

**MIDAS RESOURCES LIMITED**  
**ABN 87 095 092 158**

**PROSPECTUS**

For a renounceable pro rata entitlements issue to Shareholders of approximately 50.3 million New Shares and 50.3 million New Options (comprising 1 New Share and 1 free attaching New Option for every 2 Existing Shares) at an issue price of 6 cents per New Share to raise approximately \$3.02 million before issue costs

**Underwriter and Lead Manager**

Patersons Securities Limited

ACN 008 896 311

**Important Notice**

This document is important and should be read in its entirety. If after reading this Prospectus you have any questions about Securities being offered under this Prospectus or any other matter, then you should consult your stockbroker, accountant or other professional adviser.

The Securities offered by this Prospectus should be considered as speculative.

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### Definitions

### Application Form

## SUMMARY OF IMPORTANT DATES

Shares quoted ex- Rights and Rights trading commences on ASX	12 September 2006
Record date to determine Entitlement	18 September 2006
Prospectus with Entitlement and Acceptance Form dispatched	19 September 2006
Last day of Rights trading	26 September 2006
Closing date for acceptances	4 October 2006
Allotment and issue of New Shares and New Options	12 October 2006
Dispatch of shareholding statements	12 October 2006
Trading of New Shares and New Options expected to commence	13 October 2006

This timetable is indicative only and subject to change. The Company, in conjunction with the Underwriter, reserves the right to vary the above dates.

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## 1 INVESTMENT HIGHLIGHTS

- 100% interest in 437,000oz gold resource at Fortitude in WA
- Aiming to complete feasibility and commence production in 2007
- Large portfolio of highly prospective under-explored gold and nickel projects in Australia, Alaska and China
- Active exploration program with advanced drill targets
- Drilling to commence as soon as practical
- Targeting multi-million ounce gold system in Alaska
- Exploring for world-class deposits in China
- Strong and experienced Board

### IMPORTANT NOTES

This Prospectus is dated 7 September 2006 and a copy of this Prospectus was lodged with the ASIC on that date. The ASIC and ASX take no responsibility for the content of this Prospectus. No securities will be allotted or issued on the basis of this Prospectus later than 13 months after the date of this Prospectus. The Company will apply to ASX for the Securities to be granted quotation on ASX.

This Prospectus does not constitute an offer in any place in which or to any person to whom it would not be lawful to make such an offer. Refer to **Section 4.9** for treatment of overseas shareholders. Applications for Securities offered pursuant to this Prospectus can only be submitted on an original Application Form which accompanies this Prospectus.

No person is authorised to give information or to make any representation in connection with this Prospectus which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

In making representations in this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.

This Prospectus including each of the documents attached to it and which form part of this Prospectus is important and should be read in its entirety prior to making an investment decision. If you do not fully understand this Prospectus or are in any doubt as to how to deal with it, you should consult your professional adviser.

**Directors**

Mr Don Boyer  
(Chairman, Director)

Mr Geoff Balfe  
(Executive Director, Managing Director)

Mr Terry Streeter  
(Director)

**Company Secretary**

Mr Phillip MacLeod

**Auditors**

KPMG  
152-158 St Georges Terrace  
Perth WA 6000

**Registered Office**

Level 1  
282 Rokeby Road  
Subiaco WA 6008

Telephone: (08) 9388 2211

Facsimile: (08) 9388 2600

**ASX Code:** MDS

**ABN:** 87 095 092 158

**Share Registry**

Advanced Share Registry Services  
110 Stirling Highway  
Nedlands WA 6009

Telephone: (08) 9389 8033

**Solicitors**

Pullinger Readhead Lucas  
Level 2, Fortescue House  
50 Kings Park Road  
West Perth WA 6005

**Underwriter and Lead Manager**

Patersons Securities Limited  
Level 23, 2 The Esplanade  
Perth WA 6000

**Web Address**

[www.midasresources.com.au](http://www.midasresources.com.au)

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### 3 MANAGING DIRECTORS LETTER

7 September 2006

Dear Shareholder,

Your Directors are pleased to offer you an opportunity to participate in Midas' renounceable Rights Issue to raise approximately \$3.02 million (before costs).

The Rights Issue is underwritten and the Company has incorporated a top up facility whereby Eligible Shareholders may apply for additional New Shares in excess of their Entitlement at the same price.

Midas has assembled a large portfolio of good quality assets prospective for gold and nickel, many of which have advanced drill-ready targets. The funds raised will be used to fund a very active exploration program planned for the next 12 months.

At Fortitude, the Company is working towards completing the pre-feasibility work prior to undertaking a full feasibility study ahead of a decision to mine later in 2007. The Board is confident that a suitable toll milling agreement can be concluded with an existing operator in the Laverton area. In Queensland, Midas has advanced exploration prospects at Connors Range and Ukalunda and drill targets on these projects are currently being worked up.

During the year, the Company was able to successfully acquire a project in Alaska where its exploration is targeting "World Class" multi-million ounce gold deposits. Midas recognises the significant gold endowment of Alaska, with more than 200M ounces of gold resources, and believes that any drill success has the potential to create significant value for shareholders.

In China, Midas has entered into two strategic joint ventures with local parties to explore for gold and nickel sulphides in areas highly prospective for these minerals. The objective of exploration will be to work up the various targets for drilling. Midas has the benefit of a sophisticated sampling technique that is proving very effective at identifying priority targets. The FY2006 China program is already fully funded.

Following the completion of the capital raising the Company will have the necessary funds to execute its active work program.

The proceeds of the Rights Issue will enhance the future of the Company and on behalf of the Board, I invite you to consider the contents of this Prospectus and encourage you to participate in the Rights Issue.

Yours sincerely,



**Geoff Balfe**  
Managing Director

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## **4 DETAILS OF THE OFFER**

### **4.1 The Issue**

A renounceable pro rata entitlements issue to Shareholders of approximately 50.3 million New Shares and 50.3 million New Options on the basis of 1 New Share plus one free attaching New Option for every 2 Existing Shares held as at the Record Date at an issue price of 6 cents each to raise approximately \$3.02 million before issue costs.

### **4.2 Underwriting**

The Issue is fully underwritten by Patersons Securities Limited. A summary of the underwriting agreement is set out in **Section 5** of the Prospectus.

### **4.3 Entitlement to Rights Issue**

Shareholders who are on the Company's Share Register at the close of business on the Record Date, being 5.00 pm WST on 18 September 2006 are eligible to participate in the Offer.

Fractional Entitlements will be rounded up to the nearest whole number of New Shares and New Options. For this purpose, holdings in the same name are aggregated for calculation of Entitlements. If Midas considers that holdings have been split to take advantage of rounding, Midas reserves the right to aggregate holdings held by associated Shareholders for the purpose of calculating Entitlements.

An Entitlement and Acceptance Form setting out your Entitlement to New Shares and New Options accompanies this Prospectus.

Eligible Shareholders may apply for Additional New Securities in accordance with **Section 4.4** of this Prospectus.

### **4.4 Applying for Additional New Securities**

Eligible Shareholders may, in addition to their Entitlement, apply for additional New Shares and New Options regardless of the size of their present holding.

If more Additional New Securities are applied for than are available from the quantity of Securities not taken up under the Rights Issue, those applications will be scaled back in a manner determined by the Company and the Underwriter in their absolute discretion. Excess Application Money will be refunded without interest.

Entitlements not taken up become available as Additional New Securities. It is possible, particularly if there is an active Rights trading market, that there will be few or no Additional New Securities available for issue. It is an express term of the Offer that applicants for Additional New Securities will be bound to accept a lesser number of Additional New Securities allocated to them than applied for, if a lesser number is allocated to them, Excess Application Money will be refunded without interest.

#### **4.5 Rights Trading**

The Rights to Securities are renounceable, which enables Shareholders who do not wish to take up some or all of their Entitlements to sell or otherwise transfer all or part of their Entitlement. Trading of Rights on the ASX is expected to commence on 12 September 2006 and end on 26 September 2006.

#### **4.6 Acceptances**

This Offer may be accepted in whole or in part prior to the Closing Date subject to the rights of the Company and the Underwriter to extend the Offer period or close the Offer early.

Instructions for accepting your Entitlement are set out in **Section 7** and on the Application Form which accompanies this Prospectus.

#### **4.7 Allotment and Application Money**

All Eligible Shareholders who accept the Offer will receive their Entitlement in full.

New Shares and New Options will be issued only after all Application Money has been received and ASX has granted permission for the New Shares and New Options to be quoted. It is expected that New Shares and New Options will be issued on 12 October 2006 and trading of the New Shares and New Options on ASX is expected to commence on 13 October 2006.

All Application Money received before New Shares and New Options are issued will be held in a special purpose account. After Application Money is refunded (if required) and New Shares and New Options are issued to Applicants, the balance of funds in the account plus accrued interest will be received by Midas.

If the New Shares and New Options are not quoted by ASX within three months after the date of this Prospectus, Midas will refund all Application Money in full.

#### **4.8 Issue Outside Australia and New Zealand**

This Prospectus does not constitute an offer of Securities in any jurisdiction where, or to any person to whom, it would not be lawful to issue the Prospectus or make the Issue. Residents of countries outside Australia should consult their professional adviser as to whether any government or other consents are required, or whether any formalities need to be observed should they wish to make an application for Securities on the basis of this Prospectus. No action has been taken to register or qualify the Securities or the Issue or otherwise to permit an offering of the Securities in any jurisdiction outside Australia and New Zealand.

#### **4.9 Treatment of Overseas Shareholders**

The Offer in this Prospectus is not being extended to any Shareholder, as at the Record Date, whose registered address is not situated in Australia or New Zealand because of the small number of such Shareholders, and the cost of complying with applicable regulations in jurisdictions outside Australia and New Zealand. The Prospectus is sent to those Shareholders for information only.

The Offer contained in this Prospectus to Eligible Shareholders with registered addresses in New Zealand is made in reliance on the Securities Act (Overseas Companies) Exemption Notice 2002 (New Zealand). Members of the public in New Zealand who are not existing Shareholders on the Record Date are not entitled to apply for any New Shares.

Recipients may not send or otherwise distribute this Prospectus or the Application Form to any person outside Australia (other than to Eligible Shareholders).

The Company has appointed the Underwriter (or associates of the Underwriter) as nominee to sell the Non-qualifying Foreign Shareholders' Rights. The Underwriter (or associates of them) will only sell those Rights if there is a viable market in those Rights and a premium over the expenses of sale can be obtained.

Any such sale will be at a price and be conducted in a manner that the nominee will determine in its absolute discretion.

The proceeds of sale (in Australian dollars) will be distributed to the Non-qualifying Foreign Shareholders for whose benefits the Rights have been sold in proportion to their shareholdings as at the Record Date (after deducting the costs of the sale and the distribution of the proceeds), save that individual amounts of less than \$10 will be retained by Midas.

Neither the Company nor the nominee will be liable for any failure to sell the Rights or to sell the Rights at any particular price. If there is no viable market for the Rights of the Non-qualifying Foreign Shareholders, their Entitlement will be allowed to lapse and the relevant New Shares will become Shortfall Shares, to be dealt with by the Underwriter in accordance with the Underwriting Agreement.

#### **4.10 Market Prices of Existing Shares on ASX**

The highest and lowest market sale price of the Existing Shares which are on the same terms and conditions as are offered under this Prospectus during the three months immediately preceding the lodgement of this Prospectus with the ASIC, and the last market sale price on the date before the lodgement date of this Prospectus, are set out below.

	<b>3 months high</b>	<b>3 month low</b>	<b>Last market sale price (on 6 September 2006)</b>
<b>Existing Shares</b>	9.5 cents on 14 July 2006	6.9 cents on 21 July 2006	8.3 cents

#### **4.11 Opening and Closing Dates**

The Issue will open for receipt of acceptances on 19 September 2006 and will close on 4 October 2006, subject to the right of the Company, in consultation with the Underwriter, to vary these dates.

#### **4.12 Rights and Liabilities attaching to the New Shares**

The New Shares will rank equally in respect of dividends and in all other respects (eg voting, bonus issues) as Existing Shares.

A summary of the rights and liabilities attaching to the New Shares and the New Options are set out in **Section 8**.

#### **4.13 Enquiries**

Any questions concerning the Issue should be directed to Mr Phillip MacLeod, the Company Secretary, on (08) 9388 2211.

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## 5 PURPOSE AND EFFECT OF THE ISSUE

### 5.1 Purpose of the Issue

The net funds raised from the issue of New Shares and New Options through the Offer after payment of all associated costs, are expected to provide the Company with approximately \$2.784 million in additional capital.

The purpose of the Offer is to raise funds to explore the Company's mineral interests (as described in this section) and for working capital.

The following table shows the proposed application of funds on the assumption that none of the New Options are exercised before their expiry date. Actual expenditure incurred on the projects will depend on the results achieved.

<b>Use of Proceeds of the Issue</b>	<b>Amount \$million</b>
<i>Australia</i>	
Pre-feasibility work on Fortitude	1.1
Exploration of Queensland projects	0.36
<i>Alaska</i>	
Follow up drilling at Uncle Sam Project	0.75
Working Capital	0.573
Expenses of the Offer	0.236
<b>ESTIMATED TOTAL</b>	<b>3.019</b>

The Company's existing funds of approximately \$0.9 million in China are expected to meet the requirements of operations in that country for the next twelve months.

### 5.2 Effect of the Issue

The principal effect of the Issue will be that:

- (a) Cash reserves will initially increase by approximately \$2.784 million;
- (b) The number of Shares on issue will increase from 100,655,113 up to 150,982,670.

### 5.3 Effect on Capital Structure

A comparative table of changes in the capital structure of the Company as a consequence of the Issue is set out below.

## Capital Structure after Completion of Issue

No. of Shares	
86,388,013	On issue at 31 December 2005
14,267,100	Issued between 1 January 2006 and the date of this Prospectus
100,655,113	On issue at the date of this Prospectus
50,327,557	Issued pursuant to this Prospectus
<b>150,982,670</b>	<b>Total Issued Capital</b>

No. of Options	Expiry date	Exercise Price	No. Listed on ASX
<b>On Issue at the Date of this Prospectus</b>			
21,436,482	1 December 2006	\$0.25	21,186,482
250,000	1 December 2006	\$0.20	-
250,000	1 December 2006	\$0.30	-
250,000	1 December 2006	\$0.35	-
450,000	24 November 2008	\$0.20	-
<b>On Issue Following the Rights Issue</b>			
50,327,557	30 September 2009	\$0.10	50,327,557
21,436,482	1 December 2006	\$0.25	21,186,482
250,000	1 December 2006	\$0.20	-
250,000	1 December 2006	\$0.30	-
250,000	1 December 2006	\$0.35	-
450,000	24 November 2008	\$0.20	-

### 5.4 Effect on the Company's Financial Position

Set out below for illustrative purposes is the historical Consolidated Balance Sheet as at 31 December 2005 (subject to independent review) and an unaudited Pro Forma Consolidated Balance Sheet as at 31 December 2005 after the Rights Issue. This information has been prepared on the basis of the accounting policies normally adopted by the Company.

	<b>31 Dec 2005 (Reviewed) \$</b>	<b>31 Dec 2005 (Pro forma) \$</b>
<b>Current Assets</b>		
Cash and cash equivalents	1,468,155	4,251,328
Trade and other receivables	36,300	36,300
Other financial assets	211,964	211,964
<b>Total current assets</b>	<b>1,716,419</b>	<b>4,499,592</b>
<b>Non Current Asset</b>		
Trade and other receivables	2	2
Plant & equipment	8,661	8,661
Exploration and evaluation expenditure	7,883,955	7,883,955
<b>Total non current assets</b>	<b>7,892,618</b>	<b>7,892,618</b>
<b>Total Assets</b>	<b>9,609,037</b>	<b>12,392,210</b>
<b>Current Liabilities</b>		
Trade and other payables	54,898	54,898
Interest bearing loans and borrowings	529,107	529,107
Employee benefits	20,229	20,229
Other	-	-
<b>Total current liabilities</b>	<b>604,234</b>	<b>604,234</b>
<b>Total Liabilities</b>	<b>604,234</b>	<b>604,234</b>
<b>Net Assets</b>	<b>9,004,803</b>	<b>11,787,976</b>
<b>Equity</b>		
Contributed Equity	12,485,515	15,268,688
Reserves	301,117	301,117
Retained losses	(3,781,829)	(3,781,829)
<b>Total equity attributable to equity holders of the parent</b>	<b>9,004,083</b>	<b>11,787,976</b>
<b>Minority interest</b>	<b>-</b>	<b>-</b>
<b>Total Equity</b>	<b>9,004,083</b>	<b>11,787,976</b>

### **Assumptions for Unaudited Pro Forma Consolidated Balance Sheet**

The unaudited proforma Consolidated Balance Sheet set out above, has been prepared on the basis that there has been no material movements in the assets and liabilities of the consolidated entity between 1 January 2006 and the close of the Issue other than:

- The issue of approximately 50.3 million New Shares and 50.3 New Options issued in accordance with this Prospectus; and
- Payment of estimated costs in relation to this Prospectus of \$236,480 and offset against contributed equity.

It should be noted that during the period from 1 January 2006 to the date of this Prospectus, the Company has issued 14,267,100 shares through placements to raise a total of \$1,093,239 after issue costs. The placements were made to sophisticated investors and clients of South Pacific Securities Pty Ltd. The placements were made at the following prices:

- 11,100,000 shares at \$0.08
- 167,000 shares at \$0.09
- 3,000,000 shares at \$0.07

If incorporated in the Pro Forma Consolidated Balance Sheet, contributed equity would increase by \$1,093,239, and cash and cash equivalents, exploration and evaluation expenditure and retained losses would, in total, also increase by \$1,093,239. The Directors have also advanced the Company \$350,000 by way of interest bearing loans convertible to equity provided shareholder is obtained. If this liability was included in the Proforma Consolidated Balance Sheet, interest bearing loans and borrowings would increase by \$350,000 and cash and cash equivalents, exploration and evaluation expenditure and retained losses would, in total, also increase by \$350,000.

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## **6 COMPANY OVERVIEW AND PROJECTS**

### **6.1 Advanced Projects – Lake Carey Gold Project, Western Australia (100%)**

The 100% owned Lake Carey gold project is located in the Laverton District Western Australia and contains a JORC compliant resource at Fortitude of 6.6 million tonnes at 2.0 gpt Au for 437,000 contained ounces. In February 2006 the Company updated its Pit Optimisation study in line with the higher gold prices and this produced an in-pit resource at an \$800/oz gold price of 1.34 million tonnes at 2.57 gpt Au for 104,000 oz. Cash flow was \$26 million before capital at a cash cost of \$527 per oz.

The preferred development model for Fortitude involves contract mining and trucking of ore to an existing operation for toll milling and treatment. The Company is in discussion with the owners of suitable facilities and is confident of concluding a suitable agreement in FY2007.

During FY2007 the Company plans to complete the necessary technical work at Fortitude, including additional drilling where warranted, to enable a full feasibility study to be completed later in 2007. This will position the project for a development decision to be made, subject to the necessary mining permits and approvals.

In addition to Fortitude the Lake Carey Project contains several high quality exploration prospects where further drilling is planned in FY2007. Additional drilling is planned at the Bindah prospect in 2006 below the existing open cut to test for a high-grade mineralised shoot below previously mined gold mineralisation.

### **6.2 Exploration Growth Projects**

#### **Queensland**

The Company has an active exploration program planned for its three Queensland projects.

#### **Ukalunda**

At the 100% owned Ukalunda project electrical geophysical surveys are planned to test for new Au-Ag-Cu-Zn massive sulphide mineralisation in the vicinity of the historical mine workings. Any targets would immediately be followed up with drilling.

#### **Connors Range**

At the 51% owned Connors Range Project the Company is planning a deep drilling program at the Waitara Epithermal Vein Prospect to test for a high-grade epithermal gold target below a previous company's shallow drill holes. The prospect contains an epithermal quartz vein in excess of 600m strike length and up to 15m wide that has not been drill tested below 100m depth. Midas is targeting a high-grade gold deposit similar to the nearby Pajingo-Vera-Nancy epithermal gold deposit.

## **Mahalla Creek**

At the 100% owned Mahalla Creek Prospect the Company is planning extensive soil geochemical sampling to follow-up the epithermal gold target that was discovered by Midas' sampling in 2005.

## **China**

Midas has, through Midas Metals Asia Pty Ltd, an 85% interest in Midas Mining China Limited (MMCL), which is registered in Shenzhen Province in the P.R. China. The remaining 15% in Midas Metals Asia Pty Ltd, is held by private Chinese interests who are actively involved in assisting Midas' exploration objectives in China. These objectives are twofold: to acquire an advanced gold project that has significant upside resource potential, and to acquire early stage gold and nickel sulphide prospects where Midas sees potential to add significant value by drilling and the application of sophisticated exploration technology.

The Company currently has two early stage gold and nickel joint ventures which are funded by existing funds in China:

### **Shimian JV**

MMCL has a 60% interest in a Cooperative Joint Venture with Geological Brigade 405 in Sichuan Province covering a 700km<sup>2</sup> area that is highly prospective for Au-Cu mineralisation and Platinum Group Metals (PGM's). MMCL is spending the first \$200,000 on exploration and the Company has already completed the first stage of sampling which has defined six targets for follow-up exploration.

### **Dali Nickel JV**

MMCL has a 70% interest in a Cooperative Joint Venture with private mining interests concerning a 48km<sup>2</sup> Exploration Licence in Yunnan Province that is considered highly prospective for nickel and copper sulphide mineralisation. The tenement is on-strike from a series of active open pit and underground nickel sulphide mines and it contains a significant layered mafic intrusion that will be the focus of Midas' initial exploration. A program of geophysics and geochemical sampling is planned in 2<sup>nd</sup> Quarter 2007 to evaluate the basal contact zone of the layered mafic intrusion. The geological setting is considered similar to the world class Norilsk Nickel deposits in northern Russia. A Memorandum of Understanding agreement has been signed and formal JV documentation is being drafted.

## **Alaska**

Midas Resources Limited is pro-active in Alaska exploring for "world class" gold deposits of the Intrusive Related Granite hosted (IRG) type. Examples include Fort Knox (4.4 M oz), Pogo (5.4 M oz) and Donlin Creek (23 M oz). Midas, through its 100% owned Alaskan subsidiary Genesee Gold Mines LLC has the right to earn up to a 75% interest in the Uncle Sam prospect, which is a joint venture with Geoinformatics Exploration Alaska Inc. The project was previously drilled by Kennecott Exploration Inc who own the underlying mineral claims. Kennecott retains a back-in right to the project.

Midas has already completed an initial RC drilling program which intersected gold in five out of the seven drill holes testing an intrusive granite target for a Fort Knox “look alike”. Geophysical work is in progress to refine the target ahead of deeper drilling to intersect the actual intrusive in 2007. Five other gold targets remain to be drill tested.

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## **7 ACTIONS REQUIRED BY SHAREHOLDERS**

### **7.1 What you may do**

The number of Securities you are entitled to is shown on the accompanying Application Form. You may

- (a) subscribe for all of your Entitlement to Securities (refer to **Section 7.2**);
- (b) apply for Additional New Securities (refer to **Section 0**);
- (c) sell all or part of your Entitlement to Securities on the ASX (refer to **Section 7.4**);
- (d) subscribe for part of your Entitlement and sell the balance on the ASX (refer to **Section 7.5**);
- (e) subscribe for part of your Entitlement and allow the balance to lapse (refer to **Section 7.6**);
- (f) transfer all or part of your Entitlement to another person other than on ASX, with or without taking up the balance (refer to **Section 7.7**); or
- (g) not subscribe for any of your Entitlement and allow it to lapse (refer to **Section 7.8**).

### **7.2 If you wish to subscribe for all of your Entitlement**

If you wish to subscribe for all of your Entitlement, complete the accompanying Application Form in accordance with the instructions set out in that form. The Application Form sets out the number of Securities you are entitled to. The completed Application Form must be accompanied by a cheque or bank draft made payable to "Midas Resources Limited – Rights Offer" and crossed "Not Negotiable" for the appropriate Application Monies in Australian dollars calculated at \$0.06 per New Share and New Option accepted, and received by the Share Registry at either of the following addresses by no later than 5.00 pm (WST) on 4 October 2006. The Company will present the cheque or bank draft on or around the day of receipt of the Application Form. If a cheque is not honoured upon its first presentation, the Directors reserve the right to reject the relevant Application Form.

If the amount of your cheque(s) or bank draft(s) for Application Monies (or the amount for which those cheque(s) or bank draft(s) clear in time for allocation) is insufficient to pay for the number of Securities you have applied for in your Application Form, you may be taken to have applied for such lower number of Securities as your cleared Application Monies will pay for (and to have specified that number of Securities in your Application Form) or your Application may be rejected.

Street Address:	Postal Address:
Advanced Share Registry Services 110 Stirling Highway Nedlands WA 6009	Advanced Share Registry Services PO Box 1156 Nedlands WA 6909

### 7.3 Applications for Additional New Securities

Eligible Shareholders may, in addition to their Entitlement, apply for Additional New Securities regardless of the size of their present holding. Refer to **Section 4.4** if you wish to apply for Additional New Securities.

A single cheque should be used for the Application Money for your Entitlement and the number of Additional New Securities you wish to apply for as stated on the Application Form.

### 7.4 If you wish to sell all or part of your Entitlement on ASX

If you wish to sell all or part of your Entitlement on ASX, complete the section headed "Instructions to your Stockbroker" on the accompanying Application Form, and forward it to your stockbroker as soon as possible.

Trading of Rights will commence on ASX on 12 September 2006. Sale of your Rights is only able to be completed on or before 2.00 pm (WST) on 26 September 2006 when Rights trading ceases.

In dealing with the completed Application Form, your stockbroker will act on your behalf. The Company accepts no responsibility for any failure by your stockbroker to carry out your instructions.

Applicants buying Rights on ASX will need to pay the Application Monies to take them up and should follow the directions of their stockbroker.

### 7.5 If you wish to subscribe for part of your Entitlement and sell the balance on ASX

If you wish to subscribe for part of your Entitlement and sell the balance on ASX, complete the accompanying Application Form, including the section headed "Instructions to your Stockbroker", in accordance with the instructions set out on that form and forward to your stockbroker, together with your cheque or bank draft for the Application Monies for the Securities for which you wish to subscribe as soon as possible.

Your stockbroker will need to ensure that the completed Application Form reaches the Share Registry by 5.00pm (WST) on 4 October 2006.

Trading of Rights will commence on ASX on 12 September 2006. Sale of your Rights is only able to be completed on or before 2.00 pm (WST) on 26 September 2006 when Rights trading ceases.

In dealing with the completed Application Form, your stockbroker will act on your behalf. The Company accepts no responsibility for any failure by your stockbroker to carry out your instructions.

Persons buying Rights on ASX will need to pay the Application Monies to take them up and should follow the directions of their stockbroker.

#### **7.6 If you wish to subscribe for part of your Entitlement and allow the balance to lapse**

If you wish to subscribe for part of your Entitlement and allow the balance to lapse, complete the accompanying Application Form stating the number of Securities you wish to subscribe for in accordance with the instructions set out on the Entitlement and Acceptance Form. The completed Application must be accompanied by a cheque or bank draft for the appropriate Application Monies calculated at \$0.06 per New Share and New Option you wish to accept, and received by the Share Registry by no later than 5.00 pm (WST) on 4 October 2006.

#### **7.7 If you wish to transfer all or part of your Entitlement to another person other than on ASX**

If you are a Shareholder, hold Shares registered on the issuer sponsored sub-register and wish to transfer all or part of your Rights to another person other than on ASX, send a completed standard renunciation form (obtainable from your stockbroker or the Share Registrar) signed by both you (as seller) and the buyer, together with your Application Form completed by the transferee and the transferee's cheque or bank draft for the appropriate Application Monies calculated at \$0.06 per New Share and New Option they wish to accept, to reach the Share Registry by no later than 5.00 pm (WST) on 4 October 2006.

If you are a Shareholder, hold Shares registered on CHESS and wish to transfer all or part of your Entitlement to another person other than on ASX, you should contact your sponsoring participant.

Applicants accepting a transfer of Entitlements as referred to above will need to pay the Application Monies to take them up.

#### **7.8 Entitlements not subscribed for**

If you are a Shareholder and do not wish to accept all or part of your Entitlement, you are not obliged to do anything. You should, however, consider renouncing (selling) your Rights rather than allowing them to lapse. Entitlements to Securities not accepted will form part of the Shortfall which will be dealt with by the Underwriter in accordance with the Underwriting Agreement, and you will receive no benefit.

It is therefore important that, if you wish to receive a benefit, you take action either to accept or sell your Entitlement in accordance with the instructions above and on the back of the accompanying Application Form.

The number of Existing Shares you hold as at the Record Date and the rights attached to those Existing Shares will not be affected if you choose not to accept any of your Entitlement or choose not to renounce (sell) any of your Rights.

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## **8 RIGHTS AND LIABILITIES ATTACHING TO SECURITIES**

The following is a summary of the more significant rights and liabilities attaching to Securities to be issued pursuant to this Prospectus. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

Full details of the rights and liabilities attaching to Securities are set out in the Company's Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

### **8.1 Shares**

#### **(a) Share Capital**

All issued Shares rank equally in all respects.

#### **(b) Voting Rights**

At a general meeting of the Company, every holder of Shares present in person, by an attorney, representative or proxy has one vote on a show of hands and on a poll, one vote for each Share held, and for every contributing share held, a fraction of a vote equal to the proportion which the amount paid up bears to the total issue price of the contributing share. Where there is an equality of votes, the chairperson has a casting vote.

#### **(c) Dividend Rights**

Subject to the rights of holders of shares issued with any special or preferential rights (at present there are none), the profits of the Company which the Directors may from time to time determine to distribute by way of dividend are divisible among the Shareholders in proportion to the Shares held by them respectively, according to the amount paid up (not credited) as paid up on the Shares.

#### **(d) Rights on Winding-Up**

Subject to the rights of holders with shares with special rights in a winding-up (at present there are none), on a winding-up of the Company all assets which may be legally distributed amongst the members will be distributed in proportion to the shares held by them respectively, accordingly to the amount paid up or credited as paid up on the share.

#### **(e) Transfer of Shares**

Shares in the Company may be transferred by instrument in any form which complies with the Company's constitution, the Corporations Act, ASX Listing Rules and SCH Business Rules.

Shares may be transferred by such means in accordance with ASX Listing Rules and the SCH Business Rules. The Directors may refuse to register a transfer of

shares only in those circumstances permitted by the Company's constitution, ASX Listing Rules and SCH Business Rules.

**(f) Calls on Shares**

Where shares are issued as partly paid, the Directors may make calls upon the holders of those shares to pay the whole of or a portion of the balance of the issue price. If a shareholder fails to pay a call or instalment of a call, then subject to the Corporations Act and ASX Listing Rules, the shares in respect of the call may be forfeited and interest and expenses may be payable in accordance with the Company's constitution, the Corporations Act and ASX Listing Rules or proceedings taken to recover the amount unpaid.

**(g) Further Increases in Capital**

The allotment and issue of any new shares is under the control of the Directors and, subject to any restrictions on the allotment of shares imposed by the Company's constitution, ASX Listing Rules or the Corporations Act, the Directors may allot, issue or grant options over or otherwise dispose of those shares to such persons, with such rights or restrictions as they may from time to time determine.

**(h) Variation of Rights Attaching to Shares**

Where shares of different classes are issued, the rights attaching to the shares of a class (unless otherwise provided by their terms of issue) may only be varied by a special resolution passed at a separate general meeting of the holders of those shares of that class, or with the written consent of the holders of at least three quarters of the issued shares of that class.

**(i) General Meeting**

Each holder of shares will be entitled to receive notice of, and to attend and vote at, general meetings of the Company and to receive notices, accounts and other documents required to be furnished to shareholders under the Company's constitution, the Corporations Act and ASX Listing Rules.

## **8.2 Options**

The New Options issued pursuant to this Prospectus will be issued on the following terms and conditions:

- (a) Each New Option shall entitle the Option holder, when exercised, to one Share.
- (b) The New Options are exercisable wholly or in part at any time prior to 5.00 pm (WST) on 30 September 2009 ("**Expiry Date**"). New Options not exercised by that date shall lapse.
- (c) Each New Option may be exercised by notice in writing to the Company, together with the payment for the number of Shares in respect of which the New Options are exercised, at any time before the Expiry Date. Any notice of exercise

of an New Option received by the Company will be deemed to be a notice of the exercise of that New Option as at the date of receipt.

- (d) The New Option exercise price is \$0.10 per New Option.
- (e) A New Option does not confer the right to a change in exercise price or a change in the number of the underlying Shares over which the New Option can be exercised.
- (f) Shares issued upon exercise of the New Options will be issued following receipt of all the relevant documents and payments and will rank equally in all respect with the then issued Shares.
- (g) The Company will apply for quotation on ASX of the New Options and all Shares issued upon exercise of the New Options.
- (h) Subject to the Corporations Act, the Constitution and the Listing Rules, the New Options are freely transferable.
- (i) There are no participating rights or entitlements inherent in the New Options and New Option holders will not be entitled to participate in new issues of securities offered to Shareholders during the currency of the New Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 10 Business Days after the issue is announced so as to give New Option holders the opportunity to exercise their New Options before the date for determining entitlements to participate in any issue.
- (j) If at any time the issued capital of the Company is reorganised, the rights of an New Option holder are to be changed to the extent necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation.

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## **9 RISK FACTORS**

### **9.1 General**

An investment in the Company is not risk free and investors should consider the risk factors described below, together with information contained elsewhere in this Prospectus, before deciding whether to apply for Securities. Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for Securities.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

### **9.2 Economic Risks**

General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's exploration, development and future production activities, as well as on its ability to fund those activities.

### **9.3 Market conditions**

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities and in particular, resources stocks. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

### **9.4 Risks of Conducting Business Overseas**

In addition to Australia the Company is exploring in the USA (Alaska) and the P.R.China. Strategic risk factors that impact offshore activities include sovereign risk, political risk and commercial risk.

Sovereign risk is risk of default, often through retrospective legislation, by the State itself, usually the result of adverse government regulation or laws that may reflect an unstable political or economic situation. The risk of expropriation and adverse government action covers the risks of breach of contract by the government and also risks related to the functioning of the judiciary system and the risk of a possible negative change of attitude towards foreign investors.

Political risk is any event occurring abroad which assumes the nature of *force majeure* for contracted parties, such as wars, revolutions, natural disasters, currency shortages, and government action or inaction.

Commercial risk consists primarily of case-by-case "micro-economic" or other situations that affect individual businesses or business sector activity. Some factors have an influence on commercial risk at a country level, thereby affecting the business activity of all sectors in a country. Examples of this are the effects of a sharp devaluation, high real interest rates, a recession, exchange rates, strikes, widespread corruption, monetary controls, etc. The USA (Alaska) rates very low on all commonly accepted measures of risk. Risk factors in China rate higher than the USA but are still considered acceptable.

The political risk in China is generally rated above the USA because of the lack of a fully transparent legal and political system. As China is now a signatory to the WTO, which requires certain ongoing legal and political reforms in order to maintain membership, it is considered that the political risk for China will diminish over time and is therefore acceptable.

## **9.5 Security Investments**

Applicants should be aware that there are risks associated with any securities investment. Securities listed on the stock market, and in particular securities of mining and exploration companies have experienced extreme price and volume fluctuations that have often been unrelated to the operating performances of such companies. These factors may materially affect the market price of the securities regardless of the Company's performance.

Mineral exploration and mining are speculative operations that may be hampered by circumstances beyond the control of the Company. Profitability depends on successful exploration and/or acquisition of reserves, design and construction of efficient processing facilities, competent operation and management and proficient financial management.

Exploration in itself is a speculative endeavour, while mining operations can be hampered by force majeure circumstances and cost overruns for unforeseen events.

## **9.6 Exploration and Evaluation Risks**

The success of the Company depends on the delineation of economically minable reserves and resources, access to required development capital, movement in the price of commodities, securing and maintaining title to the Company's exploration and mining tenements and obtaining all consents and approvals necessary for the conduct of its exploration activities.

Exploration on the Company's existing exploration and mining tenements may be unsuccessful, resulting in a reduction of the value of those tenements, diminution in the cash reserves of the Company and possible relinquishment of the exploration and mining tenements.

## **9.7 Commodity Price and Exchange Rate Risks (US\$ in particular)**

To the extent the Company is involved in mineral production the revenue derived through the sale of commodities may expose the potential income of the Company to commodity price and exchange rate risks. Commodity prices fluctuate and are affected by many factors beyond the control of the Company. Such factors include supply and demand fluctuations for precious and base metals, technological advancements, forward selling activities and other macro-economic factors.

Furthermore, international prices of various commodities are denominated in United States dollars, whereas the income and expenditure of the Company are and will be taken into account in Australian currency, exposing the Company to the fluctuations and volatility of the rate of exchange between the United States dollar and the Australian dollar as determined in international markets.

## **9.8 Environmental Risks**

The operations and proposed activities of the Company are subject to State and Federal laws and regulation concerning the environment. As with most exploration projects and mining operations, the Company's activities are expected to have an impact on the environment, particularly if advanced exploration or mine development proceeds. The Company attempts to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws.

## **9.9 Native Title and Title Risks**

Interests in tenements in Australia are governed by the respective State legislation and are evidenced by the granting of licences or leases. Each licence or lease is for a specific term and carries with it annual expenditure and reporting commitments, as well as other conditions requiring compliance. Consequently, the Company could lose title to or its interest in tenements if licence conditions are not met or if insufficient funds are available to meet expenditure commitments.

It is also possible that, in relation to tenements which the Company has an interest in or will in the future acquire such an interest, there may be areas over which legitimate common law native title rights of Aboriginal Australians exist. If native title rights do exist, the ability of the Company to gain access to tenements (through obtaining consent of any relevant landowner), or to progress from the exploration phase to the development and mining phases of operations may be affected.

The Directors closely monitor the potential effect of native title claims involving tenements in which the Company has or may have an interest.

## **9.10 Joint Venture Parties, Agents and Contractors**

The Directors are unable to predict the risk of financial failure or default by a participant in any joint venture to which the Company is or may become a party or the insolvency or managerial failure by any of the contractors used by the Company in any of its activities or the insolvency or other managerial failure by any of the other service providers used by the Company for any activity.

## **9.11 Future Capital Requirements**

The Company's activities will require substantial expenditures. There can be no guarantees that the funds raised through the Offer will be sufficient to successfully achieve all the objectives of the Company's overall business strategy. If the Company is unable to use debt or equity to fund expansion after the substantial exhaustion of the net proceeds of the Offer there can be no assurances that the Company will have sufficient capital resources for that purpose, or other purposes, or that it will be able to obtain additional resources on terms acceptable to the Company or at all. Any additional equity financing may be dilutive to shareholders and any debt financing if available may involve restrictive covenants, which limit the Company's operations and business strategy.

The Company's failure to raise capital if and when needed could delay or suspend the Company's business strategy and could have a material adverse effect on the Company's activities.

## **9.12 Potential Acquisitions**

As part of its business strategy, the Company may make acquisitions of or significant investments in companies, products, technologies or resource projects. Any such future transactions would be accompanied by the risks commonly encountered in making acquisitions of companies, products, technologies or resource projects.

## **9.13 Changes to Accounting Standards**

For reporting periods beginning on or after 30 June 2005, the Company must comply with International Financial Reporting Standards (IFRS). These changes will affect the way certain items are reported in the Company's financial statements. The most significant changes to accounting treatment under the IFRS as it applies to the Company are likely to be related to the accounting for research and development costs, and intangible assets such as licences, goodwill and carried forward exploration costs. The Company must review the amortisation period and the amortisation method at least at the end of each annual reporting period.

## **9.14 Resource Estimations**

Resource estimates are expressions of judgment based on knowledge, experience and resource modelling. As such, resource estimates are inherently imprecise and rely to some extent on interpretations made. Despite employing qualified professionals to prepare resource estimates, such estimates may nevertheless prove to be inaccurate. Furthermore, resource estimates may change over time as new information becomes available. Should the company encounter mineralisation or geological formations different from those predicted by past drilling, sampling and interpretations, resource estimates may need to be altered in a way that could adversely affect the Company's operations.

## **9.15 Reliance on Key Personnel**

The Company's success depends largely on the core competencies of its directors and management, and their familiarisation with, and ability to operate, in the metals and mining industry and the Company's ability to retain its key executives.

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## 10 ADDITIONAL INFORMATION

### 10.1 Continuous Disclosure Obligations

The Company is a "disclosing entity" (as defined in Section 111 AC of the Corporations Act) for the purposes of Section 713 of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company's securities. The Securities which will be issued pursuant to this Prospectus are in the same class of Shares that have been quoted on the official list of the ASX during the 12 months prior to the issue of this Prospectus.

This Prospectus is a "transaction specific prospectus". In general terms "transaction specific prospectuses" are only required to contain information in relation to the effect of the issue of securities on the Company and the rights attaching to the securities. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

Having taken such precautions and having made such enquires as are reasonable, the Company believes that it has complied with the general and specific requirements of ASX as applicable from time to time throughout the 12 months before the issue of this Prospectus which required the Company to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

The Company, as a disclosing entity under the Corporations Act states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with the ASIC in relation to the Company (not being documents referred to in Section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of the ASIC; and
- (c) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the Closing Date:

- (i) the financial statements of the Company for the financial year ended 30 June 2005 being the last financial statements for a financial year, of the Company lodged with the ASIC before the issue of this Prospectus; and
- (ii) any documents used to notify ASX of information relating to the Company in the period from lodgement of the financial statements referred to in paragraph (i) above until the issue of the Prospectus in accordance with the Listing Rules as referred to in Section 674(1) of the Corporations Act.

Copies of all documents lodged with the ASIC in relation to the Company can be inspected at the registered office of the Company during normal office hours.

The Company has lodged the following announcements with ASX since the lodgement of the 2005 audited financial statements:

<b>Date</b>	<b>Description of Announcement</b>
5 October 2005	Appendix 3B – Placement
13 October 2005	Response to ASX share price query
21 October 2005	AMEC conference presentation
25 October 2005	Annual Report
27 October 2005	Notice of annual general meeting
27 October 2005	Exercise of right to acquire 55% of Dong Liang gold project
28 October 2005	First quarter activities report
31 October 2005	First quarter cashflow report
29 November 2005	Results of annual general meeting
29 November 2005	Managing Director’s presentation to annual general meeting
8 December 2005	Appendix 3B – Conversion of debt to equity
20 December 2005	Exploration update
3 January 2006	Change of director’s interest notice
4 January 2006	Change of director’s interest notices (x 2)
25 January 2006	Second quarter activities report
31 January 2006	Second quarter cashflow report
2 February 2006	Fortitude pit optimisation results
10 February 2006	Change of director’s interest notice
16 March 2006	Half year accounts
16 March 2006	Drilling commences on Uncle Sam Alaskan gold project.

<b>Date</b>	<b>Description of Announcement</b>
27 March 2006	Appendix 3B – Placement.
12 April 2006	Trading halt.
12 April 2006	Company request for trading halt.
12 April 2006	Response to ASX query re: share price.
13 April 2006	Uncle Sam initial drill results.
21 April 2006	Third quarter activities report.
21 April 2006	Third quarter activities report.
28 April 2006	Third quarter cashflow report.
28 April 2006	Uncle Sam Alaska drill results and Shimian JV PRC
4 May 2006	Audio broadcast – market briefing.
4 May 2006	Updated company presentation.
12 May 2006	Appendix 3B – Placement.
5 June 2006	Market update.
16 June 2006	Notice of placement and appendix 3B.
21 June 2006	Notice of general meeting.
4 July 2006	Letter to shareholders.
14 July 2006	Secures nickel sulphide joint venture.
18 July 2006	Change of office address.
20 July 2006	Results of general meeting.
27 July 2006	Forth quarter activities report.
31 July 2006	Forth quarter cashflow report.
4 August 2006	Exploration update.
11 August 2006	Updated company presentation.
23 August 2006	Appendix 3B - Placement
30 August 2006	Notice Under Section 708A
4 September 2006	Trading Halt

ASX maintains files containing publicly available information for all listed companies. The Company's file is available for inspection at ASX during normal office hours.

## 10.2 Material Contracts

The following is a summary of the significant terms of the material agreements which relate to the business of the Company.

### Underwriting Agreement

The Company has entered into an Underwriting Agreement dated 7 September 2006 with Patersons Securities Limited. Pursuant to the Underwriting Agreement, Patersons Securities Limited will be entitled to an underwriting fee equalling 5% of the funds raised by this Prospectus, and a management fee of \$60,000.

The Underwriter will pay all sub-underwriting commissions out of its fees. The Underwriting Agreement provides that the Underwriter may terminate the Underwriting Agreement and be relieved of its obligations if the usual and appropriate termination events occur before the payment date in the Underwriting Agreement and in particular, if one of the following events occurs and the Underwriter holds the opinion, acting reasonably, that the event will have a material adverse effect on the Offer:

- (a) the All Ordinaries Index as published by ASX is at any time after the date of the Underwriting Agreement 10% or more below its respective level as at the close of business on the business day prior to the date of the Underwriting Agreement; and
- (b) there is an outbreak of hostilities or a material escalation of hostilities (whether or not war has been declared) after the date of the Underwriting Agreement involving one or more of Australia, New Zealand, Indonesia, Japan, Russia, the United Kingdom, the United States of America, India, Pakistan, or the Peoples Republic of China, or any member of the European Union, or a terrorist act is perpetrated on any of those countries or any diplomatic, military, commercial or political establishment of any of those countries anywhere in the world.

## 10.3 Directors' Interests

Other than as set out below or elsewhere in this Prospectus, no Director nor any firm in which such a Director is a partner, has or had within 2 years before the lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Issue of Securities pursuant to this Prospectus; or
- (c) the Issue of Securities pursuant to this Prospectus,

and no amounts have been paid or agreed to be paid (in cash or Shares or otherwise) to any Director or to any firm in which any such Director is a partner, either to induce him to become, or to qualify him as, a Director or otherwise for services rendered by him or by the firm in connection with the formation or promotion of the Company or Issue of Securities pursuant to this Prospectus.

Directors' interests in Securities of the Company at the date of this Prospectus are:

<b>Name</b>	<b>Shares</b>	<b>Options</b>
Don Boyer (Non-executive Chairman)	2,777,794	117,500
Geoff Balfe (Managing Director)	200,000	1,000,000
Terry Streeter (Non-executive Director)	16,709,343	949,074

The Constitution of the Company provides that the Directors may be paid for their services as Directors. Non-executive directors may only be paid a sum not exceeding such fixed sum per annum as may be determined by the Company in general meeting, to be divided among the Non-executive Directors and in default of agreement then in equal shares. In the last two financial years, \$298,155 in 2005 and \$287,400 in 2006 (excluding GST where applicable) has been paid or is payable by the Company by way of remuneration for services provided by all Directors, companies associated with the Directors or their associates in their capacity as Directors, employees, consultants or advisers. Directors, companies associated with the Directors or their associates are also reimbursed for all reasonable expenses properly incurred in the course of conducting their duties which include, but are not in any way limited to, out of pocket expenses, travelling expenses, disbursements made on behalf of the Company and other miscellaneous expenses.

Directors have provided unsecured loans to the Company at an interest rate of 8% per annum. The total principal of funds loaned at 30 June 2006 is \$850,000. Interest accruing on these loans totals \$50,717 at 30 June 2006. These loans may be converted to equity with shareholder approval.

#### **10.4 Interests and Consents of Experts and Advisers**

The following parties have given (and not before the date of this document withdrawn) their consent to be named in this document in the form and context in which they are named:

- Patersons Securities Limited, in the capacity of Underwriter and Lead Manager;
- KPMG in the capacity of auditors of the Company and for inclusion of references to the independently reviewed 31 December 2005 Consolidated Balance Sheet; and
- Pullinger Readhead Lucas, in the capacity of solicitors to the Company.

References to Advanced Share Registries Pty Ltd as share registry to the Company appears for information purposes only.

Each of Patersons Securities Limited, KPMG, and Pullinger Readhead Lucas:

- has not authorised or caused the issue of this Prospectus;

- has not made any statement in this Prospectus, or any statement on which a statement in this Prospectus is based, except where expressly stated above;
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name and except where expressly stated above; and
- was not involved in the preparation of the Prospectus or any part of it except where expressly attributed to that person.

Patersons Securities Limited is acting as Underwriter and Lead Manager and for this is being paid a Management fee of \$60,000 (plus GST), an underwriting fee of approximately \$151,000 (plus GST) on any amount raised under the Issue. Patersons Securities Limited is also entitled to reimbursement of out of pocket expenses.

Pullinger Readhead Lucas are entitled to be paid approximately \$7,000 for advice and assistance in relation to certain aspects of this Prospectus, assisting the Company in relation to its due diligence regime and enquiries and in relation to application for quotation of the Securities on ASX.

No expert, nor any firm of which such expert is a partner, has or had in the past two years any interest in the promotion or formation of the Company or in property proposed to be acquired by the Company, nor have any amounts been paid or agreed to be paid (whether in cash, shares or otherwise) to an expert or to a firm in which an expert is a partner for services rendered by the expert in connection with the promotion of the Company other than set out below.

KMPG received the amount of \$17,627 for the financial year ended 30 June 2005 and are estimated to receive \$32,000 for the financial year ended 30 June 2006. The amounts were paid for the provision of professional services in relation to the auditing of the financial statements of the Company and associated parties and for taxation and advisory services.

Patersons Securities Limited has not received any fees for the financial years ended 30 June 2005 and 30 June 2006.

Pullinger Readhead Lucas received the amount of \$40,400 for the financial year ended 30 June 2005 and \$6,424 for the financial year ended 30 June 2006. These amounts were paid for the provision of professional services to the Company.

## 10.5 Estimated Expenses of Issue

The estimated expenses of the Issue are as follows:

	<b>\$'000</b>
Listing fees	7.4
ASIC Fees	2
Broker fees	211
Legal and other expenses	8
Printing and mailing expenses	8
Total	<hr/> 236.4 <hr/>

## 10.6 Electronic Prospectus

A copy of the Prospectus can be downloaded from the website of the Company at [www.midasresources.com.au](http://www.midasresources.com.au). Any person accessing the electronic version of the Prospectus for the purposes of making an investment in the Company must be an Australian resident and must only access the Prospectus from within Australia.

The Corporations Act prohibits any person passing onto another person the Application Form unless it is attached to a hard copy of the Prospectus or it accompanies the complete and unaltered version of the Prospectus. Any person may obtain a hard copy of the Prospectus free of charge by contacting the Company or the Underwriter.

The ASIC has exempted compliance with certain provisions of the Corporations Act 2001 to allow distribution of an electronic prospectus and electronic application form on the basis of a paper prospectus lodged with the ASIC, and the publication of notices referring to an electronic prospectus or electronic application form, subject to compliance with certain conditions.

## 10.7 Privacy Act

If you complete an application for Securities, you will be providing personal information to the Company (directly or by the Company's share registry). The Company collects, holds and will use that information to assess your application, service your needs as a Shareholder, facilitate distribution payments and corporate communications to you as a Shareholder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company share registry.

You can access, correct and update the personal information that we hold about you. Please contact the Company or its registry if you wish to do so at the relevant contact numbers set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act 1988 (Cth) (as amended), the Corporations Act and certain rules such as the SCH Business Rules. You should note that if you do not provide the information required on the application for Securities, the Company may not be able to accept or process your application.

#### **10.8 Directors' Consent**

Each Director has consented to the lodgement of this Prospectus with the ASIC.

Signed on behalf of the Directors pursuant to a resolution of the Board.

A handwritten signature in black ink, appearing to read 'G Balfe', is written over a light blue rectangular background.

**Geoff Balfe**  
Managing Director

Dated: 7 September 2006

**Additional New Securities** means New Shares and New Options in addition to an Eligible Shareholder's Entitlement for which an Applicant makes an Application.

**Application Form** means the Entitlement and Acceptance Form attached to or accompanying this Prospectus that sets out the Entitlement of Shareholders to subscribe for Securities pursuant to the Rights Issue.

**Application Monies** means monies received from persons applying for Securities pursuant to the terms of the Rights Offer

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means Australian Stock Exchange Limited (ABN 51 008 624 691).

**Business Day** means a day on which trading takes place on the stock market of ASX.

**CHESS** means ASX Clearing House Electronic Sub-registry System.

**Closing Date** means 4 October 2006 or such other date as may be determined by the Directors and the Underwriters under this Prospectus.

**Company** means Midas Resources Limited (ABN 87 095 092 158).

**Constitution** means the Company's Constitution as at the date of this Prospectus.

**Corporations Act** means the Corporations Act 2001 (Commonwealth).

**Directors** means directors of the Company at the date of this Prospectus.

**Dollar** or \$ means Australian dollars.

**Eligible Shareholder** means a Shareholder other than a Non-Qualifying Foreign Shareholder.

**Entitlement** means a Shareholder's entitlement to subscribe for Securities offered by this Prospectus.

**Existing Share** means a fully paid ordinary share in the capital of the Company.

**Issue** means the issue of Securities under this Prospectus.

**Listing Rules** or **ASX Listing Rules** means the Listing Rules of the ASX.

**New Options** means an option attached to the New Shares to subscribe for one ordinary share in the Company at \$0.10 on or before 30 September 2009, at the ratio of one New Option for every one New Share issued, to be listed on ASX.

**New Shares** means a fully paid ordinary share in the capital of the Company to be issued under this Prospectus.

**Non-qualifying Foreign Shareholder** means a Shareholder, whose registered address is not in Australia or New Zealand.

**Offer** means the offer of 1 New Shares for 2 Existing Shares held at the Record Date at an issue price of 6 cents per New Share with one free attaching New Option for every one New Share issued.

**Option** An option to subscribe for a Share.

**Prospectus** means the prospectus constituted by this document.

**Record Date** means 16 September 2006.

**Rights** means the right to subscribe for New Shares (with New Options) under this Prospectus.

**Rights Issue** has the same meaning as the Offer.

**SCH Business Rules** means the business rules of the securities clearing house which operates CHESS.

**Securities** means the New Shares and New Options to be issued under this Prospectus.

**Share** means a fully paid ordinary share in the capital of the Company.

**Shareholder** means the holder of a Share registered on the Record Date.

**Shortfall Shares** New Shares for which successful valid applications have not been received by the Closing Date.

**The Company** means Midas Resources Limited (ACN 095 092 158 )

**Underwriter** means Patersons Securities Limited (ACN 008 896 311).

**Underwriting Agreement** means the underwriting agreement dated on or about the same date as this Prospectus, between the Underwriter and the Company.

**WST** means Western Standard Time.