shares, as follows:

Date of grant	Exercisable from	Exercisable to	Exercise price	Number granted	Number at 30.6.05
Options					
29.9.04	8.10.04	7.10.09	£0.08	20,000,000	20,000,000
19.11.04	19.11.04	18.11.14	£0.10	4,500,000	4,500,000
15.12.04	15.12.04	14.12.14	£0.10	100,000	100,000
30.6.05	30.6.05	29.6.15	£0.10	900,000	900,000
14.4.05	14.4.05	13.4.15	£0.12	1,250,000	1,250,000
				26,750,000	26,750,000
Warrants					
23.9.04	8.10.04	7.10.07	£0.06	2,300,000	2,300,000
23.9.04	8.10.04	7.10.07	£0.08	500,000	500,000
23.9.04	8.10.04	7.11.05	£0.08	34,494,600	34,494,600
				37,294,600	37,294,600
Total options and warrants in issue at 30 June 2005					64,044,600

Some of these warrants have been exercised or have lapsed, details of which are set out in note (xxi) on post balance sheet events.

(xvii) PROFIT AND LOSS ACCOUNT

	£
At 22 March 2004	–
Loss for the period	(867,319)
At 30 June 2005	(867,319)

(xviii) NOTES TO THE STATEMENT OF CASH FLOWS

	30 June 2005 £
Reconciliation of operating loss to net cash outflow from operating activities	
Operating loss	(926,654)
Depreciation and amortisation	22,012
(Increase) in debtors	(194,972)
(Increase)/Decrease in creditors	572,611
Net cash outflow from operating activities	(527,003)
Returns on investment and servicing of finance	
Interest received	31,880
Interest paid	(2,162)
Net cash outflow from returns on investment and servicing of finance	29,718
Capital and expenditure and financial investment	
Purchase of intangible fixed assets	(1,463,385)
Purchase of tangible fixed assets	(78,446)
Share capital of subsidiary	169
Net cash outflow for capital expenditure and financial investment	(1,541,662)

Analysis of net funds

	At 22 March 2004	Cashflow	Exchange differences	At 30 June 2005
	£	£	£	£
Cash in hand, at bank	–	277,850	29,617	307,467
Short-term deposits (included within cash at bank and in hand in the balance sheet)	–	647,000	–	647,000
Net funds	–	924,850	29,617	954,467

(xix) CONTINGENCIES AND OPERATING LEASE COMMITMENTS

The Group had no contingent liabilities at 30 June 2005.

At 30 June 2005, the Group had annual commitments under operating leases that expire as follows:

	2005 £000
Office premises	
Within 2-5 years	31,980

Lease commitments relate to assets used by the Group in the United Kingdom. The minimum annual commitments on the mineral properties in Australia have not been disclosed as those properties can be surrendered or disposed of with no on-going recourse to the Group.

(xx) RELATED PARTY TRANSACTIONS

During the period, fees and commissions totalling £93,407 were paid to Loeb Aron & Co. of which Paul Loudon is a director.

During the period, the Company paid £5,001 to Mr T Strapp and £1,875 to Mr M Elias as consultancy fees, prior to their appointment as directors.

Legal fees of £51,000 were paid to Cobbetts, a firm connected with Cobbetts Limited, the company director that resigned in the period.

During the period, an amount of £110,990 was paid as a licence fee for the use of SpaDiS™ technology to Vearncombe & Associates Pty Ltd, a company owned and controlled by Drs Julian and Susan Vearncombe.

(xxi) POST BALANCE SHEET EVENTS

On 5 August 2005, the Company made an offer to all warrant holders to exercise their 8p warrants early and receive a further warrant allocation in addition to their original warrant entitlement. This offer was limited to 12,500,000 warrants only.

Further to the offer made on 5 August 2005, on 6 October 2005 the Company announced a pro-rata allocation of 12,500,000 new shares and the issue of 12,500,000 10p warrants expiring on 7 November 2006, raising a total of £1,000,000 before expenses. Applications had been received for the exercise of 2,561,906 warrants and under the terms of the offer the underwriters, Newland Resources Limited, took up the remaining 9,938,094 warrants.

On 8 September 2005, the Company announced that it has expended A$3 million under the Annean Joint Venture and it had advised its joint venture partner, St. Barbara Mines Ltd, that it had now earned a 45 per cent. interest and will proceed to stage 3 of the joint venture by spending an additional A$1 million on exploration to secure a 51 per cent. interest.

On 28 October 2005 the Company announced it had entered into a conditional agreement with St. Barbara Mines Limited to acquire its entire gold exploration and mining assets in the Meekathara greenstone belt of Western Australia. The total purchase consideration was A$18,000,000 in cash and new shares plus the adoption of bonding requirements of approximately A$3,000,000.

On 7 November 2005, 20,000 warrants exercisable at 8p were taken up, causing 20,000 1p ordinary shares to be issued and a further 10,000 warrants exercisable at 10p expiring on 7 November 2006 were granted.

On 13 December 2005 the Company issued £1,000,000 of 9.25 per cent. convertible loan notes ("the Notes"). The Notes have a term of two years from the date of issue and have a face value of £5,000 each. The interest rate is

9.25 per cent. and is paid quarterly and after the first anniversary of this issue, at the holder's election, can be received in fully paid ordinary shares at the equivalent of 6p per share. The Notes are to be repaid in cash plus any accrued interest on the second anniversary of their issue.

The Company has the right to redeem the unconverted Notes early at any time after the first anniversary of their issue, at a price of the face value of the Notes plus twice the interest accrued.

If the Company, for whatever reason, fails to complete the acquisition of the remaining Meekatharra gold assets of St. Barbara Mines Limited the face value of the Notes shall automatically convert to fully paid 1p ordinary shares at 4p per share.

On Admission the Company will complete a placing of between 18 million and 26.4 million fully paid New Ordinary Shares with institutional investors at 50p per share, increasing the issued share capital to between 38,888,350 and 47,288,350 New Ordinary Shares, raising between £9 million and £13.2 million before costs. This fundraising is conditional upon the shareholders' approval requested in this Admission Document.

PKF

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and

The Directors
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Fifth Floor
10-12 Copthall Avenue
London
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Our ref: C/lb

21 December 2005

Dear Sirs

Mercator Gold plc

We report on the financial information set out in Part V, which has been prepared for inclusion in the Admission Document dated 21 December 2005 of Mercator Gold plc on the basis of the accounting policies set out in note (i).

Responsibilities

The Directors of Mercator Gold plc are responsible for preparing the financial information.

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the Admission Document 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 by the Auditing Practices Board in the United Kingdom. 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 entity'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.

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The audit report dated 26 September 2005 was unqualified, but an 'emphasis of matter' paragraph was included referring to the going concern disclosures made by the Company. These disclosures referred to a proposed fund raising exercise which was planned to take place to ensure the going concern status of the company.

As the proposed fund raising has now occurred, we consider it appropriate for the financial information set out below to be prepared on a going concern basis.

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document dated 21 December 2005, a true and fair view of the state of affairs of Mercator Gold plc as at the date stated and of its losses, cashflows and recognised gains and losses for the periods then ended in accordance with the basis of preparation set out in note (i).

Yours faithfully

PKF (UK) LLP

PART VI

ILLUSTRATIVE PRO FORMA STATEMENT OF FINANCIAL INFORMATION

The Directors set out below, for illustrative purposes only, a pro forma statement of net assets as at 30 June 2005.

The statement is hypothetical and is based on the premise that the Acquisition and fundraising which has occurred between 30 June 2005 and the date of this document had occurred at 30 June 2005. Because of its nature the statement will not necessarily give a fair representation of the Group's net asset position following the readmission of the Company to AIM.

	Group as at 30 June 2005 £	Adjustments 1 £	2 £	3 £	4 £	Pro forma total £
Fixed assets						
Intangible	1,453,885	–	–	–	6,197,000	7,650,885
Tangible	65,934	–	–	–	1,281,000	1,346,934
	1,519,819	–	–	–	7,478,000	8,997,819
Current assets						
Stock	–	–	–	–	84,000	84,000
Debtors	194,972	–	–	–	–	194,972
Cash at bank	954,467	1,000,000	1,000,000	8,136,000	(2,100,000)	8,990,467
	1,149,439	1,000,000	1,000,000	8,136,000	(2,016,000)	9,269,439
Creditors: amounts falling due within one year	(572,611)	–	–	–	–	(572,611)
Net current assets	576,828	1,000,000	1,000,000	8,136,000	(2,016,000)	8,696,829
Creditors: amounts falling due after one year	–	–	(1,000,000,)	–	–	(1,000,000)
Total assets less liabilities	2,096,647	1,000,000	–	8,136,000	5,462,000	16,694,647
Capital and reserves						
Share capital	871,198	125,000	–	1,800,000	546,000	3,342,198
Share premium	2,492,599	875,000	–	6,336,000	4,916,000	14,619,599
Merger reserve	(399,831)	–	–	–	–	(399,831)
Profit and loss account	(867,319)	–	–	–	–	(867,319)
	2,096,647	1,000,000	–	8,136,000	5,462,000	16,694,647

Adjustments

1. On 30 September 2005, the Company issued 2,561,906 fully paid ordinary shares of 1 pence each to various warrant holders at a price of 8 pence each. On 7 November 2005 the Company issued 9,938,094 Ordinary Shares and 9,938,094 Warrants to Newland Resources Limited in connection with its underwriting obligation in relation to the issue on 30 September 2005.

2. On 13 December 2005 the Company issued £1 million of 9.25% convertible loan notes (" the Notes"). The Notes have a term of two years from the date of issue and have a face value of £5,000 each. The interest rate is 9.25% and is paid quarterly and after the first anniversary of this issue, at the holder's election, can be received in fully paid ordinary shares at the equivalent of 6p per share. The Notes are to be repaid in cash plus any accrued interest on the second anniversary of their issue.

3. On Admission the Company will complete a placing of a minimum of 18 million fully paid New Ordinary Shares (for which irrevocable undertakings have been received as at the date of this document) with institutional investors at 50p per share, increasing the issued share capital to a minimum of 38,888,350 shares, raising £9 million less costs of £864,000. This fundraising is conditional upon the shareholders' approval requested in this document.

4. On Admission the Company will acquire SBM's entire gold exploration and mining assets in the Meekathara greenstone belt of Western Australia for the agreed purchase consideration.

Accounting policies

The illustrative pro forma financial information has been drawn up on the basis of the Company's accounting policies and described in Part V of this document.

Fixed assets

Intangible fixed assets

	Exploration and Development costs £	Computer software £	Total £
Cost			
At 22 March 2004	–	–	–
Additions	1,430,282	33,103	1,463,385
At 30 June 2005	1,430,282	33,103	1,463,385
Amortisation			
At 22 March 2004	–	–	–
Provided in year	–	9,500	9,500
At 30 June 2005	–	9,500	9,500
Net book value			
At 30 June 2005	1,430,282	23,603	1,453,885
Acquisition of SBM assets	6,197,000	–	6,197,000
Pro forma total	7,628,282	23,603	7,650,885

Tangible fixed assets

	Property £	Plant and machinery £	Office equipment £	Motor vehicles £	Total £
Cost					
At 22 March 2004	–	–	–	–	–
Additions	–	29,781	9,552	39,113	78,446
At 30 June 2005	–	29,781	9,552	39,113	78,446
Depreciation					
At 22 March 2004	–	–	–	–	–
Provided in year	–	8,586	1,010	2,916	12,512
At 30 June 2005	–	8,586	1,010	2,916	12,512
Net book value					
At 30 June 2005	–	21,195	8,542	36,197	65,934
Acquisition of SBM assets	21,000	1,260,000	–	–	1,281,000
Pro forma total	21,000	1,281,195	8,542	36,197	1,346,934

Creditors: amounts falling due after one year

	Group as at 30 June 2005 £	£	£	£	£	Total £
Loan notes	–		1,000,000	–	–	1,000,000
	–		1,000,000	–	–	1,000,000

Deferred tax

The potential deferred tax asset on tax losses has not been recognised as its recoverability is uncertain.

PART VII

ADDITIONAL INFORMATION

1. RESPONSIBILITY STATEMENT

1.1 The Company and the Directors, whose names appear on page 138 of this document accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Company and 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 registered office is at Peek House, 3rd Floor, 20 Eastcheap, London EC3M 1EB.

2.4 The principal activity of the Company is gold and mineral exploration.

2.5 The Company currently has two wholly owned subsidiary companies, particulars of which are set out below:

2.5.1 Mercator Gold Australia Pty Ltd, a company incorporated and registered in Australia (registered number ACN 107674215); and

2.5.2 Island Gold plc, a company incorporated and registered in England and Wales (registered number 05311074).

2.6 The Articles were adopted on 17 September 2004.

3. SHARE CAPITAL

3.1 The authorised and issued share capital of the Company, assuming maximum subscription under the Placing following Admission will be as follows:

Share capital immediately following Admission

Authorised		Issued	
Number	**Amount**	**Number**	**Amount**
200,000,000	£20,000,000	47,288,350	£4,728,835

3.2 The Company has outstanding at the date of this document the Mercator Warrants, the Options, and the New Adviser Warrants.

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

3.4 During 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.

3.5 On 7 June 2004, the authorised and issued share capital of the Company was sub-divided on the basis of 100 Ordinary Shares for every one ordinary share of £1.

3.6 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.

3.7 On 7 June 2004 the Company passed the following resolutions:

3.7.1 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;

3.7.2 a special resolution that the Directors be empowered to allot or agree to allot equity securities pursuant to the authority referred to in paragraph (3.7.1) above as if section 89(1) of the Act did not apply to any such allotment.

3.8 On 9 July 2004 the Company entered into an agreement to acquire the entire issued share capital of Mercator Australia under the terms of the Share Exchange Agreement, full details of which are set out at paragraph 11.1.2 of this Part VII. On 4 August 2004, 20,000,000 Ordinary Shares were issued to the vendors of Mercator Australia. On 29 September 2004, share options to subscribe for 20,000,000 Ordinary Shares exercisable at 8p per share at any time during the period of five years from the date of admission were issued to the vendors of Mercator Australia.

3.9 On 4 August 2004 the Company issued 7,476,667 Ordinary Shares to convertible loan note holders at a price of 6p per share together with 9,953,334 8p warrants to subscribe for Ordinary Shares exercisable at 8p 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 would grant a further warrant to subscribe for one Ordinary Share exercisable at 10p per share at any time during the period of 25 months from the date of admission.

3.10 On 10 August 2004 the Company issued 523,333 Ordinary Shares to convertible loan note holders at a price of 6p per share together with 1,046,666 8p warrants to subscribe for Ordinary Shares exercisable at 8p 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 would grant a further warrant to subscribe for Ordinary Shares exercisable at 10p per share at any time during the period of 25 months from the date of admission.

3.11 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.

3.12 On 20 September 2004 the Company issued 14,766,600 Ordinary Shares at a placing price of 6p per share to raise £885,996 (before issue costs) together with 14,766,600 8p warrants to subscribe for Ordinary Shares exercisable at 8p 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 would grant a further Warrant to subscribe for one Ordinary Share exercisable at 10p per share at any time during the period of 25 months from the date of admission.

3.13 On 23 September 2004 the Company issued 8,728,000 Ordinary Shares at a placing price of 6p per share to raise £523,680 (before issue costs) together with 8,728,000 warrants to subscribe for Ordinary Shares exercisable at 8p per share at any time during the period of 13 months from the date of admission. On the exercise of 8p warrants, for every 2 such warrants exercised the Company would grant a further warrant to subscribe for one Ordinary Share exercisable at 10p per share at any time during the period of 25 months from the date of admission.

3.14 On 26 January 2005 the Company issued 20,000,000 Ordinary Shares at par to the vendors of Mercator Australia pursuant to the terms of the Share Exchange Agreement.

3.15 During February 2005 the Company issued 15,625,000 Ordinary Shares at a price of 8p per Ordinary Share pursuant to a placing.

3.16 On 30 August 2005 the Company passed a special resolution varying the terms of the Warrant Instrument so that any holder of 8p warrants created by the Warrant Instrument who exercises such warrants at any time during a period commencing on the date of the special resolution (or the date of a resolution of the warrantholders in similar terms, whichever shall be the latter) and ending at 3.00 p.m on 13 September 2005 (up to an aggregate maximum of 12,500,000 warrants) would receive, for every two 8p warrants exercised two further Warrants, as opposed to the one Warrant under the Warrant Instrument provided for (the "Offer"). In the event that more than 12,500,000 8p warrants were exercised pursuant to the Offer, then the entitlements of the warrantholders shall be calculated on a pro-rata basis.

3.17 On 30 September 2005, the Company issued 2,561,906 Ordinary Shares of 1p each and 2,561,906 Warrants to various warrantholders pursuant to the terms of the Warrant Instrument at a price of 8p each.

3.18 On 26 October 2005 the Company passed a special resolution to empower the directors, pursuant to section 95 of the Act, to allot equity securities pursuant to the authority referred to in paragraph 3.7.1 above

as if section 89(1) of the Act did not apply, such power to expire at the conclusion of the Company's Annual General Meeting to be held in 2006 and to be in substitution for and to revoke all pre-existing such powers.

3.19 On 7 November 2005 the Company issued 9,938,094 Ordinary Shares and 9,938,094 Warrants to Newland Resources Limited in connection with its underwriting obligations in relation to the Offer described in paragraph 3.16 above.

3.20 On 7 November 2005 the Company issued 20,000 Ordinary Shares and 10,000 Warrants to Waterhouse Nominees Limited on exercise of 20,000 8p warrants

3.21 At the Extraordinary General Meeting resolutions will be proposed that:

3.21.1 the issued and unissued Ordinary Shares be consolidated on the basis of 10 Ordinary Shares into 1 ordinary share of 10p;

3.21.2 the authorised share capital of the Company be increased from £9,000,000 to £20,000,000 by the creation of 110,000,000 New Ordinary Shares;

3.21.3 the Sale Agreement be approved;

3.21.4 conditionally on Admission, the directors of the Company be generally and unconditionally authorised pursuant to section 80(1) of the Act to exercise all and any powers of the Company to allot relevant securities (as defined in section 80(2) of the Act) up to an aggregate nominal amount equal to £20,000,000. The authority will expire (unless previously renewed, varied, or revoked by the Company in general meeting) at the earlier of the conclusion of the annual general meeting of the Company next following the passing of the resolution and 15 months from the date of the resolution. The Company will be able, at any time prior to the expiry of the authority, to make an offer or agreement which would or might require relevant securities to be allotted after expiry of the authority and the directors of the Company will be able to allot relevant securities in pursuance of such an offer or agreement as if the authority had not expired;

3.21.5 the Directors be granted Executive Share Options over the following number of New Ordinary Shares on Completion of the Acquisition, such Executive Share Options to be exercisable at 60p per share for a period of 10 years from the date of issue:

Terrence Strapp	400,000
Patrick Harford	200,000
Michael de Villiers	125,000
Dr Julian Vearncombe	125,000
Nick Allen	75,000
Michael Elias	75,000;

3.21.6 conditionally on Admission, the directors of the Company be given power pursuant to section 95(1) of the Act (with such power expiring at the same time as the authority referred to in paragraph 3.18.3 above (the "Proposed Section 80 Authority")) to allot equity securities (as defined in section 94(2) of the Act) for cash pursuant to the Proposed Section 80 Authority as if section 89(1) of the Act did not apply to any such allotment provided that this power shall be limited:

(a) to the allotment of equity securities in connection with a rights issue, open offer or otherwise in favour of the holders of equity securities in proportion to their respective holdings of such securities but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with legal or practical problems in respect of overseas holders, fractional entitlements or otherwise;

(b) the allotment of equity securities pursuant to the Placing;

(c) the allotment of equity securities pursuant to the Acquisition;

(d)_ the allotment of equity securities pursuant to the issue of the Convertible Loan Notes; and

(e) the allotment (otherwise than pursuant to paragraphs (a) to (d) above (inclusive)) for cash of equity securities up to an aggregate nominal amount of £2,200,000.

3.22 Save as disclosed in this paragraph 3, there has been no increase or reduction in the authorised or issued share capital of the Company since the date of incorporation.

3.23 Save as disclosed in this Document the Directors have no present intention of allotting and issuing any relevant securities.

3.24 Save as mentioned in this paragraph 3 and in paragraph 6 below:

3.24.1 no unissued share or loan capital of the Company is under option or is agreed conditionally or unconditionally to be put under option;

3.24.2 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.

4. CONVERTIBLE LOAN NOTE PLACINGS

4.1 Pursuant to the Convertible Loan Notes Placing, Convertible Loan Notes with a nominal value of £1,000,000 were issued on 14 December 2005.

The Convertible Loan Notes may at the option of the holder convert after 12 months from the date of issue into Ordinary Shares at 6p per share (or 60p per New Ordinary Share following the Share Consolidation). In the event that the Acquisition does not complete the Notes will convert automatically into Ordinary Shares at 4p per share (or 40p per New Ordinary Share following the Share Consolidation). The Convertible Loan Notes have a term of two years from the date of issue and have a face value of £5,000 each. The interest rate is 9.25 per cent. and is paid quarterly. The Convertible Loan Notes are to be repaid, to the extent not redeemed, in cash plus any accrued interest on the second anniversary of their issue. The Convertible Loan Notes are freely transferable, subject to the conditions of the instrument creating the Convertible Loan Notes, and will accrue for the benefit of the successors in title of any holder on death.

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.

5.2 **Articles of Association**

The Articles were adopted by a special resolution of the Company passed on 17 September 2004 and contain, *inter alia*, provisions to the following effect:

5.2.1 *Administrative, Management and Supervisory Bodies*

Subject to the Act, the Articles and any matter prescribed by way of special resolution of the Company, the business of the Company shall be managed by the directors, who may exercise all such powers of the Company as are not by the Act or by the Articles required to be exercised by the Company in general meeting. No regulation made by the Company by special resolution shall invalidate any prior act of the directors which would have been valid if such regulation had not been made.

5.2.2 *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.

5.2.3 *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; it is duly stamped (if required); and

(v) 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.

5.2.4 *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.

5.2.5 *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.

5.2.6 *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.

5.2.7 *Redemption*

The Ordinary Shares are not redeemable.

5.2.8 *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.

5.2.9 *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.

5.2.10 *Directors' interests in contracts*

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.

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:

(i) 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;

(ii) 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;

(iii) 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;

(iv) 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);

(v) 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

(vi) 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.

5.2.11 *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.

5.2.12 *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.

5.2.13 *General Meetings*

An annual general meeting shall be held once a year, within 15 months of the previous annual general meeting.

Subject to a member's right to requisition an extraordinary general meeting pursuant to the Act, general meetings of the Company are convened at the discretion of the board, and with the exception of the annual general meeting, all such general meetings of the Company shall be extraordinary general meetings. An annual general meeting and any extraordinary general meeting at which it is

proposed to pass a special resolution shall be called by at least 21 clear days' notice in writing to its members. Any other extraordinary general meeting shall be called by at least 14 clear days' notice to the Company. Notice shall be given to all members and the directors and the auditors.

5.2.14 *Change in Control*

There are no provisions in the Articles which would have the effect of delaying, deferring or preventing a change in control of the Company.

5.2.15 *Disclosure Requirements*

The Articles contain no provision governing the threshold over which shareholder ownership in the Company must be disclosed. Section 212 of the Act is however incorporated into the Articles.

6. WARRANTS

6.1 The Company has outstanding at the date of this document the Mercator Warrants which entitle holders to subscribe for up to 15,310,000 Ordinary Shares. Assuming the Mercator Warrants are exercised in full, these will represent between 3.1 per cent. and 3.8 per cent. of the Company's then enlarged issued capital, following Admission.

6.2 The outstanding Mercator Warrants comprise:

6.2.1 Warrants, to subscribe for up to 12,510,000 Ordinary Shares at the price of 10p per share up to and including 7 November 2006;

6.2.2 the Loeb Aron Warrant, to subscribe for up to 2,300,000 Ordinary Shares at the price of 6p per share at any time up to 7 October 2007;

6.2.3 the Beaumont Cornish Warrant, to subscribe for up to 250,000 Ordinary Shares at the price of 8p per share at any time up to 7 October 2007; and

6.2.4 the King & Shaxson Warrant, to subscribe for up to 250,000 Ordinary Shares at the price of 8p per share at any time up to 7 October 2007.

6.3 No application has been made or is being made for the Mercator Warrants to be admitted to trading on AIM or any other recognised investment exchange.

6.4 By a deed of warrant grant dated 29 September 2004 the Company granted to Loeb Aron the Loeb Aron Warrant to subscribe in cash for up to 2,300,000 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 up to 7 October 2007 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.

6.5 By a deed of warrant grant dated 29 September 2004 the Company granted to Beaumont Cornish the Beaumont Cornish Warrant to subscribe in cash for up to 250,000 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 up to 7 October 2007 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.

6.6 By a deed of warrant grant dated 29 September 2004 the Company granted to King & Shaxson the King & Shaxson Warrant to subscribe in cash for up to 250,000 Ordinary Shares at 8p per share upon the terms and conditions set out in the deed. The King & Shaxson Warrant may be exercised, in whole or in part, at any time up to 7 October 2007 and to the extent that the King & Shaxson Warrant is not exercised within this period it shall lapse. No modification, variation or amendment to the terms and conditions of the King & Shaxson 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 21 December 2005 the Company granted to Beaumont Cornish the New Beaumont Cornish Warrant to subscribe in cash for up to 50,000 New Ordinary Shares at 60p per share upon the terms and conditions set out in the deed. The New Beaumont Cornish Warrant may be exercised in whole or in part, at any time up to the second anniversary of Admission and to the extent that the New Beaumont Cornish Warrant is not exercised within this period it shall lapse. No modification, variation or amendment to the the terms and conditions of the New 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.

6.8 By a deed of warrant grant dated 21 December 2005 the Company granted to Loeb Aron a warrant the New Loeb Aron Warrant to subscribe in cash for up to 270,000* New Ordinary Shares at 75p per share upon the terms and conditions set out in the deed. The New Loeb Aron Warrant may be exercised in whole or in part, at any time up to the third anniversary of Admission and to the extent that the New Loeb Aron Warrant is not exercised within this period it shall lapse. No modification, variation or amendment to the the terms and conditions of the New 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.

* The terms of Loeb Aron's engagement letter described at paragraph 11.1.26 of this Part VII provide that Loeb Aron shall receive a number of New Ordinary Shares equivalent to 1.5 per cent. of the Placing Shares issued. If subscriptions are received for more than 18,000,000 Placing Shares, a further supplemental warrant, equivalent to 1.5 per cent. of such shares, will be issued by the Company to Loeb Aron.

7. SHARE OPTIONS

7.1 Under the terms of the Share Exchange Agreement Share Options in respect of 20,000,000 Ordinary Shares, exercisable at 8p per share were granted to the vendors of Mercator Australia. The Share Options can be exercised at anytime up to 7 October 2009.

7.2 The Company has also issued the Executive Share Options set out in paragraph 12 of this Part VII.

8. DIRECTORS' AND OTHER INTERESTS

8.1 As at 21 December 2005 (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 Current Issued Share Capital
Terrence Strapp*	200,000	0.2%
Patrick Harford(1)	16,500,100	16.6%
Michael de Villiers*	1,270,000	1.3%
Dr Julian Vearncombe(2)	3,600,000	3.6%
Michael Elias	100,000	0.1%
Nick Allen	Nil	–

(1) Patrick Harford's interest in Ordinary Shares includes: (i) the interest in Ordinary Shares (as disclosed in paragraph 8.4 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 200,000 Ordinary Shares held by Ademro Pty Ltd, in which Patrick Harford has an equity interest.

(2) Dr Julian Vearncombe's interest in Ordinary Shares includes Dr Susan Vearncombe's interest in 1,500,000 Ordinary Shares. Drs Julian and Susan Vearncombe also have an interest in the Vearncombe Superannuation Fund which is the holder of 600,000 Ordinary Shares (representing 0.6 per cent. of the Current Issued Share Capital).

* Michael de Villiers will subscribe for 100,000 Placing Shares in the Placing and Terrence Strapp will subscribe for 500,000 Placing Shares in the Placing.

8.2 As at 21 December 2005 (the latest practicable date prior to the publication of this document) the Directors were the holders of the following Warrants to subscribe for Ordinary Shares and are also the holders of Share Options to subscribe for the following Ordinary Shares (pursuant to the Share Exchange Agreement):

Director	Number of Warrants to subscribe for Ordinary Shares	Number of Options to subscribe for Ordinary Shares
Terrence Strapp	Nil	750,000
Patrick Harford[(1)]	Nil	9,000,000
Michael de Villiers	670,000	2,000,000
Dr Julian Vearncombe[(2)]	400,000	4,500,000
Michael Elias	Nil	500,000
Nick Allen	Nil	500,000

(1) Patrick Harford's interests in Options includes: (i) the interest in Options in respect of 8,150,000 Ordinary Shares (as disclosed in paragraph 8.4 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 Options in respect of 100,000 Ordinary Shares held by Ademro Pty Ltd, in which Patrick Harford has an equity interest.

(2) Dr Julian Vearncombe's interests in Options includes Dr Susan Vearncombe's interest in Options in respect of 2,250,000 Ordinary Shares. Drs Julian and Susan Vearncombe also have an interest in the Vearncombe Superannuation Fund which is the holder of 400,000 Warrants.

8.3 Save as set out in paragraph 8.1 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.

8.4 As at 21 December 2005 (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 Ordinary Shares	Number of options to subscribe for Ordinary Shares	Number of Ordinary Shares on conversion of Convertible Loan Notes
Caledonian Capital Ltd	16,300,000	16.4	–	8,150,000	–
Newland Resources Ltd	9,938,094	10.0	9,938,094	–	–
First International Resources Ltd	9,000,000	9.0	–	8,250,000	–
Credit Agricole Investors Services Bank	4,050,000	4.1	–	–	–
Mayford Development Limited	3,850,000	3.9	–	–	–
Artemis Alpha Trust plc	3,750,000	3.8	–	–	–
Loeb Aron & Company Ltd	3,675,000	3.7	2,300,000	1,000,000	225,000
Fairchoice Limited	3,000,000	3.0	–	–	–

8.5 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.

8.6 All of the Shareholders of the Company, including those set out in the table in paragraph 8.4 above have the same voting rights.

8.7 Save for Dr Susan Vearncombe, Dr Julian Vearncombe's wife, who has interests in 1,500,000 Ordinary Shares and share options in respect of 2,250,000 Ordinary Shares and who also has an interest in the Vearncombe Superannuation Fund which is the holder of 600,000 Ordinary Shares and 400,000 Warrants and as disclosed in paragraphs 8.1 and 8.2 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.

8.8 There are no outstanding loans or guarantees provided by the Company to or for the benefit of any of the Directors.

8.9 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.

8.10 No Director or any member of a Director's family has a related financial product referenced to the Ordinary Shares and New Ordinary Shares.

8.11 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, of each of the Directors are as follows:

Terrence Strapp

Current Directorships	Past Directorships
Oakvale Capital Limited (registered in Australia)	Aussie On Line Limited (registered in Australia)
SDG Nominees Pty Ltd (registered in Australia)	Mount Gibson Limited (registered in Australia)
SMJ Pty Ltd (registered in Australia)	
Wesley College Endowment Fund Inc (registered in Australia) (Trustee/Director)	
Fincorp Limited (registered in Australia)	
Ausdrill Limited (registered in Australia)	
Cybertop Pty Limited	

Patrick Harford

Current Directorships	Past Directorships
Ademro Pty Ltd (registered in Australia)	Gillark Pty Ltd (registered in Australia)
Northern Territory Gold Mining NL (registered in Australia)	Peak Hill Gold Mines NL (registered in Australia)
Harsav Pty Ltd (registered in Australia)	Rakov Pty Ltd (registered in Australia)
Lakebush Pty Ltd (registered in Australia)	Scramble Pty Ltd (registered in Australia)
Melanesian Minerals Corp (registered in Canada)	Destiny Prospecting Pty Ltd (registered in Australia)
Nexon Limited (registered in British Virgin Islands)	Queensland Bagasse Holdings Pty Ltd (registered in Australia)
Bonheur 27 General Trading Pty Ltd (registered in South Africa)	MinRes Resources Inc (registered in Canada)
Crown Diamonds Ltd (BVI)	Bardi Mining Pty Ltd (registered in Australia)
Lexshell 649 Investments (Pty) Ltd (South Africa)	BKM Management Limited (registered in Australia)
	Global First International Limited (BVI)
	Mayford Development Limited (BVI)

Michael de Villiers

Current Directorships	Past Directorships
Eurasia Mining (UK) Limited	Oxus Gold plc
Independent Executive Consultants Limited	Navan Mining plc
Ariana Resources PLC	Navan Mining (UK) Limited
Luckyvilla Holdings Limited (BVI)	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	Past Directorships
Vearncombe & Associates Pty Ltd (registered in Australia)	None

Michael Elias

Current Directorships	Past Directorships
CSA Australia Pty Ltd (registered in Australia)	Gold Partners Limited (registered in Australia)
Braemore Resources Plc	
Australian Mines Limited (registered in Australia)	

Nicholas Allen

Current Directorships	Past Directorships
Diamondcorp plc	None

8.12 The following matters are disclosed as exceptions to paragraph 8.13 below:

8.12.1 Terrence 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.

8.12.2 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 liqudiation, had reduced to A$100,000.

8.12.3 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.

8.12.4 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. Patrick Harford was a director of Melanesian Minerals Corporation at the time.

8.13 Save as disclosed in paragraph 8.12 above none of the Directors has:

8.13.1 any unspent convictions in relation to indictable offences;

8.13.2 had a bankruptcy order made against him or made an individual voluntary arrangement;

8.13.3 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;

8.13.4 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;

8.13.5 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;

8.13.6 been publicly criticised by any statutory or regulatory authority (including recognised professional bodies);

8.13.7 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.

9. DIRECTORS' CONSULTANCY CONTRACTS AND LETTERS OF APPOINTMENT

9.1 The following are particulars of the Executive Directors' consultancy agreements with the Company:

9.1.1 Patrick Harford was appointed as a consultant from 1 October 2004 under a consultancy agreement dated 22 September 2004. The appointment was 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 receives a fee of £3,600 per month.

Patrick Harford works 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.

9.1.2 Michael de Villiers was appointed as a consultant from 1 October 2004 under a consultancy agreement dated 22 September 2004.

The appointment was for a term of 12 months 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 received an initial fee of £1,667 per month.

The terms of the agreement provided that Michael de Villiers would initially work for the Group on a part-time basis and devote not less than four days per month to the affairs of the Group. The terms of the agreement provided that Michael de Villiers receive a fee of £600 per day for working any extra days for the Group.

Pursuant to a resolution of the Company's remuneration committee made on 29 March 2005, Michael de Villiers' consultancy agreement was amended to provide that he would devote not less than eight days per month to the affairs of the Group at the Company office for a fee of £4,000 per month, and that in the event he worked any extra days for the Group he would receive a fee of £750 per day.

9.1.3 Dr Julian Vearncombe was appointed as a consultant from 1 October 2004 under a Consultancy Agreement dated 22 September 2004. The appointment was for a term of 12 months 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 is paid a fee of £7,500 per annum.

The terms of the agreement provided that 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.

Dr Julian Vearncombe also provides services to the Company pursuant to an agreement between the Company and Vearncombe & Associates Pty Ltd, further details of which are set out in paragraph 11.1.8 of this Part VII.

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

9.2.1 Terrence 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 is paid £20,000 per annum.

9.2.2 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 is paid £7,500 per annum.

9.2.3 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 is paid £7,500 per annum.

9.3 Save as set out in paragraphs 9.1 and 9.2 above, there are no existing or proposed agreements between the Directors and the Company.

9.4 Other than as disclosed in this paragraph 9, no member of the Group is party to any service contract with any of the Group's senior management or supervisory bodies which provides for benefits on the termination of any such arrangement.

9.5 The aggregate remuneration of the Directors (inclusive of pension contributions and benefits in kind) in respect of the financial period ended 30 June 2005 was £311,998. It is estimated that, based on current arrangements, approximately £215,480 will be payable to the Directors by way of fees for the current financial period ending 30 June 2006.

9.6 Pursuant to the Articles each Director is required to retire by rotation at the annual general meeting held in the third calendar year following the year in which such director was elected or last re-elected. Any Director so retiring shall be eligible for re-election.

10. RELATED PARTY TRANSACTIONS

10.1 The Directors have interests in Ordinary Shares, Warrants and Share Options, details of which are set out at paragraphs 8.1 and 8.2 above.

10.2 As at 30 June 2005, there was a loan outstanding from Mercator Australia to the Company of £1,720,422.

10.3 As at 30 June 2005, there was a loan outstanding from the Company to Island Gold plc of £37,500.

10.4 During the period ended 30 June 2005 an amount of £110,990 was paid as a licence fee for the use of SpaDiS™ technology to Vearncombe & Associates Pty Ltd, a company owned and controlled by Drs Julian and Susan Vearncombe.

10.5 Legal fees of £51,000 was paid to Cobbetts, a firm connected with Cobbetts Limited, the company director that resigned in the period.

11. MATERIAL CONTRACTS

11.1 The Directors consider that the contracts described below (not being contracts entered into in the ordinary course of business) to which the Company (or its subsidiaries as the case remains), have entered into within the two years preceding the date of this document are those which an investor would reasonably regard as material and which they or their professional advisors would reasonably require to make an informed assessment for the Placing or the operations of the business of the Company:

11.1.1 By an agreement dated 3 March 2004 between Mercator Australia and SBM (the "Annean Joint Venture"), the parties to the agreement agreed the joint venture arrangements in respect of properties held by SBM in respect of the Meekatharrara Tenements.

11.1.2 By an agreement dated 9 July 2004 between the Company (1) and the shareholders of Mercator Australia ("the Vendors") (2) ("the Share Exchange Agreement") the Company agreed to purchase the entire issued share capital of Mercator Australia for a consideration of £200,000 to be for 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 8 October 2004.

In addition, the Share Exchange Agreement provided 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 11.1.1 above.

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

11.1.3 By an agreement dated 2 September 2004 between the Company (1) and King & Shaxson (2), King & Shaxson 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, King & Shaxson were paid a fee of £15,000 and a commission equal to 6 per cent. of the aggregate value of the monies raised and were issued with the King & Shaxson Warrant.

11.1.4 By an agreement dated 2 September 2004 between King & Shaxson (1) and the Company (2) ("the Broker Agreement") King & Shaxson agreed to act as the Company's Broker. 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 King & Shaxson are paid £10,000 per annum (together with VAT if applicable).

11.1.5 By an agreement dated 29 September 2004 between Beaumont Cornish (1) the Company (2) and the Directors (3) ("the Nominated Adviser Agreement") Beaumont Cornish agreed to act as Nominated Adviser to the Company and thereafter subject to one month's written notice by either party. Beaumont Cornish may 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 its nominated adviser and such fee being payable quarterly in advance with the first payment of £3,750 being due immediately following 8 Ocotber 2004. The retainer arrangement is subject to review on a half yearly basis following the initial two year period. The fees payable by the Company under this agreement have subsequently been increased with effect from Admission. Further details of this increase are set out at paragraph 11.1.25 below.

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.

11.1.6 By an agreement dated 29 September 2004 between the Company (1), Beaumont Cornish (2) and Loeb Aron (3), Loeb Aron undertook to the Company and Beaumont Cornish (for as long as Beaumont Cornish remains the Company's Nominated Advisor) that it would not during the 24 month period following Admission sell, transfer or other dispose of any interest in Ordinary Shares held at 8 October 2004 and any Ordinary Shares that it may purchase after Admission except with the consent of Beaumont Cornish and King & Shaxson with a view to ensuring an orderly market in the Company's Ordinary Shares.

11.1.7 The Directors' Consultancy Agreements and Letters of Appointment referred to in paragraphs 9.1 and 9.2 above

11.1.8 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 Tenements 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 would pay a licence fee of A$14,000 per calendar month (excluding Australian Goods and Services Tax ("GST")). The Company would also be entitled to any improvements to the SpaDiS™ technology developed by Vearncombe & Associates during the currency of the agreement.

11.1.9 *Meekatharra Sale Agreement*

By an agreement dated 28 October 2005 between St. Barbara, the Company and Mercator Australia, Mercator Australia agreed to purchase the Meekatharra assets which comprise the Meekatharra Tenements, the Bluebird mill, plant and equipment, 5 freehold properties, mining information and associated infrastructure and stock. The consideration for the sale is comprised of A$5 million cash, the equivalent of A$13 million in shares in the Company and the assumption by Mercator Australia of the rehabilitation bonds relating to the Meekatharra Tenements which are approximately A$3 million. The sale was subject to Foreign Investment Review Board approval being obtained by 15 December 2005, shareholder approval under the AIM Rules being obtained by the Company no later than 28 February 2006, the completion of a capital raising by Mercator Gold plc no later than 28 February 2006 and ministerial approval under the Mining Act 1978 of Western Australia being obtained within 90 days of 28 October 2005.

In addition, the sale of those of the Meekatharra Tenements that are the subject of the Polelle Joint Venture is subject to the right of first refusal of Elara Mining Limited under the Polelle Farm-In Joint Venture Agreement (summarised below at paragraph 11.1.10) being waived.

A deposit of A$250,000 was paid upon execution of the Sale Agreement and completion is scheduled to occur no later than 31 January 2006 but, if the only outstanding condition requiring satisfaction as at 31 January 2006 is shareholder approval, Mercator Australia may extend the completion date to 28 February 2006 by paying a non-refundable amount of A$500,000 (which will be deducted from the balance of the purchase price).

Under the Sale Agreement Mercator has also been granted an option to purchase St. Barbara's 3 pastoral leases for a consideration of A$1 million. If the option is not exercised within 6 months of completion of the Sale Agreement it will lapse. If the option is exercised the sale will be subject

to the right of first refusal of the party to whom the 3 pastoral leases have been subleased. The Sublease Agreement is summarised below in paragraph 11.1.23.

St. Barbara warrants in the Sale Agreement that it is not aware of any material breach by it of any third party agreements. The definition of third party agreements captures any agreements that relate to the Meekatharra Assets. This warranty will therefore apply to any of the material contracts summarised below to which St. Barbara is, or has become, a party.

St. Barbara has also agreed within the Sale Agreement that it will not dispose of any Acquisition Shares for a period of 12 months from the date of Admission. Following 6 months from the date of Admission, St. Barbara may request that this restriction is terminated and the Company has agreed that it will not unreasonably withold its consent to such a request.

11.1.10 *Pollele Farm-In Joint Venture Agreement*

The Pollele Farm-In Joint Venture Agreement is dated 15 July 2005 and is between St. Barbara and Elara Mining Limited ("**Elara**"). Under this agreement Elara is entitled to earn up to a 65 per cent. joint venture interest in certain of St. Barbara's mining tenements as described in Schedule 1 to that agreement. Elara may earn a 51 per cent. interest in these tenements by spending A$3,000,000.00 on exploration. Elara may then elect to earn an additional 14 per cent. joint venture interest and if it makes that election within 60 days of having completed its initial expenditure of A$3,000,000.00 it may proceed to earn the additional 14 per cent. joint venture interest by spending a further $2,000,000.00 within five years from 10 November 2003. For the purposes of earning this additional 14 per cent. joint venture interest, the rate of 1 per cent. interest earned per $142,857.14 will apply.

Either party wishing to assign its interest in the tenements or under the agreement must first inform the other party and offer the interest proposed to be assigned to the other party on the same terms. The non-assigning party has 45 days within which to accept the offer. If the offer is rejected the assigning party may then transfer the proposed interest to a third party provided that the proposed assignee enters into a deed of covenant.

11.1.11 *Native Title Co-operation and Mining Agreement – Yugunga-Nya People*

By an agreement dated 17 March 2004 between St. Barbara and the Yugunga-Nya people, who have a native title claim which is the Meekatharra region ("the Yugunga-Nya"), agreed not to object to the grant of any future tenements to St. Barbara within their native title claim area subject to certain ongoing obligations on the part of St. Barbara. Under the agreement the native title party will receive certain benefits, both financial and non-financial, details of which cannot be disclosed due to confidentiality provisions.

11.1.12 *Native Title Co-operation and Mining Agreement – Ngoonooru Wadjari People*

By an agreement dated 2 June 2004 between St. Barbara Mines and the Ngoonooru Wadjari people, who have a native title claim which is the Meekatharra region ("the Ngoonooru Wadjari"), agreed not to object to the grant of any future tenements to St. Barbara within their native title claim area subject to certain ongoing obligations on the part of St. Barbara. Under the agreement the native title party will receive certain benefits, both financial and non-financial, details of which cannot be disclosed due to confidentiality provisions.

11.1.13 *RCF Royalty Deed*

By a deed dated 29 March 2005 and by Supplemental Deed dated 20 May 2005, between St. Barbara Mines and Resource Capital Fund III LP. ("**RCF**"), RCF made available a loan facility to St. Barbara in consideration for which, amongst other things, St. Barbara granted a royalty to RCF over all of its Meekatharra Tenements. The royalty is calculated as being an amount equal to 1.5 per cent. of the proceeds of sale of any minerals produced from the tenements where the sale is to an unrelated party and in all other cases 1.5 per cent. of the mineral value, being the actual value determined on arm's length terms at the applicable spot price.

The royalty applies only to the extent of St. Barbara's residual interest in the subject tenements which, in the case of the Annean Joint Venture tenements is 30 per cent. and in the case of the Pollele Joint Venture tenements is 35 per cent. In the case of all other tenements which are 100 per cent. legally and beneficially owned by St. Barbara the royalty will apply to the extent of the entire interest.

There is no restriction on assignment by St. Barbara provided the intending transferee enters into a deed of covenant with RCF agreeing to be bound by the provisions of the deed.

RCF has entered into identical Deeds on 29 March 2005 within each of Zygot Limited and Australian Eagle Oil Company NL which are wholly owned subsidiaries of St. Barbara. To the extent that any of the tenements the subject of the Meekatharra Sale Agreement are held by either of Zygot Limited or Australian Eagle Oil Company NL the same royalty terms will apply.

11.1.14 *Barrick "Reedy" Royalty Agreement*

By deed of settlement dated 4 November 1991 between Homestake Australia Limited and Metana Minerals NL, as subsequently assigned by a deed of assignment and assumption dated 20 July 1998 between Homestake Australia Limited, Gold Mines of Australia (WA) NL and St. Barbara Mines, Barrick Australia Limited is entitled to receive a royalty in respect of some of the Reedy tenements, being those tenements (or their successors) set out in the schedule to the deed of settlement ("**Royalty Tenements**"). The royalty is payable only after 300,000 ounces in aggregate of fine gold is produced from the Royalty Tenements and is calculated at the rate of 1.5 per cent. of all fine gold produced, except in the case of any fine gold produced from the land formerly the subject of gold mining lease 20/2373 ("**Rand Area**"), in which case the royalty is 1 per cent. of fine gold produced. If an amount in excess of 75,000 ounces of fine gold is produced in any 12 month period the royalty rate in respect of the excess fine gold produced shall be 2.5 per cent., except in the case of any production from the Rand Area, where the royalty rate shall remain at 1 per cent.

St. Barbara may assign its interest in the Royalty Tenements provided it procures that the assignee enters into a deed undertaking to be bound by the provisions of the Deed of Settlement. 3 week's notice must be given to Barrick Australia Limited prior to any of the Royalty Tenements being surrendered in whole or in part.

11.1.15 *Barrick "Meekatharra" Royalty Agreement*

By a deed of sale dated 8 October 2002 between Plutonic Operations Limited ("**Plutonic**") and St. Barbara Mines, as varied by variation agreement dated 31 January 2003 and by second variation agreement dated 4 April 2003, St. Barbara purchased from Plutonic certain mining tenements as set out in the schedule to the deed of sale for certain consideration which included a royalty in favour of Plutonic. The royalty is a royalty of A$10.00 per ounce of all gold produced from the tenement area in excess of the first 50,000 ounces.

The definition of "tenements" in the deed of sale includes substituted or successive tenements.

Neither party may assign its rights under the Deed of Sale without the written consent of the other party.

11.1.16 *Julia Gold Pty Ltd "Sherwood" Royalty Agreement*

By an agreement dated 6 June 2001 between Julia Gold Pty Ltd, Hunter Resources Pty Ltd (together the "**Vendors**") and Plutonic Operations Limited, as subsequently assigned to St. Barbara by Deed of Assignment which is undated in the date section but which bears the date 11 December 2002 in the footer of each page, the Vendors sold the tenements described as the "Sherwood Tenements" and set out in the schedule to that Agreement to Plutonic Operations Limited. The consideration for the sale included a 1.25 per cent. net smelter return royalty payable to Julia Gold Pty Ltd on all gold recovered from the tenements (or successive tenements granted over the same ground).

The definition of "tenements" in the Agreement includes substituted tenements.

There is no restriction on assignment of an interest in the tenements or under the agreement.

11.1.17 *Tuckanarra Royalty*

By an agreement dated 29 November 1988 between Openpit Mining Limited and Tuckanarra Minerals NL (together the "**Vendors**") and Sons of Gwalia (Murchison) NL ("**SOG**"), the Vendors became entitled to receive a 2 per cent. gross royalty in respect of gold produced from the tenements set out in the first and second schedules to the agreement. The royalty only becomes payable after 10,000 fine ounces of gold has been produced from the tenements. By various assignments of interests the Vendors assigned the right to receive the royalty and SOG assigned the obligation to pay the royalty. By Deed of Assignment dated 20 July 1998 St. Barbara assumed the obligation to pay the royalty.

The definition of "tenements" in the Agreement includes substituted tenements.

There is no restriction on assignment of an interest in the tenements or under the Agreement.

11.1.18 *Wilson Royalty Agreement*

By an agreement dated 10 August 1998 between Whim Creek Consolidated NL and Scott Walter Wilson ("**Wilson**") as amended by letter dated 14 December 1994 and as assigned to St. Barbara by Deed of Assignment dated 9 December 2002 in the footer on each page, Wilson is entitled to a 2.5 per cent. free carried interest to a decision to mine in certain tenements which currently comprise parts of mining leases 51/437, 51/438, 51/439 and 51/440. The definition of tenements includes substituted or successor tenements.

If Wilson elects not to contribute following a decision to mine his 2.5 per cent. free carried interest reverts to a 1 per cent. gross production royalty.

St. Barbara is required to give 14 days' notice of assignment of an interest in the tenements.

11.1.19 *Mouritz Royalty Agreement*

By an agreement dated 14 October 1988 between Whim Creek Consolidated NL and Keith Dudley Mouritz ("**Mouritz**"), as assigned to St. Barbara by Deed of Assignment dated 6 December 2002, Mouritz is entitled to receive a 2 per cent. gross royalty in respect of that part of mining 51/440 which was formerly mining lease 51/109.

The definition of former mining lease 51/109 in the agreement does not refer to substituted or successor tenements, but the deed of assignment refers to the replacement tenement as being part of mining lease 51/440.

There are no restrictions on assignment of an interest in the tenements or under the agreement.

11.1.20 *Cortecs Royalty Agreement*

By an agreement dated 22 August 1988 between Whim Creek Consolidated NL and Western Capital Resources Ltd (now known as Cortecs Intellectual Properties Pty Ltd) ("**Cortecs**"), as assigned to St. Barbara by deed of assignment, Cortecs is entitled to a 2 per cent. gross royalty from that part of mining lease 51/440 which was mining lease 51/25.

The definition of former mining lease 51/25 in the agreement does not refer to substituted or successor tenements, but the deed of assignment refers to the replacement tenement as being part of mining lease 51/440.

There are no restrictions on assignment of an interest in the tenements or under the agreement.

11.1.21 *Toll Treatment Agreement*

By an agreement dated 29 March 2004 between Patrick Gokus and St. Barbara Mines, St. Barbara agreed that it would mill and treat ore at its Bluebird Mill on the terms and conditions set out in that agreement. The parties may agree that the ore is either to be treated via blended treatment methods or via batch treatment methods following delivery of ore by Patrick Gokus to the mill in accordance with the operating procedures set out in the appendices to the agreement. St. Barbara is liable for any loss or damage incurred or suffered by Patrick Gokus to the extent that such loss or damage is caused by the wilful or gross negligence of St. Barbara. St. Barbara is required to secure and maintain during the continuance of the agreement all appropriate insurances.

If the ore is batch treated Patrick Gokus is required to pay to St. Barbara the costs associated with treating the ore through the mill. This cost will be equivalent to the sum of a lump sum fixed cost component, a variable cost component and a treatment fee margin calculated as the total fixed cost plus the total variable cost x 20 per cent. If the ore is subjected to a blended treatment Patrick Gokus will pay to St. Barbara a treatment fee equivalent to a treatment rate of the first 0.9 grams per tonne of gold recovered per dry tonne crushed. The term of the Agreement is for 12 months from the date of commencement of processing of the Patrick Gokus ore at the Mill unless terminated earlier due to material breach by a party of the Agreement or a party becoming insolvent, failing to comply with a statutory demand or has an administrator or a controller appointed.

By facsimile dated 14 March 2005 from Patrick Gokus to St. Barbara, Patrick Gokus advised that his company, Kyarra Gold Mine Pty Ltd had completed approvals and resource definition for an initial pit and was planning to begin mining in the short term. Treatment of the Patrick Gokus ore has not yet commenced at the Bluebird Mill. There are no assignment provisions in the agreement.

11.1.22 *Pollele Access Agreement*

By an agreement executed on 5 January 2000 between St. Barbara, William Harley Burges Lacy and Harley William Burns Lacy ("**the Pastoralists**") the Pastoralists consented to the construction by St. Barbara of a general purpose road on Miscellaneous Licence 51/78, a portion of which encroached upon the Pastoralists' land. In consideration for the agreement of the Pastoralists, St. Barbara agreed to pay by way of compensation to the Pastoralists the sum of A$20,000.00 upon commencement of construction of the road; and a further sum of A$20,000.00 on the date that is 12 months after the date of the initial payment.

The initial term of the agreement commenced on the date that construction of the general purpose road commenced and ends two years from that date. Upon expiry of the first 22 months of the initial term the parties were required to commence negotiations in good faith to extend the term of the agreement and, the parties agreed that for the purposes of assisting these negotiations, an independent assessment would be undertaken after the first 22 months of the term of the agreement in order to assess the future impact of St. Barbara's operation of the general purpose road and its effects on the day to day operations of the pastoral station located on the land. Future compensation payments are to be calculated by reference to this assessment.

11.1.23 *Sub-Lease of Annean Station, Norie Station and Cullculli Station*

By an agreement dated 4 November 2004 between St. Barbara Pastoral Company Pty Ltd and each of James Edward John Lacy and Kimberley Robert Stove, St. Barbara Pastoral Company, being the holder of Crown Leases 343/1967, 190/1991 and 612/1966 ("**Pastoral Leases**") granted to James Edward John Lacy and Kimberley Robert Stove ("**the Sub-Lessees**") a sub-lease of the Pastoral Leases for a five years commencing seven days from the date of Ministerial approval of the sub-lease in accordance with the provisions of the Land Administration Rent Act.

The annual rent to be paid by the Sub-Lessees to St. Barbara Pastoral Company is A$25,000.00 together with all rents and other charges payable by St. Barbara Pastoral Company as the holder of the Pastoral Leases, plus Australian GST. The amount of the annual rent may be paid, with the prior written consent of St. Barbara Pastoral Company or its agents, Bell McMillan & Associates, by the replacement of and improvement to the improvements and infrastructure of the stations currently existing on the Pastoral Leases. This replacement is limited to those improvements that require replacement as a result of fair wear and tear and the improvements are to be such capital works as are agreed between the Sub-Lessees and St. Barbara Pastoral Company in writing.

Under the agreement the Sub-Lessees have a right of first refusal to purchase the Pastoral Leases in the event that St. Barbara Pastoral Company wishes to sell the Pastoral Leases, during the term, or any extended term of the agreement. The Sub-Lessees have a period of 21 days from receiving written notice from St. Barbara Pastoral Company of the terms and conditions upon which it is willing to sell the Pastoral Leases and failure by the Sub-Lessees to agree by notice in writing within the 21 day period will be treated as a refusal by the Sub-Lessees to purchase the Pastoral Leases on the terms and conditions specified in the Notice given by St. Barbara Pastoral Company. The Sub-Lessees also have a first right of refusal to sub-lease the Pastoral Leases on the expiry of the term of the current Sub-Lease under the Agreement.

In consideration of the grant of the Sub-Lease by St. Barbara Pastoral Company the Sub-Lessees have granted access by St. Barbara Pastoral Company to Pollele Station, being the land the subject of Crown Lease 247/1980 (which is owned by the Sub-Lessees) for the purposes of conducting mining activities on Pollele Station.

It is acknowledged by the Sub-Lessees that St. Barbara Pastoral Company is an associated company of St. Barbara and that St. Barbara is the holder of certain mining tenements over the Pastoral Leases and is to be granted free and uninterrupted access to the Pastoral Leases subject only to the proviso that it gives notice to the Sub-Lessees of any activities which are

likely to impact on or interfere with the operation of Pastoral Leases or the livestock on the Sub-Leases.

11.1.24 By a letter agreement dated 9 November 2005 between the Company (1) and Beaumont Cornish (2), Beaumont Cornish agreed to act as the Company's nominated adviser and to advise and assist the Company in relation to the Acquisition and the Admission.

The agreement provides for the payment to Beaumont Cornish of an initial transaction fee of up to £10,000 immediately payable upon instruction, and two further fees of £10,000 each payable on 30 November 2005 and 31 December 2005. Immediately following Admission the Company will also pay Beaumont Cornish a completion fee of £65,000 (less the £30,000 already paid) and will issue it a warrant over the Company's Ordinary Shares equal to a value of £25,000 at the Placing Price plus 20 per cent. and exercisable for a period of two years from Admission.

The agreement provides that with effect from Admission the Company will pay Beaumont Cornish an annual retainer of £20,000 for the first two years, payable half-yearly in advance, the first payment of £10,000 being due immediately on Admission, such arrangement to continue until at least to the second anniversary of Admission.

11.1.25 By an agreement ("the Joint Broker Agreement") dated 16 February 2005 between the Company (1) and Ocean Equities Limited (2) ("Ocean"), Ocean agreed to act as the Company's Joint Broker alongside King & Shaxson Limited. The Joint Broker Agreement may be terminated by either party giving to the other not less than three months' notice in writing no earlier than the first anniversary of the date of the agreement. The Joint Broker Agreement provides that the Company will pay Ocean an annual retainer of £15,000 per annum, together with any applicable VAT, for acting as Joint Broker, payable in four equal instalments in advance.

11.1.26 By a letter dated 21 September 2005 and accepted by the Company on 20 October 2005, the Company agreed that Loeb Aron should act as the Company's financial adviser and placing agent for capital raisings and corporate advice with respect to the Company's transition from producer to explorer, in particular in relation to the Acquisition.

Loeb Aron's fee for acting in this role is a corporate fee of 1 per cent. of any monies raised, and an additional 5 per cent. commission on any monies raised (inclusive of any other commissions due to other Brokers or sub-placing agents for any monies raised under this agreement).

In addition the Company will also pay Loeb Aron a retainer of £7,500 per month for 6 months from 28 October 2005, and issue to it warrants amounting to 1.5 per cent. of the number of New Ordinary Shares issued pursuant to the Placing and for whom Loeb Aron found subscribers at an exercise price of 75p for a period of 36 months from Admission.

11.1.27 By a placing agreement dated 21 December 2005 made between the Company (1), the Directors (2), Beaumont Cornish (3), Loeb Aron (4), Ocean (5) and King & Shaxson Limited (6), Loeb Aron has agreed to use its reasonable endeavours to procure subscribers on behalf of the Company for the Placing Shares at the Placing Price. None of the Company's advisers who are party to this agreement are under any obligation to subscribe for any Placing Shares. The Company and the Directors have given certain warranties and the Company has given certain indemnities to the other parties to this agreement as to the accuracy of information contained in this document and other matters in relation to the Group and its business. The agreement is conditional, *inter alia*, upon certain documents being delivered to Loeb Aron and Admission taking place no later than 20 January 2006 or such later date as agreed by Loeb Aron, Beaumont Cornish, the Joint Brokers and the Company, it being no later than 28 February 2006.

Under the placing agreement the Company has agreed to pay Loeb Aron for its services a corporate finance commission of 1 per cent. and a further placing commission of 5 per cent. of the sterling sum equal to the aggregate gross value at the Placing Price of all of the Placing Shares placed pursuant to the Placing within ten days of receipt of the same, the issue of the New Loeb Aron Warrant, payment of expenses and any other fees Loeb Aron is entitled to. The placing agreement is terminable in certain circumstances by Loeb Aron before Admission.

11.1.28 Pursuant to the AIM Rules the Directors and their related parties have agreed that prior to Admission they will sign an agreement not to dispose of any New Ordinary Shares held by them

at Admission for a period of 12 months from Admission. In addition, they have agreed not to dispose of such New Ordinary Shares for a further period of 12 months thereafter except with the consent of Beaumont Cornish and the Joint Brokers with a view to ensuring an orderly market in the Company's shares. They have also agreed not to dispose of any New Ordinary Shares that they may purchase in the 24 month period following Admission except with the consent of Beaumont Cornish and the Joint Brokers with a view to ensuring an orderly market in the Company's shares. A term of this agreement is that any lock in or orderly market arrangements to which any party to it was subject following initial admission of the Company would be superseded. The Admission is conditional upon this agreement being executed.

11.1.29 The New Beaumont Cornish Deed Warrant Instrument dated 21 December 2005

11.1.30 The New Loeb Aron Deed Warrant Instrument dated 21 December 2005

12. SHARE OPTION SCHEME

12.1 The Company adopted an unapproved share option plan on 19 November 2004. Pursuant to this Option Share Scheme the following Executive Share Options have been granted:

	Executive Share Options Issued	Date Issued	Expiry Date	Exercise Price	Balance
Directors					
Terrence Strapp	750,000	19 November 2004	18 November 2014	£0.10	750,000
Patrick Harford	750,000	19 November 2004	18 November 2014	£0.10	750,000
Michael de Villiers	750,000	19 November 2004	18 November 2014	£0.10	750,000
Michael de Villiers	1,250,000	14 April 2005	13 April 2015	£0.12	1,250,000
Dr Julian Vearncombe	750,000	19 November 2004	18 November 2014	£0.10	750,000
Nick Allen	500,000	19 November 2004	18 November 2014	£0.10	500,000
Michael Elias	500,000	19 November 2004	18 November 2014	£0.10	500,000
	Options Issued	**Date Issued**	**Expiry Date**	**Exercise Price**	**Balance**
Others					
P Loudon	500,000	19 November 2004	18 November 2014	£0.10	500,000
D Hollingsworth	100,000	15 December 2004	14 December 2014	£0.10	100,000
O van Niekerk	50,000	30 June 2005	30 June 2015	£0.10	50,000
A Wilson	50,000	30 June 2005	30 June 2015	£0.10	50,000
N Culpan	50,000	30 June 2005	30 June 2015	£0.10	50,000
S Vearncombe	750,000	30 June 2005	29 June 2015	£0.10	750,000
Total	6,750,000				

The exercise price and the number of shares under option will be amended following the Share Consolidation taking effect.

12.2 The Company will grant the following further Executive Share Options to the Directors upon Admission subject to Shareholder approval at the EGM:

	Executive Share Options Proposed	Issue Date	Expiry Date	Exercise Price
Terrence Strapp	400,000	Admission	10 years from Admission	£0.60
Patrick Harford	200,000	Admission	10 years from Admission	£0.60
Michael de Villiers	125,000	Admission	10 years from Admission	£0.60
Dr Julian Vearncombe	125,000	Admission	10 years from Admission	£0.60
Nick Allen	75,000	Admission	10 years from Admission	£0.60
Michael Elias	75,000	Admission	10 years from Admission	£0.60
	1,000,000			

12.3 **Terms of the Share Option Scheme**

Further Executive Share Options may be granted any time, and for no consideration, by the Company. No Executive Share Options may be granted to a director of the Company unless such grant has been approved by the Remuneration Committee. Executive Share Options may be granted such that their exercise is subject to performance conditions (including limitation on the time at or period during which or extent to which

the option may be exercised) being satisfied. Each Executive Share Option may contain different terms in respect of the exercise price of options, the number of shares subject to the option and the applicable performance conditions. Each Executive Share Option is personal to the optionholder and cannot be transferred, assigned, charged, pledged or otherwise disposed of or dealt with (save that in the event of the death of an optionholder their Executive Share Option may be exercised by their personal representatives in accordance with the rules of the Share Option Scheme.

Cessation of employment

If an Option-holder ceases to be employed by the Company or another Group Company, the Executive Share Option will usually lapse. Where employment ceases due to injury, ill health, disability, redundancy or retirement an Executive Share Option may be exercised during a specified period. The Remuneration Committee also has discretion to allow exercise following cessation of employment in other circumstances. An Executive Share Option may be exercised by the personal representatives of a deceased optionholder within a specified period.

Takeover or Reconstruction

In the event of a change of control of the Company as a result of a takeover or reconstruction, Executive Share Options may be exercised in full.

Variation of share capital

In the event of a capitalisation or rights issue or the sub-division, consolidation or reduction of the Company's ordinary share capital, the exercise price of shares under Executive Share Option and/or the number of such shares may be adjusted.

13. WORKING CAPITAL

13.1 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.

14. LITIGATION

14.1 Save as disclosed below in paragraph 14.2 neither the Company nor any other member of the Group is engaged in any governmental, legal or arbitration proceedings during the 12 month period immediately preceding the date of this document which may have, or have had in the recent past significant effects on the Company's and/or Group's financial position or profitability nor, as far as the Directors are aware, are any such governmental, legal or arbitration proceedings, active, pending or threatened against, or being brought by, the Company or any other member of the Group which may have or have had a significant effect on the Group's financial position.

14.2 Within the Meekatharra Tenements the minimum spending requirements have not been met in relation to certain of the tenements and accordingly these tenements may be exposed to forfeiture. Plaints by a third party can result in either the imposition of a fine or an order for forfeiture.

Seventeen of the tenements are the subject of plaints for forfeiture. The outcome of these plaints cannot be guaranteed and there is a risk that one or more of the plainted tenements may be forfeited or that fines will be imposed. In the opinion of the Directors this is a contingent liability.

15. FINANCIAL INFORMATION ON THE COMPANY

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

16. TAXATION

16.1 **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.

16.2 **UK Taxation**

16.2.1 *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.

For the purposes of UK taxation of chargeable gains the consolidation of the Ordinary Shares will not be treated as a disposal. The New 10p Ordinary Shares will be treated as the same asset and as having been acquired at the same time and at the same aggregate cost as the holdings from which they are derived.

16.2.2 *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.

16.2.3 *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.

16.2.4 *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.

17. ENVIRONMENTAL ISSUES

17.1 Save as described in this document the Group is not aware of any environmental issues or risks affecting the utilisation of the property, plant or machinery of the Group.

18. GENERAL

18.1 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 it appears.

18.2 PKF has given and has not withdrawn its written consent to the issue of this document with the inclusion of its opinion set out in Part V 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 opinion in accordance with the AIM Rules.

18.3 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 IV 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 in accordance with the AIM Rules.

18.4 King & Shaxson 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.

18.5 Ocean Equities Limited 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.

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

18.7 Save as disclosed in this document, there are no significant recent trends, uncertainties, demands, commitments or events which may have or have had since 30 June 2005 a significant effect on the financial position of the Group or which are reasonably likely to have a material effect on the prospects of the Group for the current financial year.

18.8 Save as in the ordinary course of its business, there has been no significant change in the financial or trading position of the Group which has occurred since the end of the last financial period for which audited or interim financial information has been published.

18.9 The total costs and expenses payable by the Company in connection with or incidental to the Admission are estimated to amount to between £864,000 and £1,115,000 (depending upon the eventual size of the Placing) (excluding Value Added Tax).

18.10 Other than the proposed application for Admission, the New Ordinary Shares will not be 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 New Ordinary Shares on such exchange.

18.11 Save for the Group's utilisation of the SpaDiS™ technology in relation to its exploration activities disclosed in Part III of this document, there are no patents or other intellectual property rights which are of fundamental importance to the Group's business.

18.12 Save as described in this document and as relating to the Annean Joint Venture and the Acquisition, the Company has no significant investments in progress.

18.13 Save as set out in this paragraph 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:

(i) fees totalling £10,000 or more;

(ii) securities in the Company with a value of £10,000 or more; or

(iii) any other benefit with a value of £10,000 or more at the date of this document.

18.13.1 AMC Consultants Pty Ltd will receive approximately £12,500 on or around the date of Admission for services provided to the Group in connection with a valuation to be provided by PKF pursuant to section 103 of the Act.

18.13.2 Kingston Vale Pty Ltd will receive approximately £15,000 on or around the date of Admission in connection with advice provided to the Group in connection with its working capital requirements.

18.14 The auditors of the Company for the period covered by the historical financial information contained in this document were PKF whose details are set out on page 138 of this document. PKF is registered with the Institute of Chartered Accountants in England and Wales as a registered auditor.

18.15 Where information has been sourced from a third party, the Directors confirm that the relevant party has been named and that the information has been accurately reproduced and that as far as the Directors are aware and are able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

18.16 There have been no public takeover bids by third parties in respect of the Company's equity, which have occurred since incorporation.

18.17 There are, in existence, in relation to the Ordinary Shares no mandatory takeover bids and/or squeeze-out and sell-out rules.

18.18 There are no circumstances relating to any undertakings in which the Company holds a proportion of the capital which is likely to have a significant effect on the assessment of the Company's assets and liabilities, financial position or profits and losses.

18.19 Save as in the City Code there are no measures in place to ensure that control by a significant shareholder is not abused.

18.20 Save as is set out in this document there are no arrangements known to the Company, the operation of which may in the future result in the change in control of the Company.

19. AVAILABILITY OF ADMISSION DOCUMENT

19.1 Copies of this document will be available during normal business hours on any business day free of charge to the public at the office of Beaumont Cornish Limited, 5th Floor, 10-12 Copthall Avenue, London EC2R 7DE for a period of one month from the date of Admission and the registered office of the Company, Peek House, 3rd Floor, 20 Eastcheap, London EC3M 9LB.

21 December 2005

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 earths 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 balanced siliceous iron - bearing rock, mostly of Precambrian age
"basalt", "high-Mg basalt", "metabasalt"	*basalt:* fine-grained basic igneous rock comprising the minerals plagioclase, pyroxene with or without olivine, magnetite, quartz and hornblende *High-Mg basalt:* A basalt with a high magnesium composition, typically comprising plagioclase, pyroxene and olivine *metabasalt:* a basalt that shows evidence of having undergone metamorphism
"basement gneisses"	Banded rocks that formed during high-grade regional metamorphism which are covered un-conformably 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, teo 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
"dilational 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"	*drilling:* exploration drilling – creation of test holes in the ground produced by mechanical means
"aircore drilling"	*aircore drilling:* see "air-core" above
"diamond drilling"	*diamond drilling:* colloquial term for diamond core drilling – see "drill core" above
"infill drilling"	*infill drilling:* see "infill drilling" below
"RAB drilling"	*RAB drilling:* 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
"RC drilling"	*RC drilling:* 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
"reconnaissance drilling"	*Reconnaissance drilling:* initial drill testing of ground
"scout drilling"	*Scout drilling:* 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 clionopyroxene
"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 japser, a red chert variety of chalcedony, usually iron-bearing
"km"	Kilometres
"km^2"	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 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 resource"	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 (Si02 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"	*Measured:* 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 depositation
"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
"tailings"	Finely ground waste product from the crushing and grinding of ore
"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 volcaniclastic 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

DEFINITIONS

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

"Acquisition"	the proposed acquisition of, *inter alia*, the Meekatharra Tenements pursuant to the Sale Agreement;
"Acquisition Shares"	the 10,924,369 New Ordinary Shares to be issued to SBM on completion of the Acquisition, credited as fully paid, pursuant to the Sale Agreement at the Placing Price;
"Act"	the Companies Act 1985 (as amended);
"Admission"	the admission of the New Ordinary Shares to trading on AIM and such admission becoming effective in accordance with the AIM Rules;
"AIM"	the market of the same name operated by the London Stock Exchange;
"AIM Rules"	the rules published by the London Stock Exchange applicable to AIM;
"Annean Joint Venture"	the joint venture between Mercator Australia (1) and SBM (2) in relation to the Meekatharra Tenements pursuant to an agreement dated 3 March 2004, details of which are set out in Part I and in paragraph 11.1.1 of Part VII of this document;
"Articles"	the articles of association of the Company;
"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 at the time of the initial admission on 8 October 2004 entitling Beaumont Cornish to subscribe for 250,000 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 136 of this document;
"Capita Registrars"	a trading division of Capita IRG Plc;
"City Code"	the City Code on Takeovers and Mergers;
"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 Tenements as set out in Part IV of this document;
"Convertible Loan Notes"	unsecured convertible loan notes issued by way of the Convertible Loan Note Placing;
"Convertible Loan Note Holders"	holders of Convertible Loan Notes;
"Convertible Loan Notes Placing"	the placing of £1,000,000 of Convertible Loan Notes further details of which are set out in paragraph 4.1 of Part VII of this document;
"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;
"DoIR"	the Department of Industry and Resources of Western Australia;
"Enlarged Share Capital"	the issued capital of the Company immediately following Admission as enlarged by the issue of the Placing Shares and the Acquisition Shares but before any dilution resulting from the exercise of or conversion of Mercator Warrants, the Options or the Convertible Loan Notes;
"Executive Share Options"	the shares options granted to executives of the Company pursuant to the Share Option Scheme;
"Extraordinary General Meeting" or "EGM"	an extraordinary general meeting of the Shareholders to be held at 11:00 a.m. on 18 January 2006;
"Financial Services and Markets Act" or "FSMA"	the Financial Services and Markets Act 2000;
"FSA"	the Financial Services Authority Limited, the single statutory regulator under the FSMA;
"Group"	the Company, Mercator Australia and Island Gold;
"Island Gold"	Island Gold Plc, a company incorporated in England and Wales on 11 December 2004 under registered number 5311074;
"Joint Brokers"	King & Shaxson and Ocean Equities;
"King & Shaxson"	King & Shaxson Capital Limited, the Company's Joint Broker;
"King & Shaxson Warrant"	the warrant issued to King & Shaxson in connection with its services in relation to the placing set out in paragraph 3.12 of Part VII of this document entitling King & Shaxson to subscribe for 250,000 new Ordinary Shares at 8p per share, on the terms and conditions set out in the King & Shaxson Warrant Instrument;
"King & Shaxson Warrant Instrument"	the document containing the terms and conditions relating to the King & Shaxson Warrant, details of which are set out in paragraph 6.6 of Part VII of this document;
"Loeb Aron"	Loeb Aron & Company Limited, the Company's corporate adviser;
"Loeb Aron Warrant"	a warrant issued to Loeb Aron in connection with its services to the Company 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 Tenements"	approximately 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;
"Mercator Australia"	Mercator Gold Australia Pty Ltd, a company incorporated and registered in W. Australia on 19 January 2004 under registered number ACN 78 107 674 215, formerly Aurogenic Resources Pty Ltd;
"Mercator Warrants"	the Warrants, the Beaumont Cornish Warrant, the Loeb Aron Warrant and the King & Shaxson Warrant;
"Mercator Warrant Instruments"	the Warrant Instrument, the Beaumont Cornish Warrant Instrument, the Loeb Aron Warrant Instrument and the King & Shaxson Warrant Instrument;

"New Adviser Warrants"	the New Beaumont Cornish Warrant and the New Loeb Aron Warrant;
"New Beaumont Cornish Warrant"	the Warrant issued to Beaumont Cornish in connection with its services as Nominated Adviser in connection with the Admission, further details of which are set out at paragraph 6.7 of Part VII of this document;
"New Beaumont Cornish Warrant Instrument"	the document listing the terms and conditions relating to the New Beaumont Cornish Warrant, details of which are set out in paragraph 6.7 of Part VII of this document;
"New Loeb Aron Warrant"	the Warrant issued to Loeb Aron in connection with its services as financial adviser and placing agent in connection with the Admission, further details of which are set out at paragraph 6.8 of Part VII of this document;
"New Loeb Aron Warrant Instrument"	the document listing the terms and conditions relating to the New Loeb Aron Warrant, details of which are set out in paragraph 6.8 of Part VII of this document;
"New Ordinary Shares"	ordinary shares of 10p each in the capital of the Company following the Share Consolidation;
"Ocean Equities"	Ocean Equities Limited, the Company's Joint Broker;
"Official List"	the official list of the UK Listing Authority;
"Options"	the Share Options and the Executive Share Options;
"Ordinary Shares"	ordinary shares of 1p each in the capital of the Company;
"Placing"	the proposed placing, by Loeb Aron on behalf of the Company, of between 18,000,000 and 26,400,000 New Ordinary Shares, details of which are set out on page 13 of this document;
"Placing Agreement"	the conditional placing agreement dated 21 December between the Company (1), the Directors (2), Beaumont Cornish (3), Loeb Aron (4), Ocean Equities (5) and King & Shaxson (6), details of which are set out in paragraph 11.1.27 of Part VII of this document;
"Placing Price"	50p per New Ordinary Share;
"Placing Shares"	the New Ordinary Shares to be issued pursuant to the Placing;
"Resolutions"	the resolutions to be proposed at the EGM;
"Sale Agreement"	an agreement between the Company, SBM and Mercator Australia dated 28 October 2005 for the purchase by Mercator Australia of, *inter alia*, the Meekatharra Tenements;
"SBM" or "St. Barbara"	St. Barbara Mines Limited, an Australian public company whose securities are listed on the Australian Stock Exchange and which is the current owner of the Meekatharra Tenements;
"Share Exchange Agreement"	the agreement dated 9 July 2004 in respect of the Acquisition between the Company (1) and the shareholders of Mercator Australia (2), details of which are set out in paragraph 11.1.2 of Part VII of this document;
"Shareholders"	the holders of Ordinary Shares;
"Share Consolidation"	the proposed 10 for 1 consolidation of the Company's issued and authorised but unissued ordinary share capital;
"Share Options"	the options, issued to shareholders of Mercator Australia as part consideration for the sale of shares in Mercator Australia to the Company pursuant to the Share Exchange Agreement described in more detail in Part III and in paragraph 7 of Part VII of this document;
"Share Option Scheme"	a share option scheme adopted by the Company on 19 November 2004;

"Snowden Corporate" or "Snowden"	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;
"WA Mining Act"	the Mining Act 1978 of Western Australia;
"Warrant"	A warrant to subscribe for one Ordinary Share at 10p per share, on the terms and conditions set out in the Warrant Instrument; and
"Warrant Instrument"	the document containing the terms and conditions relating to the Warrants, details of which are set out in paragraph 6.2 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.

An exchange rate of £1=A$2.38 has been used in Parts II, III, and VII of this document.

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.

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)*

All of:

Registered Office
Peek House
3rd Floor
20 Eastcheap
London EC3M 1EB
Telephone Number +44 (0) 2079291010

Nominated Adviser
Beaumont Cornish Limited
5th Floor
10-12 Copthall Avenue
London EC2R 7DE

Secretary
Michael John de Villiers
Peek House
3rd Floor
20 Eastcheap
London EC3M 1EB

Corporate Adviser & Placing Agent
Loeb Aron & Co. Limited
Georgian House
63 Coleman Street
London EC2R 5BB

Solicitors to the Issue
Lane & Partners LLP
15 Bloomsbury Square
London WC1A 2LS

Principal Bankers
Barclays Bank plc
Town Gate House
Church Street
East Woking
Surrey GU21 6XN

UK Solicitors to the Company
Cobbetts LLP
Ship Canal House
King Street
Manchester M2 4WB

Registrars
Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Reporting Accountants
PKF (UK) LLP ("PKF")
Sovereign House
Queen Street
Manchester M2 5HR

Joint Brokers
King & Shaxson Capital Limited
6th Floor
Candlewick House
120 Cannon Street
London EC4N 6AS

Auditors
PKF (UK) LLP
Farringdon Place
20 Farringdon Road
London EC1M 3AP

Ocean Equities Limited
3 Copthall Avenue
London EC2R 7BH

Mining Industry Consultants
Snowden Corporate Services Pty Ltd
87 Colin Street
West Perth
WA 6005
Australia

Australian Solicitors to the Company
Blakiston & Crabb
1202 Hay Street
West Perth
WA 6005
Australia

Mercator Gold plc

(Registered in England and Wales under company number 05079979)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Mercator plc (the "Company") will be held at the registered office of the Company at Peek House, 3rd Floor, 20 Eastcheap, London EC3M 1EB on 18 January 2006 at 11:00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions of which resolution 6 will be proposed as a special resolution and resolutions 1 to 5 will be proposed as ordinary resolutions:

ORDINARY RESOLUTIONS

1. THAT pursuant to article 43 of the articles of association of the Company, every ten issued and authorised but unissued ordinary shares of 1p each be and the same are hereby consolidated and converted into one ordinary share of 10p each in the capital of the Company but otherwise with the same rights attached to them as stated in the articles of association of the Company, provide that the Directors may deal with fractional entitlements of shares as they shall see fit in accordance with article 43 of the articles of association of the Company.

2. THAT, the acquisition of the Meekatharra Assets pursuant to and as defined in the Meekatharra Sale Agreement entered into by (1) the Company (2) Mercator Gold Australia Pty Ltd and (3) St. Barbara Mines Ltd dated 28 October 2005 be and is hereby approved.

3. THAT the authorised share capital of the Company be increased to £20,000,000 by the creation of 110,000,000 ordinary shares of 10p each to have the rights attached to them as described in the articles of association of the Company.

4. THAT the Directors be and are hereby generally and unconditionally authorised in accordance with Section 80 of the Companies Act 1985 (the "Act") to exercise all powers of the Company to allot relevant securities (as defined in sub-section (2) of the said Section 80) up to an aggregate nominal amount of £20,000,000 provided that such authority shall expire at the conclusion of the next annual general meeting of the Company or the date fifteen months from the date of this resolution, whichever the earlier, save that the Company may pursuant to such authority make offers or agreements before the expiry of such authority which would or might require relevant securities to be allotted in pursuance of such offers or agreements as if the authority conferred by this resolution had not expired and all authorities previously conferred upon the Company pursuant to Section 80 of the Act shall be revoked but without prejudice to any exercise of such other authorities prior to the date of this resolution.

5. THAT the grant of share options over the following number of ordinary shares (following the consolidation referred to in resolution 1 above) on completion of the Meekatharra Sale Agreement referred to in resolution 2 above, such options to be exercisable at 60p per share for a period of 10 years from the date of issue:

Terrence Strapp	400,000
Patrick Harford	200,000
Michael de Villiers	125,000
Dr Julian Vearncombe	125,000
Nick Allen	75,000
Michael Elias	75,000

SPECIAL RESOLUTION

6. THAT pursuant to Section 95 of the Act the Directors be and are hereby empowered to allot equity securities (as defined by Section 94 of the Act) for cash pursuant to the authority conferred by Resolution 4 above as if Section 89(1) of the Act did not apply to such allotment provided that this power shall be limited:

(a) to the allotment of equity securities in connection with a rights issue, open offer or otherwise in favour of the holders of equity securities in proportion to their respective holdings of such securities but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with legal or practical problems in respect of overseas holders, fractional entitlements or otherwise;

(b) the allotment of equity securities pursuant to the Placing;

(c) the allotment of equity securities pursuant to the Acquisition;

(d) the allotment of equity securities pursuant to the issue of the Convertible Loan Notes; and

(e) the allotment (otherwise than pursuant to paragraphs (a) to (d) above (inclusive)) for cash of equity securities up to an aggregate nominal amount of £2,200,000.

By order of the Board

Michael de Villiers
Secretary

21 December 2005

Registered Office:
Peek House
3rd Floor
20 Eastcheap
London EC3M 1EB

Notes:

(1) A member of the Company may appoint one or more proxies to attend (and, on a poll, to vote) instead of the member. A proxy of a member need not also be a member of the Company.

(2) The instrument appointing a proxy, and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of that power or authority, must be deposited with the Company's registrars, Capita Registrars of The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than 48 hours before the time for holding the meeting. A form of proxy accompanies this notice for use by members.

(3) Completion of the form of proxy will not preclude a member from attending and voting in person.

(4) Any corporation which is a member of the Company may authorise a person (who need not be a member of the Company) to act as its representative to attend, speak and vote (on a show of hands or a poll) on its behalf.

(5) Any instrument of proxy shall be deemed to confer authority to attend at any adjourned meeting as for the meeting to which the instrument of proxy relates.

(6) In the case of joint holders of a share the vote of the senior who tenders the vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the statutory register of members in respect of the share.

(7) As permitted by Regulation 41 of the Uncertificated Securities Regulations 2001, only those holders of ordinary shares in the Company who are registered on the Company's share register as at 11:00 a.m. on 16 January 2006 shall be entitled to attend the Extraordinary General Meeting and to vote in respect of the number of shares registered in their names at that time. Changes to entries on the share register after 11:00 a.m. on 16 January 2006 shall be disregarded in determining the rights of any person to attend and/or vote at the Extraordinary General Meeting.

Form of Proxy

MERCATOR GOLD PLC

EXTRAORDINARY GENERAL MEETING

For use at the Extraordinary General Meeting convened for 18 January 2006 at the Company's registered office at Peek House, 3rd Floor, 20 Eastcheap, London EC3M 1EB at 11:00 a.m.

I/We *(see Note 3)*.....
(BLOCK CAPITALS please)

of .....

being (a) member(s) of the above-named Company, hereby appoint the Chairman for the time being of the Extraordinary General Meeting *(see Note 4)* or

.....

as my/our proxy to vote for me/us and on my/our behalf at the Extraordinary General Meeting of the Company to be held at 11:00 a.m. on 18 January 2006, and at any adjournment thereof.

I/We direct my our proxy to vote on the resolutions set out in the notice convening the Extraordinary General Meeting as follows and my/our proxy is to vote as indicated by "X" *(see Note 6)*.

Ordinary Resolutions	**For**	**Against**
1. (consolidation of share capital)		
2. (approval of acquisition)		
3. (increase in authorised share capital)		
4. (authority to allot)		
5. (approval of grant of share options)		
Special Resolution		
6. (dissapplication of pre-emption rights)		

Dated this ..... day of ..... 200 ....

Signature .....

Address .....

.....

Notes:

1. Except as otherwise instructed above the proxy will vote or abstain as he/she thinks fit in relation to all business of the Meeting.
2. This Form of Proxy must, in the case of an individual, be signed by the appointer or his/her attorney or, in the case of a corporation, this form of proxy must be under its common seal or under the hand of an officer or attorney duly authorised on the corporation's behalf.
3. All joint holders should be named but the signature of any one is sufficient.
4. You may if you wish strike out the words "the Chairman of the Meeting" and substitute the name of some other person, who need not be a member of the Company. Appointing a proxy will not preclude you from personally attending and voting at the meeting (in substitution for your proxy vote) if you subsequently decide to do so.
5. This form of proxy (and the power of attorney or other authority (if any) under which it is signed or a duly certified copy of such power or authority) must be deposited at the Company's registrars, Capita Registrars of The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than 48 hours before the time appointed for the meeting, or adjourned meeting at which it is to be used.
6. Unless otherwise instructed the proxy will exercise his/her discretion as to whether, and if he/she will vote unless instructed otherwise, the proxy may also vote or abstain from voting as he/she thinks fit on any other business which may properly come before the meeting (including amendment to resolutions).
7. Any alteration in this Form of Proxy must be initialled by the person in whose hand it is signed or executed.
8. As permitted by regulation 41 of the Uncertified Securities Regulations 2001, only those persons whose names are entered on the register of members of the Company at 11:00 a.m. on 16 January 2006, or in the event that the meeting is adjourned, in the register of members 48 hours before the time of the adjourned meeting shall be entitled to attend and to vote in respect of the number of shares registered in their names at that time. Changes to entries on the register of members after that time shall be disregarded in determining the rights of any person to attend and/or vote at the meeting or adjourned meeting.

Third Fold and Tuck in

First Fold

Please fix
stamp here

Capita Registrar
Proxy Department
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Second Fold

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