



4 May 2009

The Manager
Announcements
Company Announcements Office
ASX Limited
PO Box H224 Australia Square
SYDNEY NSW 2000

Dear Sir/Madam

Extraordinary General Meeting

An Extraordinary General Meeting of Aurora Minerals Limited will be held at the offices of the company, 271 Great Eastern Highway, Belmont, on Thursday 11 June 2009 commencing at 10.00 am.

The Notice of Meeting and Explanatory Memorandum containing details of the Meeting are attached.

Yours faithfully

Peter Rutledge
Company Secretary

Aurora Minerals Limited
PO Box 707, Belmont WA 6984
Telephone: (08) 6162 9081
Fax: (08) 6162 9079



Notice of Extraordinary General Meeting

Notice is hereby given that the Extraordinary General Meeting of Aurora Minerals Limited will be held at the Company's office at 271 Great Eastern Highway, Belmont on 11th June 2009 commencing at 10.00 am to conduct the following business:

1. Resolution 1- Approve the sale of Dawn Metals Limited to Desert Energy Limited.

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

"That for the purposes of Listing Rule 10.1 and for all other purposes, the Shareholders approve the sale of all of the Issued Shares in Dawn Metals Limited to Desert Energy Limited, for the consideration and otherwise pursuant to and subject to the terms and conditions of the Contract for the Sale of all of the Issued Shares in Dawn Metals Limited described in the accompanying Explanatory Memorandum."

Voting Exclusion Statement

The Company will disregard any votes cast on this resolution 1 by a party to the transaction and any associates of such persons. However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy forms to vote as the proxy decides.

2. Resolution 2- Approve the provision of funding by Desert Energy to Dawn Metals Ltd to enable partial repayment of the Aurora Loans.

To consider and, if thought fit, pass the following resolution as a special resolution.

"That for the purposes of section 260B(2) of the Corporations Act and for all other purposes approval and authority is given by the Shareholders for Desert Energy Ltd to provide funding to Dawn Metals Ltd upon settlement occurring under the Contract for the Sale of all of the Issued Shares in Dawn Metals Limited to enable Dawn Metals Limited to partially repay the Aurora Loan and to pay the Additional Loan."

3. Resolution 3- Issue of Options to Consultants

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That for the purposes of Listing Rule 7.1 of the Listing Rules of the ASX and for all other purposes, the Company approve and authorise the grant and issue of a total of 3,200,000 options to subscribe for 3,200,000 ordinary shares in the capital of the Company to the persons described in the Explanatory Meeting (being persons providing consultancy services to the Company) to be shared between those persons as specified in such Explanatory Statement and other wise to be issued and on the terms and conditions set out in the Explanatory Memorandum."

Voting Exclusion Statement

The Company will disregard any votes cast on this resolution 3 by any person who may participate in the proposed issue, and any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed, or any associates of those persons. However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy forms to vote as the proxy decides.

The Explanatory Memorandum that accompanies and forms part of this Notice describes in more detail the matters to be considered.

PROXIES

A form of proxy is enclosed herewith. A member who is entitled to attend and vote at a meeting is entitled to appoint a proxy (and a member who is entitled to cast 2 or more votes may appoint not more than two proxies) to attend and vote at the meeting. A proxy need not be a member of the Company. Where a member appoints two proxies, the proportion of the member's voting rights given in favour of each proxy must be specified. Proxies must be received by the Company not later than 48 hours before the meeting. Proxies may be lodged by fax.

ENTITLEMENT TO VOTE

In accordance with regulation 7.11.37 of the Corporations Regulations 2001, the Company determines that members holding ordinary shares held as at 5.00pm Perth time on 8th June 2009 will be entitled to attend and vote at the Annual General Meeting.

BY ORDER OF THE BOARD

P C RUTTLEDGE
Company Secretary
4 May 2009

Notice of Extraordinary General Meeting

Explanatory Memorandum

This Explanatory Memorandum has been prepared for the information of Shareholders of Aurora Minerals Limited ("**Aurora**" or "**the Company**") in connection with the business to be conducted at the Extraordinary General Meeting of Shareholders to be held at 271 Great Eastern Highway, Belmont on 11th June 2009 ("the Meeting").

This Explanatory Memorandum should be read in conjunction with the accompanying Notice of Extraordinary General Meeting ("the Notice").

1. Company overview

The Company was incorporated in September 2003 as a public company. Following an initial public offering in May 2004, the Company was admitted to the official list of the ASX in June 2004.

Currently, the principal business of the Company is exploration in Western Australia and assessing further opportunities.

Directors

The Company's Directors are:

Phillip Sidney Redmond Jackson (Non-Executive Chairman of Directors)
Robert Spencer Taylor (Managing Director)
Garry Patrick O'Hara (Executive Director)

2. Background to the Resolutions

2.1 Overview of transaction

On 16 December 2008, the Company made an announcement to the ASX regarding its intention to seek shareholder approval to sell the Issued Shares in Dawn Metals Limited (**Dawn**), a wholly owned subsidiary of the Company (**Transaction**) to Desert Energy Limited (**Desert or Desert Energy**), of which Aurora is a 48.6% shareholder. Dawn is the holder of a number of granted exploration licences and applications for exploration licences considered to be prospective for calcrete uranium deposits. Advantages for the Company may potentially include:

- The transaction would potentially enable Aurora to focus more on its extensive base metals, manganese, iron ore, hard-rock uranium and gold tenements, and
- As part of the Transaction, Aurora would receive some cash reimbursement of exploration expenditure and have its shareholding in Desert Energy increased, and

As a large shareholder in Desert Energy, Aurora could potentially gain from the upside in the event of a discovery by Desert Energy.

2.2 Reports

In accordance with the requirements of Listing Rule 10.10.2, the Company has obtained an independent expert's report on the Transaction from Stantons International Securities, a copy of which is included with this Explanatory Memorandum (Independent Expert's Report). The Company urges Shareholders to carefully read and consider the Independent Expert's Report to understand the scope of the report, the methodology applied and sources of information and assumptions made.

3. Project Information

Dawn Metals Limited, a 100% owned subsidiary of Aurora Minerals Limited, has a number of uranium exploration tenements in the north-east Yilgarn Block of Western Australia. Some of the tenements are in proximity to those held by Desert Energy, with the majority of these tenements having granted status.

Desert Energy is also targeting calcrete-hosted uranium mineralisation in soil and sand covered paleo-drainage systems in the Yilgarn Block of Western Australia.

Details of the holdings of each of the companies are as follows:

DAWN METALS LIMITED – 100% Owned by Aurora Minerals Limited

- Total of 37 Exploration Licences – (31 Granted Licences – 6 Licence applications)
- 7,131km² Portfolio size
- 20,000 line kilometers of Radiometric Surveys flown in 2008
- Drilling approvals received for a number of targets

DESERT ENERGY LIMITED – 48.6% Owned by Aurora Minerals Limited

- Total of 33 Exploration Licences – (12 Granted Licences – 21 Licence applications)
- 5,433 km² Portfolio size
- Large Radiometric Surveys flown in 2007 - 2008
- First drilling at Downs East project identified uranium anomalism in buried calcrete
- Second drilling program, at Old Station West project, identified large body of buried calcrete with anomalous uranium values.

In the event that approval is granted for the Company to sell Dawn to Desert, the combined land holdings of the two companies will be one of the largest areas of calcrete uranium exploration projects in Western Australia, comprising 12,564 km² (granted tenements and applications). As the major shareholder of Desert, any major discovery by Desert could potentially have benefits for Aurora.

The Company believes identification by Desert of extensive calcrete with associated uranium mineralisation at Downs East and at Old Station West, in areas predominantly covered by soil and sand, gives some weight to Desert's exploration model which is to focus on areas hidden under sand and soil in similar interpreted geological settings to that of the large Yeelirrie uranium deposit.

In 2007-2008 Desert developed experience in the exploration for buried uranium deposits.

It is attracted to this style of deposit because:

- They are potentially very valuable.
- There appears to be a growing trend toward nuclear power in the World.
- The recently elected Government in Western Australia (elected in September 2008), has a stated policy of supporting uranium mining, in contrast to the previous Government which effectively banned it.
- The World's richest calcrete uranium deposit, Yeelirrie, is located in the same region as some of Desert's prospects. It has a reported 52,000 tonnes of U₃O₈ at a grade of 0.15%.

Aurora considers that the sale of Dawn provides the opportunity for Dawn (under the ownership of, and with financial support from, Desert Energy) to potentially conduct a number of drilling programmes during 2009 due to:

- the number of Dawn tenements that have been granted, with the added benefit that some of those tenements have existing drilling approvals from the Department of Mines and Petroleum; and
- Desert having the expertise and working capital to conduct exploration.

In addition, with the sale of its uranium portfolio, Aurora will be in a position to concentrate its exploration activities more on its extensive base metals, manganese, iron ore, hard-rock uranium and gold tenements. The Transaction will also enable Aurora to receive partial repayment of the significant funding provided to Dawn to enable Dawn to acquire its tenement portfolio.

As each of the Directors has a material personal interest in the outcome of the proposed Transaction, they do not wish to make a recommendation. However, they do urge shareholders to read all of the documentation and carefully consider the proposed Transaction.

4. Transaction Agreements

The Company has entered into a Contract to give effect to the transaction outlined above in Section 3. The Contract is the Contract for the Sale of all of the Issued Shares in Dawn Metals Limited (**Contract**).

The Contract provides for Aurora Minerals to sell all of the shares in its 100% owned subsidiary, Dawn Metals Limited, to Desert Energy Limited, of which Aurora Minerals owns approximately 48.6% of its issued capital.

Consideration for the transaction shall be the issue of Desert Energy shares (**DE Shares**) to Aurora Minerals Limited. In addition, Desert will at completion provide funds to Dawn to allow Dawn to repay the Agreed Portion of the Aurora Loan. Additionally, on Settlement Desert Energy must cause Dawn to repay any funds advanced by the Company to Dawn after 31 March 2009 to meet expenses in relation to the maintenance of the tenements owned by Dawn (**Additional Loan**).

The Contract provides for:

- On the Settlement Date, Desert will issue to the Company the DE Shares credited as fully paid against receipt from Aurora of a signed instrument of share transfer in relation to the Dawn Shares in registrable form in favour of Desert and the share certificate for the Dawn Shares.
- On Settlement, Desert will put Dawn Metals into loan funds and procure that Dawn repays the Agreed Portion of the Aurora Loan to the Company, and the Additional Loan. With effect as and from Settlement, the Company will forgive the balance of the Aurora Loan. The Agreed Portion is \$400,000.

The Contract is conditional upon:

- (a) The shareholders in the Company approving the Transaction in accordance with Rule 10.1 of the Listing Rules.
- (b) The shareholders in Desert approving the Transaction in accordance with Rule 10.1 of the Listing Rules.

- (c) The shareholders in Desert approving the giving of any financial benefit to Aurora under this Agreement in accordance with section 208 of the Corporations Act.
- (d) The shareholders in Desert approving the issue of the DE Shares in accordance with Rule 7.1 and/or Rule 10.11 of the Listing Rules.
- (e) The shareholders in Desert approving any acquisition by the Company of relevant interests in the DE Shares under the Transaction in accordance with section 611 Item 7 of the Corporations Act.
- (f) The shareholders in Desert approving the provision of finance by Desert under section 260B of the Corporations Act if required in order to lawfully consummate the transactions in this Agreement.
- (g) Any other shareholders approval, regulatory approval, consent or waiver which may be required by a Party in order to implement the Transaction being given or obtained by that Party.

The Contract provides that if the Conditions above have not been satisfied within four months of the date of the Contract (or such further period as the Companies may designate in writing) either party may terminate this Agreement by notice in writing to the other party in which case the parties will seek to return the parties to the position they were immediately prior to the execution of the Contract to the extent that it is reasonably possible to do so.

It is acknowledged that some of the granted tenements owned by Dawn have not met minimum expenditure requirements imposed as conditions of grant by the Mining Act. The majority of tenements may require exemption from expenditure applications to be lodged depending on how much is spent prior to the anniversary date of the tenement. Desert is aware of the shortfalls but if any fines are imposed on Dawn for non compliance with minimum expenditure commitments, Aurora is required by the Contract to pay the fines. The estimated maximum exposure for Aurora is \$60,000, but in the event that the amount is greater than \$60,000, Aurora will pay that amount. The Minister also has power under the Mining Act to forfeit the tenements for non compliance with the minimum expenditure commitments. Enquiries indicate that forfeiture is unlikely in these circumstances. However, if forfeiture was to occur (including as a result of any plaintiff action), Aurora will repay Desert \$10,810 per forfeited tenement, up to a maximum of \$400,000. There is also the possibility that some granted Tenements could be plaintiffed by third parties and potentially subject to forfeiture, however, on balance, this is also considered unlikely including because the granted Tenements are at pre-drilling exploration stage. The Company is not aware at this stage of any complaints having been issued.

The Directors recognize the risks associated with tenement exploration including as set out in the Risks Section on the Company's website.

The DE Shares will be escrowed for a period of 12 months from their date of issue (i.e. upon completion occurring under the Contract) in accordance with the requirements of the Listing Rules. Following the expiry of any escrow period Desert will make application for the DE Shares to be listed for quotation on the ASX.

5. Resolution 1- Approve the sale of Dawn Metals Limited to Desert Energy Limited.

5.1 General

Resolution 1 seeks Shareholder approval under Listing Rule 10.1 for the sale of a substantial asset to an associated party.

As mentioned above, Aurora holds 48.6% of the issued shares in Desert. Additionally, the Directors of the Company are also the directors of Desert Energy. The Directors of the Company provide consulting services to Desert Energy on commercial terms through their respective private consulting companies. Additionally the directors of the Company have interests in the following securities in Desert Energy:

Director	Fully Paid Shares	Options (Listed)	Options (Unlisted)
Phillip Jackson	1,160,250	290,062	3,000,000
Robert Taylor	100,000	25,000	6,000,000
Garry O'Hara	Nil	Nil	6,000,000

5.2 Listing Rule 10.1 approval

Listing Rule 10.1 requires the Company to obtain Shareholder approval in order to sell a substantial asset to various associated parties including a person whose relationship to the Company is such that in the ASX's opinion the transaction should be approved by security holders. The sale by the Company of all of the shares in Dawn Metals Limited to Desert Energy Limited pursuant to the Contract for the Sale of all of the Shares in Dawn Metals Limited falls within this requirement.

Under Listing Rule 10.10, a Company seeking Shareholder approval under Listing Rule 10.1 must include in its notice of meeting:

- (a) a voting exclusion statement; and
- (b) a report on the transaction from an independent expert, which report must state whether the transaction is fair and reasonable to Shareholders whose votes are not to be disregarded and, unless the opinion is that the transaction is fair and reasonable, the opinion must be displayed prominently in the notice of meeting and on the covering page of any accompanying documents.

A voting exclusion statement is included in the Notice of General Meeting.

The Independent Expert's Report concludes that the Transaction is not fair but reasonable to Shareholders whose votes are not to be disregarded.

6. Resolution 2- Approve the provision of funding by Desert Energy Ltd to Dawn Metals Limited to enable partial repayment of the Aurora Loans.

Section 260A of the Corporations Act places restrictions on Desert Energy Ltd financially assisting a person to acquire shares in Desert Energy. These restrictions do not apply if the financial assistance is approved by shareholders under section 260B.

As Desert Energy will, as part of the Transaction, at the time of settlement under the Contract, provide funding to Dawn to enable Dawn to repay Aurora the Agreed Portion of the Aurora Loan and to repay the Additional Loan, Desert Energy will be seeking shareholder approval to the provision of such funding to Dawn (given that as part of the Transaction Aurora is acquiring shares in the Desert Energy). As Desert will be a subsidiary of Aurora following the acquisition by Aurora of Desert Shares pursuant to the Transaction,

section 260B(2) of the Corporations Act also requires that Aurora shareholders approve the giving of the financial assistance.

As at 31 December 2008 Desert Energy had cash reserves, including receivables, of \$5,037,227. Other than the information contained in this Explanatory Statement and in the Independent Expert's Report, the Company is not aware of any information known to Aurora which is material to a decision by the Shareholders as to how to vote on resolution 2.

In the Notice of General Meeting and this Explanatory Statement relating to Resolutions 1 and 2 the following terms have the following meanings unless the context otherwise requires:

"A\$" means the lawful currency of Australia.

"Additional Loan" means any additional loan advanced by the Vendor to the Company after 31 March 2009.

"Agreed Portion" means \$400,000.

"ASIC" means Australian Securities and Investments Commission.

"ASX" means ASX Limited (ABN 98 008 624 691) and where the context permits, the Australian Securities Exchange operated by ASX Limited.

"Aurora" or "Aurora Minerals" means Aurora Minerals Limited ABN 46 106 304 787.

"Aurora Loan" means the loan amount of approximately \$1,080,000 owed by Dawn to Aurora being funds which were expended by Dawn in connection with the acquisition, maintenance and exploration of the Dawn Tenements during the period up to 31 March 2009.

"Board" means the board of Directors of Aurora.

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

"Company" means Aurora Minerals Limited ABN 46 106 304 787.

"Conditions" means the conditions to which the Contract is subject, details of which appear in paragraph 4 of the Explanatory Statement.

"Contract" means the Contract for the Sale of all of the Issued Shares in Dawn dated 23 April 2009 and made between Aurora and the Desert pursuant to which Aurora agreed to sell and Desert Energy agreed to purchase the Dawn Shares subject to the satisfaction of the Conditions.

"Desert" or "Desert Energy" means Desert Energy Limited. ACN123 102 974

"Dawn" means Dawn Metals Limited ACN 123 885 058

"Dawn Shares" means all the issued shares in the capital of Dawn.

"DE Shares" means 7,464,420 ordinary Shares in the capital of the Desert Energy credited as fully paid.

"Dawn Tenements" means the mining tenements owned by Dawn and any applications for mining tenements lodged by Dawn, details of which appear in the Schedule.

"Corporations Act" means the *Corporations Act 2001* (Cth).

“Directors” means the directors of Aurora.

“Explanatory Memorandum” means the explanatory memorandum to this Notice of General Meeting.

“Independent Expert” means Stantons International Securities Ltd

“Independent Expert’s Report” means the expert’s report given by the Independent Expert which accompanies this Explanatory Statement.

“Issued Shares” means all the issued shares in the capital of Dawn.

“Listing Rules” means the listing rules of ASX.

“Notice of General Meeting” means this Notice of General Meeting and includes the Explanatory Statement and Proxy Form.

“Resolution” means a resolution contained in this Notice of General Meeting.

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

“Shareholder” means a shareholder of the Company.

“Transaction” means the proposed transaction the subject of the Contract where by the Company is to sell the Dawn Shares to Desert Energy in consideration for the issue of the DE Shares on terms including the provision of funding by the Desert Energy to Dawn to enable Dawn to repay the Agreed Portion of the Aurora Loan to the Company.

“WST” means Australian Western Standard Time.

7. Resolution 3 – Issue of Options to Consultants

The Company proposes to offer, and if accepted, grant and issue a total of 3,200,000 Options in the portions, and to the persons (or their approved Nominees), specified in column two of Table 1 below, being consulting companies which have been retained by the Company to provide the consultancy services of the persons named in column one of Table 1 below.

The exercise price of these Options will be 30 cents. If all of the Options are exercised this will raise \$960,000 for the Company.

The grant of the Options is designed to:

- i) encourage the consultants to have a greater involvement in the achievement of the Company's objectives by providing a material additional incentive for their ongoing commitment and dedication to the continued growth of the Company and
- ii) do this in a way which does not deplete the Company's cash reserves.

The number of Options to be issued and allotted to each Consultant was negotiated with the consulting companies at arms length and is considered by the Directors to be appropriate.

Table 1

Name	Consulting Company which provides the person's services under contractual arrangements.	Consulting Services	Number of Options
Eric Moore	Golden Kilometre Mines Pty Ltd	Corporate	450,000
Guy Watkins	Nero Consulting Pty Ltd	Logistics	500,000
Ken Banks	KMB Australia Pty Ltd	Investor Relations	300,000
Peter Rutledge	Sable Management Pty Ltd	Company Secretarial	150,000
Andrew Kenny	Airmax International Pty Ltd	Administration	300,000
Kelvin Fox	Fox Contracting (WA) Pty Ltd	Geological	800,000
Brad Thomas	Lee Thomas Pty Ltd	Field Technician/Logistics	350,000
Robert O'Hara	Robert O'Hara	Field Technician/Logistics	350,000
			3,200,000

Additional information

The following additional information is provided to Shareholders pursuant to Listing Rule 7.3:

- (a) the maximum number of Options to be issued under Resolution 3 is 3,200,000;
- (b) the exercise price for the Options is 30 cents;
- (c) the Options will be issued and allotted on a date which is no later than two months after the date of the Meeting;
- (d) the Options will be issued for nil consideration;
- (e) the allottees are the Consulting Companies specified in the second column in Table 1 above, or their approved Nominees;
- (f) the Options will be exercisable from the date of issue until 48 months after their issue date;
- (g) the terms and conditions of the Options are set out in the Appendix 1 to this Explanatory Memorandum;
- (h) no funds will be raised by the issue of the Options; and
- (i) if all the Options are ultimately exercised, the amount raised will depend on the exercise price for the Options which will vary depending on the market price for the Company's Shares on the date of issue of the Options; and
- (j) the Company's adoption of Australian equivalents to International Financial Reporting Standards for reporting periods commencing from 1 July 2005 means that, under AASB2 Share-based Payment, equity-based compensation is recognised as an expense in respect of the services received. In the case of the Consultant Options the cost to the Company would be \$78,200.

All of the Directors were available to consider the proposed Resolution.

Glossary

In this Explanatory Memorandum (including the terms and conditions of the Consultant Options), the following terms have the following meanings unless the context otherwise requires:

ASIC	Australian Securities & Investments Commission.
ASX	ASX Limited ABN 98 008 624 691 the operator of the Australian Securities Exchange.
ASX Listing Rules or Listing Rules	The Listing Rules of the ASX.
Board	The Board of Directors.
Company or Aurora	Aurora Minerals Limited ABN 46 106 304 787.
Corporations Act	Corporations Act 2001 (Cth).
Director	A director of the Company.
Meeting	The Extraordinary General Meeting of the Company to be held on 11 th June 2009.
Nominee	A Nominee as defined in the Appendix 1.
Notice	The Notice of Meeting accompanying this Explanatory Memorandum.
Option	An option to acquire a Share.
Optionholder	The holder of any options issued pursuant to Resolutions 3 of the Notice.
Shareholders	Holders of Shares.
Shares	Fully paid ordinary shares in the capital of the Company.

Appendix

Terms and Conditions of Consultant Options

The Consultant Options will entitle the optionholders to subscribe for Shares in the Company on the following terms:

(a) Issue price

Each Consultant Option is issued for nil consideration.

(b) Exercise price

Each Consultant Option shall entitle the optionholder to acquire one fully paid ordinary share in the capital of the Company upon exercise and payment of an exercise price of 30 cents ("the Exercise Price").

(c) Expiry date

Subject to certain provisions herein providing for earlier lapse in certain circumstances, the Consultant Options will expire on the Expiry Date for that class of Options. The Expiry Dates for the different classes of Consultant Options are as follows:

Golden Options:	48 calendar months after the date of issue
Fox Options:	48 calendar months after the date of issue
Nero Options:	48 calendar months after the date of issue
O'Hara Options:	48 calendar months after the date of issue
Thomas Options:	48 calendar months after the date of issue
KMB Options	48 calendar months after the date of issue
Airmax Options	48 calendar months after the date of issue
Sable Options	48 calendar months after the date of issue

(d) Certificate

A certificate will be issued for the Consultant Options and sent to the optionholder together with the terms and conditions of the Consultant Options and a written notice that is to be completed when exercising Consultant Options.

(e) Consultant Options not listed

The Consultant Options will not be listed for official quotation on the ASX.

(f) Consultant Options not transferable

For Nero, Fox, O'Hara, Thomas, KMB, Airmax, Sable and Golden Options, subject to the Listing Rules of the ASX, up to 300,000 of the Consultant Options issued to each of the Specified Consultants can be transferred to a Nominee of the optionholders (as defined in Section (n) Interpretation), but otherwise are not transferable, without the prior written approval of the Directors.

(g) Exercise

Subject to m) below, the Consultant Options may be exercised by notice in writing to the Company ("the Exercise Notice"), delivery of the Consultant Option certificates and payment of the Exercise Price to the Company at any time between the date of issue and the Expiry Date ("the Exercise Period"). The Consultant Options may be exercised in one or more lots, of not less than 10,000 Options at any one time, on different occasions during the Exercise Period. Within 5 business days of receipt of the "Exercise Notice" and Consultant Option certificates and payment of the "Exercise Price", the Company will allot the corresponding number of fully paid ordinary shares to the optionholder, procure the issue a statement of holding for the shares and apply for the shares to be listed on the stock exchanges on which the Company is listed. The shares issued as a result of exercise of the Consultant Options shall rank equally in all respects with the other issued fully paid shares in the Company.

A holder of Consultant Options originally issued to a Specified Consultant or a Nominee of a Specified Consultant intending to exercise any Consultant Options with a view to selling all or a substantial number of the resultant Shares within two months following exercise will not exercise such Consultant Options (or sell any resultant Shares within 2 months of exercise) unless the holder has first received confirmation from the Board that no capital raising or other material corporate activity is proposed or expected during such two month period.

(h) New share issue

If the Consultant Options are exercised before the record date of an entitlement, the optionholder can participate in a pro rata issue to the holders of the underlying securities in the Company. The Company must notify the optionholder of the proposed issue at least 9 business days before the record date. Optionholders do not have a right to participate in new share issues without exercising their Consultant Options in accordance with Listing Rule 6.19.

(i) Bonus Issue

If, from time to time, before the expiry of the Options the Company makes a pro rata issue of Shares to Shareholders for no consideration, the number of Shares over which the Options are exercisable will be increased by the number of Shares which the optionholder would have received if the Option had been exercised before the record date for calculating entitlements to the pro rata issue.

(j) Reorganisations

In the event of any reorganization of the issued capital of the Company, the Consultant Options will be reorganized by the Company in accordance with the Listing Rules (including without limitation by changing the number or exercise price for the Consultant Options) in such manner as may be required by the Listing Rules.

(k) Change of Consultant Option's exercise price or the number of underlying securities

(i) In the event that a pro rata issue (except a bonus issue) is made to the holders of the underlying securities in the Company, the exercise price of the Consultant Options may be reduced according to the following formula:

$$O' = O - \frac{E[P - (S + D)]}{N + 1}$$

- O' = the new exercise price of the Consultant Option;
 - O = the old exercise price of the Consultant Option;
 - E = the number of underlying securities in the Company into which one option is exercisable;
 - P = the average market price per security (weighted by reference to volume) of the underlying securities in the Company during the five (5) trading days ending on the day before the ex rights date or ex entitlements date;
 - S = the Subscription price for a security under the pro rata issue;
 - D = the Dividend due but not yet paid on the existing underlying securities (except those to be issued under the pro rata issue);
 - N = the Number of securities with rights or entitlements that must be held to receive a right to one new security in the Company.
- (ii) The number of shares to be issued pursuant to the exercise of Consultant Options will be adjusted for bonus issues made prior to exercise of Consultant Options. The effect will be that upon exercise of the Consultant Options the number of shares received by the optionholder will include the number of bonus shares that would have been issued if the Consultant Options had been exercised prior to the record date for bonus issues. The exercise price of the Consultant Options shall not change as result of any such bonus issue.

(l) Dividends

The Consultant Options carry no entitlement to participate in dividends until shares are allotted pursuant to the exercise of the Consultant Options.

(m) Cessation of engagement of the Consultant or death of the optionholder.

- (i) In the event of the death of a Relevant Person in relation to a parcel of Consultant Options then such parcel of Consultant Options shall remain in full force and effect for the full term up until the Expiry Date and may be exercised at any time up to the Expiry Date by the holder or a deceased optionholder's legal personal representative.
- (ii) Subject to paragraph (iii), (iv) and (v) below, in the event of a Specified Consultant ceasing to be engaged by the Company or any of its subsidiaries as a consultant one half of the Consultant Options issued to that Specified Consultant or its Nominee shall remain in full force and effect for the full term up until the Expiry Date and the other half of such Consultant Options may only be exercised by the optionholder within 3 months of such Specified Consultant ceasing to be so engaged and immediately following that 3 months shall forthwith lapse and have no further effect unless otherwise determined by the board of directors of the Company.
- (iii) If at the time a Specified Consultant ceases to provide consulting services to the Company, the Relevant Person in relation to the Consultant Options issued to such Specified Consultant (or its Nominee) commences providing consulting services to the Company or becomes an employee of the Company then for the purposes of (ii) above, that Specified Consultant will be deemed to continue to provide consulting services to the Company for such period as such Relevant Person continues as a

consultant or employee of the Company and accordingly all such Consultant Options will remain in full force and effect during such period.

- (iv) In the event of a Specified Consultant ceasing to be engaged as a consultant or deemed consultant by the Company or any of its subsidiaries following the takeover of the Company or following a Change in Control, all Consultant Options issued to such Specified Consultant or its Nominee shall remain in full force and effect for the full term up until the Expiry Date.
- (v) In the event that a Specified Consultant ceases to offer full time services to the Company or any of its subsidiaries as a consultant in the manner provided in the Specified Consultants Contract within one year of the issue of any Consultant Options to such Specified Consultant or its Nominee, then all such Consultant Options will immediately and automatically lapse.

(n) Interpretation

In these terms and conditions the following terms will bear the following means unless the context otherwise requires:

“Airmax Options” means 300,000 Consultant Options issued to Airmax International Pty Ltd;

“Change in Control” means a change in the composition of the shareholders of the Company whereby a person who does not presently control the Company within the meaning of section 50AA of the Corporations Act gains such control over the Company;

“Company” means Aurora Minerals Limited;

“Consultant” means any Consultant other than a Specified Consultant;

“Consultant Options” means the Golden Options, the O’Hara Options, the Nero Options, the KMB Options, the Airmax Options, the Fox Options, and the Thomas Options;

“Fox Options” means 800,000 Consultant Options issued to Fox Contracting (WA) Pty Ltd or its Nominee;

“Golden Options” means 450,000 Consultant Options issued to Golden Kilometre Mines Pty Ltd or its Nominee;

“KMB Options” means 300,000 Consultant Options issued to KMB Australia Pty Ltd or its Nominee;

“Listing Rules” means the listing rules as amended from time to time of the ASX;

“Nero Options” means 500,000 Consultant Options issued to Nero Consulting Pty Ltd or its Nominee;

“Nominee” means:

- (a) the Relevant Person;
- (b) a spouse or de facto spouse of the Relevant Person;
- (c) a child, sibling or parent of the Relevant Person;

- (d) a family trust associated with the Relevant Person;
- (e) a superannuation fund in which the Relevant Person or any of the persons referred to above is a member;
- (f) any third party as part of a bona fide arrangement entered into by the option holder in order to finance the exercise of the Consultant Options or any of them; or
- (g) any other nominee approved by the Company.

“Relevant Person” means:

- (a) in relation to the Fox Options Mr Kelvin Fox
- (b) in relation to the Golden Options Mr Eric Moore;
- (c) in relation to the Nero Options Mr Guy Watkins;
- (d) in relation to the O'Hara Options Mr Robert O'Hara;
- (e) in relation to the KMB Options, Mr Ken Banks;
- (f) in relation to the Airmax Options, Mr Andrew Kenny;
- (g) in relation to the Thomas Options Mr Brad Thomas.

“O'Hara Options” means 350,000 Options issued to Robert O'Hara or his Nominee;

“Sable Options” means 150,000 Options issued to Peter Rutledge or his Nominee;

“Thomas Options” means 350,000 Options issued to Lee Thomas Pty Ltd or its Nominee;

“Specified Consultant” means any of Golden Kilometre Mines Pty Ltd, KMB Australia Pty Ltd, Airmax International Pty Ltd, Nero Consulting Pty Ltd, Fox Contracting (WA) Pty Ltd, Robert O'Hara and Lee Thomas Pty Ltd.

AURORA MINERALS LIMITED
ABN 46 106 304 787

271 Great Eastern Highway
Belmont WA 6104
PO Box 707
Belmont WA 6984

Telephone: 61 (8) 6162 9081
Facsimile: 61 (8) 6162 9079
Email: info@auroraminerals.com
Website: www.auroraminerals.com

Proxy Form

I/we.....(full name, block letters)

of.....
being a member of **Aurora Minerals Limited** hereby appoint

.....

of.....
or, failing him, the Chairman of the meeting 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 10.00 am on 11th June 2009 and at any adjournment thereof.

I/we direct my/our proxy how to vote in the following manner:

ORDINARY BUSINESS

		For	Against	Abstain
Resolution 1	To approve the Sale of Dawn Metals Limited	☐	☐	☐
Resolution 2	To approve financial assistance by Desert Energy to Dawn	☐	☐	☐
Resolution 3	To approve issue of Options to Consultants	☐	☐	☐

If no directions are given my/our proxy may vote as the proxy thinks fit or abstain.

If the Chair of the meeting is appointed as your proxy, or may be appointed by default and you do not wish to direct your proxy how to vote as your proxy in respect of the resolution, please place a mark in the box

☐

By marking this box, you acknowledge that the Chair of the meeting may exercise your proxy even if he has an interest in the outcome of the resolutions and that votes cast by the Chair of the meeting for those resolutions other than as proxy holder will be disregarded because of that interest.

If you do not mark this box, and you have not directed your proxy how to vote, the Chair will not cast your votes on the resolution(s) and your votes will not be counted in calculating the required majority if a poll is called on the resolution(s).

Where the Chairman is appointed as proxy, the Chairman's voting intention in relation to undirected proxies in respect of these resolutions is to vote **FOR** the resolutions.

<i>This Proxy is appointed to represent _____% of my voting right, or if 2 proxies are appointed Proxy 1 represents _____% and Proxy 2 represents _____% of my total votes. My total voting right is _____ shares</i>

If the shareholder(s) is an individual(s), every shareholder is to sign:

If the shareholder is a company, sign in accordance with Section 127(1) of Corporations Act or affix common seal (if required by Constitution).

Signed: _____

Director or Sole Director and Secretary

Signed: _____

Director/Secretary

Dated: _____ 2009

Dated: _____ 2009

This form is to be used in accordance with the directions overleaf.

Instructions for completing and lodging this Proxy Form

1. A shareholder who is entitled to attend and vote at a meeting is entitled to appoint a proxy (and a shareholder who is entitled to cast two or more votes may appoint not more than two proxies) to attend and vote at the meeting.
2. Where two proxies are appointed each proxy must be appointed to represent a specified proportion of the shareholder's voting rights. Where two proxies for a shareholder are present at the meeting, neither proxy shall be entitled to vote on a show of hands, and on a poll the appointment shall be of no effect, unless each proxy is appointed to represent a specified proportion of the shareholder's voting rights, not exceeding 100% in aggregate.
3. A proxy need not himself be a shareholder of the Company.
4. The proxy form must be signed personally by the shareholder or his attorney, duly authorised in writing. If a proxy is given by a corporation, the proxy must be executed under either the common seal of the corporation or in accordance with section 127 of the Corporations Act or by its duly authorised attorney. In the case of joint shareholders, this proxy must be signed by at least one of the joint shareholders, personally or by a duly authorised attorney.
5. If a proxy is executed by an attorney of a shareholder, then the original of the relevant power of attorney or a certified copy of the relevant power of attorney, if it has not already been noted by the company, must accompany the proxy form.
6. If the proxy form specifies a way in which the proxy is to vote on any of the resolutions stated above, then the following applies:
 - (a) the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way; and
 - (b) if the proxy has 2 or more appointments that specify different ways to vote on the resolution, the proxy must not vote on a show of hands; and
 - (c) if the proxy is Chairman, the proxy must vote on a poll and must vote that way, and
 - (d) if the proxy is not the Chairman, the proxy need not vote on a poll, but if the proxy does so, the proxy must vote that way.

If a proxy is also a shareholder, the proxy can cast any votes the proxy holds as a shareholder in any way that the proxy sees fit.

7. The Proxy Form (and any power of attorney or other authority pursuant to which the Proxy Form has been signed) must:
either be deposited at the registered office of the Company, 271 Great Eastern Highway, Belmont, WA 6104
or be sent by post to Aurora Minerals Limited, PO Box 707, Belmont WA 6984,
or be sent by facsimile to Aurora Minerals Limited at (08) 6162 9079
so as to be received not later than 48 hours before the time fixed for the holding of the meeting
- that is to be received by 10.00 am Western Standard Time on 9th June 2009.

Change of Address

Should your address have changed please use this section to advise the Company and, if faxing your proxy form, please fax this side of the proxy form as well.

My new address is:

My email address is: _____

My phone number is: _____

23 April 2009

The Directors
Aurora Minerals Limited
271 Great Eastern Highway
BELMONT WA 6104

Dear Sirs

**Re: AURORA MINERALS LIMITED ("AURORA" OR "THE COMPANY") (ABN 46 106 304 787)
ON THE PROPOSAL TO DIVEST (SELL) 100% OF THE SHARES IN DAWN METALS
LIMITED PURSUANT TO AUSTRALIAN SECURITIES EXCHANGE ("ASX") LISTING RULE
10.1 AND 10.11 TO DESERT ENERGY LIMITED**

1. Introduction

1.1 We have been requested by the Directors of Aurora to prepare an Independent Expert's Report to determine the fairness and reasonableness relating to the proposal to sell 100% of the shares in Aurora's subsidiary Dawn Metals Limited ("Dawn") to Aurora's 48.62% owned associated/controlled entity, Desert Energy Limited ("Desert"). Dawn has an interest in the uranium tenements and projects of the Aurora Group (excluding Desert and its uranium interests, although Desert is consolidated for accounting purposes) and in effect Aurora is divesting itself of its main uranium assets to Desert a separate ASX listed entity. Desert, notwithstanding that 48.62% is owned by Aurora is itself listed on the ASX and shares offices and some key management personnel and directors with Aurora. Pursuant to a Contract of Sale Agreement between Aurora and Desert signed in April 2009, Desert is to acquire 100% of the share capital of Dawn for the consideration of:

- 7,464,420 shares in Desert (issued to Aurora) and known as the Consideration Shares; and
- Cash payment of \$400,000 relating to the part payment of a loan due by Dawn to Aurora to 31 March 2009 (estimated to be \$1,078,621 as at 31 March 2009). Any additional funds paid by Aurora on behalf of Dawn post 31 March 2009 will be reimbursed by Desert. Based on forecasts this may total approximately \$198,000. The balance of the debt due by Dawn to Aurora as at 31 March 2009 will be forgiven by Aurora (estimated to be \$678,621).

In the event that any of the Dawn tenements are forfeited (the directors of Aurora consider this to be unlikely), then Aurora will refund Desert \$10,810 per forfeited tenement (up to a maximum of \$400,000 for the 37 tenements being sold via the sale of Dawn to Desert).

The sale of Dawn shares to Desert on the terms noted above for the purposes of this report is known as the Proposed Transactions.

Section 1.8, 8.4 and 10.1 of this report note our conclusions. In summary, **the proposals as outlined in paragraph 1.1 and resolution 1 are, on balance not fair but may be considered reasonable to the shareholders of Aurora whose votes are not to be disregarded.**

- 1.2 Dawn holds various uranium tenements in the northeast Yilgarn area of Western Australia an area near the highly prospective Yeelirrie Uranium Deposit owned by the BHP Billiton Group. Aurora wishes to rationalise itself and divest its main uranium prospects to concentrate on its manganese and non uranium prospects. This is being done by the proposal to sell Dawn that owns the main uranium prospects to Desert (that is deemed a subsidiary of Aurora for accounting purposes as in effect Desert is controlled by Aurora and is thus to date consolidated in the group accounts of Aurora). Aurora holds 40,000,001 shares of the 82,271,101 shares (representing an approximate 48.62% shareholding interest) issued by Desert.
- 1.3 An announcement was made to the ASX on 16 December 2008 on the proposed sale of Dawn to Desert but at that stage no commercial terms had been agreed to. The significant terms as noted above were agreed to in February 2009 and then updated in April 2009 (in regard to warranties) and announced to the market on 23 April 2009. If the sale proceeds, Aurora will increase its shareholding in Desert to 47,464,421 shares that would represent an approximate 52.893% shareholding interest in Desert and Desert would become a legal subsidiary of Aurora (in that it would own more than 50% of the shares in Desert). Currently, for accounting purposes, Desert is considered a deemed subsidiary of Aurora as, inter-alia, Desert is under the control of Aurora via its 48.62% shareholding and the Aurora Board being directors of Desert. However, Desert would still retain its ASX listing status and continue to operate as a separate company, albeit under the control of Aurora. Further details are as noted below and in resolution 1 in the Notice of Meeting and Explanatory Statement to Shareholders of Aurora ("the Explanatory Statement") of April 2009.
- 1.4 The Company has considered that the Proposed Transactions amount to transactions with persons in a position of influence under ASX Listing Rule 10.1 as the Proposed Transactions involves selling Dawn shares to Desert that is an associated/controlled company and all of the directors of Aurora are also directors of Desert. ASX Listing Rule 10.1 requires shareholders to approve transactions involving transactions with subsidiaries or associates and director related parties where the value of the transaction represents more than 5% of the equity interests of a company.
- 1.5 Therefore a Notice prepared in relation to a meeting of shareholders convened for the purposes of ASX Listing Rule 10.1 must be accompanied by an Independent Expert's Report stating whether the sale of 100% of the Dawn shares to Aurora's associate/controlled entity on the terms and conditions as

outlined in resolution 1 and the Explanatory Statement to Shareholders is fair and reasonable to the Aurora shareholders whose votes are not to be disregarded. To assist shareholders in making a decision on whether to vote for or against the Proposed Transactions, the directors of Aurora have requested that Stantons International Securities ("SIS") prepare an Independent Expert's Report, which must state whether, in the opinion of the Independent Expert, the Proposed Transactions are fair and reasonable to the shareholders of Aurora whose votes are not to be disregarded.

In this report the expression "Aurora Shareholders" means the shareholders of ordinary securities in Aurora.

1.6 Apart from this introduction, this report considers the following:

- Summary of opinion
- Implications of the Proposed Transactions
- Corporate history and nature of business of Aurora and Desert
- Future direction of Aurora
- Basis of valuation of Desert shares
- Value of consideration
- Basis of valuation of Dawn
- Basis of valuation of the Consideration offered by Desert to Aurora
- Conclusion as to fairness
- Reasonableness of the offer
- Conclusion as to reasonableness
- Sources of information
- Appendix A and Financial Services Guide

1.7 In determining the fairness and reasonableness of the Proposed Transactions, we have had regard for the definitions set out by the Australian Securities and Investments Commission ("ASIC") in its Regulatory Statement 111. Regulatory Statement 111 states that an opinion as to whether an offer is fair and/or reasonable shall entail a comparison between the offer price and the value that may be attributed to the securities under offer (fairness) and an examination to determine whether there is justification for the offer price on objective grounds after reference to that value (reasonableness). The concept of "fairness" is taken to be the value of the offer price, or the consideration, being equal to or greater than the value of the securities in the above mentioned offer. Furthermore, this comparison should be made assuming 100% ownership of the "target", and irrespective of whether the consideration is scrip or cash. An offer is "reasonable" if it is fair. An offer may also be reasonable, if despite not being "fair", where there are sufficient grounds for security holders to accept the offer in the absence of any higher bid before the close of the offer.

Accordingly, our report relating to the Proposed Transactions that entail Aurora receiving 7,464,420 Consideration Shares in Desert and receiving \$400,000 in cash funds as part payment of loans due by Dawn to Aurora (the balance of the loans to 31 March 2009 are to be forgiven by Aurora) is concerned with the fairness and reasonableness of the Proposed Transactions to Aurora shareholders whose votes are not to be disregarded.

- 1.8 **In our opinion, the proposals as outlined in paragraph 1.1 and resolution 1 are, on balance not fair but may be considered reasonable to the shareholders of Aurora whose votes are not to be disregarded.** It is noted that Aurora provides for the intercompany debt due by Dawn to Aurora prior to the proposals as there was an expectation that in the short/medium term the ability to realise the debt in full was low. Thus the net written down carrying value of the investment in Dawn was nil and Aurora is to receive a total share and cash consideration of around \$810,000.

The opinions expressed above must be read in conjunction with the more detailed analysis and comments made in this report, including the Independent Geologist's Valuation Report (Castle Valuation Report) on the uranium assets ("Mineral Assets") of Dawn prepared by Malcolm Castle (dated 9 January 2009) ("Castle") a copy of which is attached as an appendix to the Notice.

2. Implications of the Proposed Transaction

- 2.1 As at 22 April 2009 there were 70,195,722 ordinary fully paid shares on issue in Aurora. If the Proposed Transactions are completed, there will be no change in the issued capital of Aurora. As at 22 April 2009 there were 82,271,001 ordinary fully paid shares on issue in Desert of which Aurora owns 40,000,001 shares that represents approximately 48.62% of the issued capital of Desert at that date. If the Proposed Transactions proceed, Desert would issue 7,464,420 Consideration Shares (that are ordinary shares) to Aurora and Aurora would then own 47,464,421 shares in Desert that would represent an approximate 52.893% shareholding and voting interest in Desert (an increase of approximately 4.274%). Desert would become a legal subsidiary of Aurora (on the basis of owning more than 50% of the shares in Desert) and Aurora would need to continue to consolidate the results and assets and liabilities of the Desert Group (that would include Dawn) and disclose a 47.107% minority interest of the Desert Group in Aurora's consolidated equity and reserves.

The top 20 shareholders of Desert at 10 March 2009 own approximately 74.39% of the issued capital of Desert. The next largest 19 Desert shareholders (ignoring Aurora) own approximately 25.77%. If the Proposed Transactions are consummated, the top 20 shareholders of Desert would represent approximately 76.52%. The next largest 19 Desert shareholders (ignoring Aurora) would own approximately 23.63%.

- 2.2 As at 31 December 2008, there is a loan of approximately \$976,621 owed by Dawn to Aurora as a result of Aurora lending funds to Dawn (paying costs on Dawn's behalf) in relation to the exploration assets of Dawn. By 31 March 2009 it is estimated that the debt would approximate \$1,078,621. It is planned that \$400,000 of the debt due to Aurora will be repaid by Desert advancing funds to Dawn and Dawn repaying Aurora \$400,000. The balance of the debt to 31 March 2009 (estimated at \$678,621) due by Dawn to Aurora will be forgiven by Aurora. Any costs incurred by Aurora on behalf of Dawn post 31 March 2009 to date of consummation of the share transfers of shares in Dawn to Desert will be refunded by Desert to Aurora. The estimated costs in April and May 2009 are \$198,000. It is noted that some of the tenements have not met minimum expenditure requirements and any fines incurred (if any) (estimated at a maximum of \$60,000) will be paid for by Aurora and not reimbursable by Desert. The Minister also has the power under the Mining Act to forfeit the tenements for

non compliance with the minimum expenditure requirements. Enquires made of the Department of Mines and Petroleum by Aurora indicate that forfeiture is unlikely in these circumstances. In the event that any of the Dawn tenements are forfeited (the directors of Aurora consider this to be unlikely), then Aurora will refund Desert \$10,810 per forfeited tenement (up to a maximum of \$400,000 for the 37 tenements being sold via the sale of Dawn to Desert).

- 2.3 Although a sale of the shares in Dawn is being made to Desert, in effect whilst Desert remains a subsidiary of Aurora and under the control of Aurora, the Aurora Group will retain operational control over Dawn and its exploration activities. However Aurora will receive 7,464,420 Consideration Shares in Desert that once the expected 12 month escrow (restriction from sale of the Consideration Shares) expires, Aurora can sell the Consideration Shares on or off market to non related parties if it so wishes to do so.
- 2.4 It is not expected that any new directors will be appointed to the Board of Desert or Aurora on completion of the Proposed Transactions.
- 2.5 Information on the Mining Assets of Dawn to be indirectly divested is outlined in the Explanatory Statement and the Castle Valuation Report of 9 January 2009. Information on Aurora, Dawn and Desert are also outlined in the Explanatory Statement attached to the Notice.

3. Corporate History and nature of Business of Aurora and Desert

- 3.1 Aurora is an ASX listed public company from 15 June 2004 after raising \$4,000,000 via an initial public offering/prospectus and is currently a mineral explorer. Its main assets other than cash at bank are as follows:
 - A 100% interest in the Capricorn South East Manganese Project in Western Australia (this is arguably a prospective project mainly for manganese but also uranium);
 - A 100% interest in the Camel Hills gold and base metal (iron) project
 - A 30% interest in the Macraes West Joint venture in New Zealand that is prospective for gold;
 - 100% of the shares in Dawn (the subject of the Proposed Transactions) that has a 100% interest in a large calcrete uranium portfolio in the North Eastern Yilgarn region of Western Australia; and
 - A 48.62% shareholding interest in Desert.
- 3.2 Desert was listed on the ASX in August 2007 as a spin off of Aurora. It raised \$8,000,000 from its IPO. The main assets acquired from Aurora were uranium based prospects for the consideration of 40,000,000 shares in Desert being issued to Aurora. The main assets of Desert apart from cash at bank are as follows:
 - Old Station West Project, a uranium prospect 100% owned by Desert where it is targeting uranium mineralisation of the Yeelirrie style associated with calcrete. Old Station West project is 150km SW of the Yeelirrie Uranium Project owned by BHP Billiton;
 - Downs East Project a uranium prospect 65km NW of Yeelirrie; and
 - Minnie Creek and limejuice Projects a uranium and base metal prospect in the Gascoyne region of Western Australia.

4. Future Directions of Aurora

4.1 We have been advised by the directors and management of Aurora that:

- There are no proposals currently contemplated either whereby Aurora will divest any further properties or assets to Desert (however Aurora will receive 7,464,420 Consideration Shares and \$400,000 cash as outlined above);
- The composition of the Board will not change in the short term;
- No dividend policy has been set and it is not proposed to be set until such time as the Company is profitable and has a positive cash flow;
- The Company intends to continue its exploration on the remaining mineral assets with most emphasis on the Capricorn and Camel Hills Projects;
- The Company will maintain its shareholding interest in Desert post the completion of the Proposed Transaction (Aurora's shareholding interest will increase to approximately 52.893%) for the short and near term, however may reduce if Desert makes a capital raising to other parties or share options in Desert are exercised.

5. Basis of Valuation of Desert Shares

5.1 Shares

5.1.1 In considering the proposals to determine the value of the Consideration Shares to be received from the sale of Dawn to Desert we have sought to determine if the considerations receivable by Aurora from Desert are fair and reasonable to the existing shareholders of Aurora.

5.1.2 The offer would be fair to the existing shareholders if the value of the assets (shares in Dawn and in effect an indirect interest in Dawn uranium projects) being divested (sold) by Aurora to Desert are less than the implicit value of the 7,464,420 Consideration Shares being received along with part repayment of the loan between Aurora and Dawn. Accordingly, we have sought to determine a theoretical value that could reasonably be placed on Desert's shares prior to the Proposed Transactions for the purposes of this report.

5.1.3 The valuation methodologies we have considered in determining a theoretical value of a Desert ordinary share are:

- Capitalised maintainable earnings/discounted cash flow;
- Takeover bid - the price at which an alternative acquirer might be willing to offer;
- Adjusted net asset backing and windup value; and
- The market price of Desert shares.

5.2 Capitalised maintainable earnings and discounted cash flows.

5.2.1 Due to Desert's operations, a lack of profit history arising from business undertakings and the lack of a reliable future cash flow from a current business activity, we have considered these methods of valuation not to be relevant for the purpose of this report.

5.3 Takeover Bid

5.3.1 It is possible that a potential bidder for Desert could purchase all or part of the existing shares, however no certainty can be attached to this occurrence. To our knowledge, there are no current bids in the market place and the directors of Aurora have formed the view that there is unlikely to be any takeover bids made for Desert in the immediate future. However after the completion of the Proposed Transactions, Aurora's interest would be approximately 52.893% (before the conversion of any Desert's share options) up from the current 48.62%.

5.4 Adjusted Net Asset Backing

5.4.1 We set out below an unaudited consolidated balance sheet ("A") of Desert as at 31 December 2008 along with a pro-forma consolidated balance sheet ("B") assuming the following:

- The acquisition of all of the issued capital of Dawn from Aurora by way of an issue of 7,464,420 ordinary shares at 5.5 cents each (share consideration deemed to be \$410,543) along with Desert paying on behalf of Dawn \$400,000 to Aurora as part payment of the debt due by Dawn to Aurora; and
- Assuming further losses and exploration costs of say \$315,000 by Desert to 30 April 2009.

We also set out below the unaudited 31 December 2008 consolidated balance sheet ("C") of the Aurora Group that incorporates a 48.62% shareholding interest in Desert prior to the Proposed Transactions and an unaudited 31 December 2008 pro-forma consolidated balance sheet ("D") of Aurora adjusted for the completion of the Proposed Transaction and after allowing for incidental sale costs of \$30,000 and assuming further losses of Aurora (ignoring Desert) of say \$303,000 to 30 April 2009. The D consolidated balance sheet includes the consolidation of Desert (using the B Desert pro-forma consolidated balance sheet).

	A Desert Consolidated 31 December 2008	B Pro-forma Desert Consolidated 31 December 2008 (as adjusted)	C Aurora Consolidated 31 December 2008	D Pro-forma Aurora Consolidated 31 December 2008 (as adjusted)
	\$'000's	\$000's	\$000's	\$000's
Current Assets				
Cash	4,801	4,086	7,883	7,235
Receivables	235	235	1,018	1,018
Other	10	10	160	160
	5,046	4,331	9,061	8,413
Non Current Assets				
Plant and equipment	357	357	748	748
Capitalised acquisition costs	-	-	-	-
	357	357	748	748
Total Assets	5,403	4,688	9,809	9,161
Current Liabilities				
Payables and accruals	191	191	71	71
Total Current Liabilities	191	191	71	71

	A Desert Consolidated 31 December 2008	B Pro-forma Desert Consolidated 31 December 2008 (as adjusted)	C Aurora Consolidated 31 December 2008	D Pro-forma Aurora Consolidated 31 December 2008 (as adjusted)
	\$'000's	\$000's	\$000's	\$000's
Total Liabilities	191	191	71	71
Net Assets	5,212	4,497	9,738	9,090
Represented by:				
Issued capital	8,338	8,749	19,655	19,655
Reserves	1,824	1,824	3,888	3,888
Accumulated losses	(4,950)	(6,076)	(16,483)	(16,571)
Parent company interest	5,212	4,497	7,060	6,972
Minority equity interest	-	-	2,678	2,118
Net Equity	5,212	4,497	9738	9,090

5.4.2 Based on the book values of Desert, this equates to a value per Desert fully paid ordinary share post the Proposed Transactions (assumes 89,736,421 ordinary shares on issue) of approximately 5.01 cents (ignoring the value, if any, of non-booked tax benefits). Using the preferred valuation of the Mineral Assets of \$1,000,000, the adjusted book value would be approximately 6.12 cents. The net book tangible asset backing as at 31 December 2008 (as adjusted for \$315,000 of losses post 31 December 2008) prior to the Proposed Transactions equates to approximately 5.95 cents (82,271,001 shares on issue). It is noted that Desert obtained an independent valuation of its interest in mineral tenements and the preferred value was assessed at \$1,400,000. If this was added to the Desert net assets of \$5,212,000, the total net value would increase to \$6,612,000 or 8.03 cents per share. After allowing for estimated losses post 31 December 2008 of say \$315,000, the adjusted net assets approximate \$6,297,000 or approximately 7.65 cents per share.

5.4.3 Based on the book values of Aurora (consolidated), this equates to a value per Aurora fully paid ordinary share post the Proposed Transactions (assumes 70,195,722 Aurora ordinary shares on issue) of approximately 12.94 cents (ignoring the value, if any, of non-booked tax benefits). The net book tangible asset backing as at 31 December 2008 (as adjusted for \$303,000 of Aurora losses post 31 December 2008 and \$315,000 of Desert losses post 31 December 2008) prior to the Proposed Transactions equates to approximately 12.99 cents per share based on 70,195,722 shares on issue).

5.4.4 We have accepted the amounts for all current assets and current liabilities of Desert. No detailed review was made by us on the assets and liabilities disclosed in the unaudited adjusted consolidated balance sheet as at 31 December 2008. We have been assured by the management of Aurora who control Desert that they believe the carrying value of all current assets and liabilities at 31 December 2008 are fair and not materially misstated. They consider that the fair value of the interests in the mineral tenements approximates \$1,400,000 but this amount has not been booked in the balance sheet as at 31 December 2008.

5.4.5 For accounting purposes, the consideration for the issue of Desert shares for Desert to acquire the shares in Dawn (effectively indirectly acquiring certain interests in uranium prospects) from Aurora will be booked at market value and

not any perceived technical value. This also applies from Aurora's perspective. Accordingly, for the reasons outlined above, we believe that for the purpose of this report, it is not appropriate to use any technical value of a Desert share in assessing whether the proposal for Aurora to sell the shares in Dawn to Desert is fair and reasonable.

5.5 Market Price of Desert Fully Paid Shares

5.5.1 Between 1 October 2008 to the one day prior to the date of the announcement of the financial details of the Proposed Transactions with Aurora (22 April 2009) the shares in Desert have traded in the following range:

	High Cents	Low Cents	Last Sale Cents	Volume Trade (000's)
2008				
October	28.0	10.0	10.5	1,450
November	11.0	6.0	7.0	340
December	7.0	5.0	5.0	157
2009				
January	6.0	5.0	5.7	163
February	6.5	5.1	5.6	605
March	6.0	5.0	5.0	254
April (to 22nd)	6.0	6.0	6.0	57

An announcement was made as to the Proposed Acquisitions on 16 December 2008 however that announcement did not disclose the consideration to be received by Aurora. The stock market in general had a severe fall in late October 2008 and share prices of Desert post mid December 2008 are probably a more reliable guide to a fair market price of a Desert share. The share price in mid December 2008 was between 6.1 cents and 7 cents.

5.5.2 Generally, the market is a fair indicator of what a share is worth, however the theoretical technical value based on the underlying value of assets and liabilities may be lower or higher.

In the case of Desert, current liquidity is reasonable but Desert may later on be required to:

- undertake a capital raising of some significance (or a series of smaller capital raisings) and / or
- sell or dilute its interest in existing mining interests.

It is noted that over the past several years, the vast majority of mineral exploration companies listed on the ASX are trading at significant discounts or premiums to appraised technical values and in some cases recently have traded at a discount to cash asset backing. In the case of Desert, the monthly volume of trades on the ASX, although not large is reasonable and large enough to argue that an orderly market exists for the Company's shares. The "market" arguably is fully informed of Desert's activities and in view of the immediate and near future lack of a minable uranium or base metal mine in Australia or overseas, it is in our opinion appropriate to use a range of recent pre-

announcement trading market values as fair values to attribute to the ordinary shares (shares to be restricted for 12 months) to be issued to Aurora.

5.5.3 The future value of a Desert share will depend upon, inter alia:

- The future prospects of the interests in the Mining Assets (via acquiring Dawn) if acquired and its existing uranium assets;
- The state of the uranium markets (and prices) overseas;
- The state of Australian and overseas stock markets;
- Membership of the Board;
- The cash position of Desert;
- General economic conditions; and
- Liquidity of shares in Desert.

5.5.4 The shares in Desert have traded up to a high of 30 cents since April 2008 but as part of the slump in the stock market and falling uranium prices, the shares in Desert started to decline rapidly and over the past few months have traded in the 5 cent to 7 cent range. The range of fair values to be ascribed to the Consideration Shares on a pre announcement approach is in the range of 5 cents to 7 cents.

5.5.5 Arguably the Consideration Shares to be issued by Desert have a lesser value, as they are to be restricted from trading for a period of 12 months. A discount of 10% to 20% per annum is commonly applied to shares that have a restriction on trading and if this applied to the Consideration Shares to be issued to Aurora, the discounted market value may approximate in the range of \$298,576 (20% discount to the low price of 5 cents per share) to \$470,258 (10% discount to the high price of 7 cents per share). We were informed that in setting the share consideration component of 7,464,420 shares, a share price of approximately 8.038 cents was used being the share price at the time of negotiations with Desert representatives. This was arrived at by taking the net book value of Desert's assets (\$5,212,000) (excludes mineral tenement interests as these are written off as costs incurred) plus the considered fair value (\$1,400,000) of Desert's mineral tenements as supplied by Castle divided by the number of Desert shares on issue (82,271,001). To arrive at the 7,464,420 shares the Company divided \$600,000 (this assumed a consideration of \$600,000 in shares) by approximately 8.038 cents. Since 31 December 2008 it is estimated that Desert would have occurred further losses of \$314,000 so that the net asset position plus the \$1,400,000 would equate to approximately \$6,297,000. The value per Desert share would then equate to approximately 7.65 cents (and estimated at 7.65 cents as at 30 April 2009). If this (7.65 cents) was used the deemed consideration for 7,464,420 shares would be \$571,028. In accordance with Australian Equivalents of International Accounting Standards ("A-IFRS"), the final consideration for the 7,464,420 Consideration Shares may be the share price at the date the Consideration Shares are issued to Aurora. Based on a 6 cent share price as at 17 April 2009 (this has been the last sale price to 23 April 2009), the total deemed issue price for the 7,464,420 Consideration Shares would be \$447,865. Using the low price of 5 cents in early January 2009, the consideration for the 7,464,420 Consideration Shares would equate to \$373,221.

6. Value of Consideration

- 6.1 Based on pre announcement share prices the consideration range (to sell all the shares in Dawn) would be:

	Low \$	Preferred or Deemed \$	High \$
7,464,420 ordinary shares at pre-announcement prices (no discount for escrow)	373,221	410,543	522,509
Loan funds owing by Dawn to Aurora to be repaid to Aurora by Desert	400,000	400,000	400,000
Total consideration to be received	773,221	810,543	922,509
Share price assumed to be (cents)	5	5.5	7

Dawn as at 31 December 2008 owes \$971,621 to Aurora as Aurora has funded all exploration and operational expenditure of Dawn. Aurora in its general ledger to 31 December 2008 had fully provided for the loan to Dawn as without the Proposed Transactions, the chances of recovery of the intercompany debt was low. As at 31 March 2009, the estimated amount of the loan to Dawn by Aurora is \$1,078,621. If the Proposed Transaction proceeds, \$400,000 of the loan due by Dawn to Aurora as at 31 March 2009 will be repaid in cash, and the balance of the loan to 31 March 2009 will be forgiven.

Under IFRS accounting point of view, the total consideration to be received by Aurora from Desert may lie in the range of \$773,221 and \$922,509. Based on the share price of a Desert share of 6 cents as at 23 April 2009 (actual last sale to 23 April 2009 was on 17 April 2009 at 6 cents), the total consideration would equate to \$847,865 made up of \$400,000 cash and \$447,865 for the shares in Desert.

7. Basis of Valuation of the Shares in Dawn

- 7.1 The usual approach to the valuation of an asset is to seek to determine what an informed, willing but not anxious buyer would pay to an informed, willing but not anxious seller in an open market. In the case of selling the shares in Dawn, we have considered that in valuing the various interests in the Mining Assets of Dawn that in effect is the only significant assets of Dawn, the fair value of the Mining Assets methodology is relevant for the purposes of this report (in effect an asset backing approach using fair market values for the assets and liabilities).
- 7.2 The Company, in conjunction with Desert commissioned Malcolm Castle a qualified geologist to prepare a valuation report on the Mining Assets ("Castle Valuation Report") that are the only significant assets of Dawn. The Castle Valuation Report dated 9 January 2009 should be read in its entirety and a full copy of the Castle Valuation Report is attached as an appendix to the Notice and Explanatory Statement. The Castle Valuation Report ascribes a range of values to the Mining Assets and for the purposes of our report we have used various valuations referred to in the Castle Valuation Report.

7.3 We have used and relied on the Castle Valuation Report on the Mining Assets of Dawn and have satisfied ourselves that:

- Castle has used suitably qualified personnel and has relevant experience in assessing the merits of mineral projects and preparing mineral asset valuations;
- Castle is sufficiently independent from Aurora and Desert;
- Castle has employed sound and recognised methodologies in the preparation of the Castle Valuation Report on the Mining Assets.

7.4 Castle has provided a range of values of the Mining Assets and the values are as follows:

	Low \$000's	Preferred \$000's	High \$000's
Various projects per Castle Valuation Report	200,000	1,000,000	2,500,000
Total of Valuation	200,000	1,000,000	2,500,000

We have been informed that all necessary due diligence on the Mining Assets has been completed to the best ability of the Aurora directors. However, no guarantee can be given as to the long-term value of the Mining Assets. This will depend on many factors, including inter-alia:

- Future commercial success or otherwise of the Mining Assets;
- Foreign and Australian stock exchange and uranium markets;
- Ability to raise capital to undertake exploration and any development of the Mining Assets;
- The political climate on uranium exploration and development.

Desert has a loan due to Aurora of \$971,620 as at 31 December 2008 and the unaudited balance sheet of Dawn as at 31 December 2008 discloses no assets or liabilities (however all exploration costs relating to the Mining Assets have been expensed). Aurora in its books has provided in full for the loan due by Dawn. The amount of the loan as at 31 March 2009 is estimated to be \$1,078,621.

The net fair value of Dawn after taking into account its liabilities due to Aurora but using the range of fair values of the Mining Assets has a range of between \$nil (low) and \$1,421,379 (high) with a preferred net fair value of \$nil (preferred). However, if we assumed that \$678,621 of the loan to Aurora was to be forgiven, the adjusted net assets would be a nil (low) to \$2,100,000 (high) with a preferred net value of \$600,000.

8. Conclusion as to Fairness

8.1 The proposal to sell Dawn and in effect its interest in the Mining Assets for the consideration noted in paragraph 1.1 is believed fair to Aurora's shareholders if the value of the consideration received is equal to or greater than the value of the value of Dawn.

- 8.2 Due to the nature of the business of Aurora, Dawn and Desert, valuations are dependent upon the value placed on the mineral interests of Desert and the potential of the Mining Assets of Dawn. The valuation of mineral interests and valuing future profitability and cash flows is extremely subjective as it involves assumptions regarding future events that are not capable of independent substantiation. The assumptions used in the Castle Valuation Report are contained in that report.
- 8.3 We have examined below the values attributable to Dawn that is proposed to be sold and the value of the Consideration offered by Desert to Aurora may be:

	Low Values \$	Preferred or Agreed Values \$	High Values \$
Assessed values based on independent valuation of the effective interests in the Mining Assets (via shares in Dawn) (refer paragraph 7.4) less the intercompany debt owing to Aurora	nil	nil	1,421,379
Assessed values based on independent valuation of the effective interests in the Mining Assets (via shares in Dawn) and adjusting the loan account to \$400,000	nil	600,000	2,100,000
The carrying value of the shares in Dawn and loan to Dawn is estimated as at 31 March 2009 to be \$1,078,621			
Pre announcement value of consideration being offered by Desert to Aurora (refer paragraph 6.1)	773,321	810,543	922,509

- 8.4 **On a market value approach which is considered more relevant for the reasons outlined in section 5 of this report, the proposed receipt by Aurora of 7,464,420 Consideration Shares and Aurora receiving \$400,000 of the loans made by Aurora to Dawn are, on balance not considered fair to the Aurora shareholders whose votes are not to be disregarded.**

9. Reasonableness of the Offers

- 9.1 We set out below some of the advantages and disadvantages and other factors pertaining to the Proposed Transactions.

Advantages

- 9.2 The Company's main focus over the past 12 months or so has been in the non uranium exploration sector and in particular is focussing on exploration and evaluation of the Capricorn manganese project and to a lesser extent on the Camel Hills iron, gold and base metal prospects. Desert is 48.62% owned by Aurora and to some extent it makes sense to have Desert as the "uranium explorer" arm of the Aurora Group.

- 9.3 If Aurora was to continue owning Dawn it would need to incur further cash outlays on exploration and operational costs on Dawn and its Mining Assets. Although there is some prospectivity to some of the Mining Assets, cash resources of Aurora are not high and by selling Dawn to Desert, cash is preserved and in fact some of the intercompany loan between Aurora and Dawn will be repaid to Aurora. Capital raisings for exploration in 2009 will be extremely difficult and the ability to save exploration funds in today's market is a positive. Desert if the Proposed Transactions are completed will take over responsibility for the exploration commitments of Dawn. Desert is reasonably cashed up with approximately \$4,086,000 in the bank after consummation of the Proposed Transactions. Notwithstanding that Desert is consolidated into the group accounts of Aurora, Aurora does not have access to the cash funds of Desert.
- 9.4 Once the Proposed Transactions are completed, Aurora will still have an indirect 52.893% interest in Dawn and the Mining Assets as Desert will become a 52.893% owned subsidiary of Aurora. If the Mining Assets prove to be a commercial success, Aurora still maintains some interest (indirectly) in the Mining Assets and potentially Desert's share price could rise that benefits Aurora and indirectly Aurora's shareholders.
- 9.5 The directors have outlined a number of perceived advantages of the proposed transaction, although we cannot be certain as to whether the advantages noted by them in the Explanatory Statement to Shareholders attached to the Notice will eventuate. However, on the face of it they appear reasonable.
- 9.6 Aurora has the ability to recover \$400,000 of the debt due by Dawn in the short term. Currently, in the absence of the sale of Dawn or the sale of the Mining Assets to a third party, the ability to realise cash of \$400,000 from the intercompany loan would not be possible.

Disadvantages

- 9.7 Based on the Castle Valuation Report on the Mining Assets and the current carrying value of the shares in and loans to Dawn, the Proposed Transactions (sale of shares in Dawn to Desert) are on balance not fair.
- 9.8 The Mining Assets may turn out to be commercially viable and instead of Aurora owning 100% of the Mining Assets (via shares in Dawn) it would own an indirect interest of around 52.893% before the issue of any further shares in Desert.
- 9.9 If commercially successful, the original loan due to Aurora by Dawn would have been repaid in full and not partially. However, the Mining Assets currently are still in the exploration phase and quite a bit of money needs to be spent on exploration and evaluation.

Other Factors

- 9.10 The vast majority of the uranium assets of the Aurora Group would be housed in Desert and Desert can focus on such assets. The market may appreciate that Aurora is quarantining its uranium assets away from the other minerals that Aurora is exploring. Additionally investors can focus separately on Aurora and Desert and each may raise capital in the future as more focussed mineral companies.

- 9.11 The value of the shares in Desert may rise or fall in the future. It is noted that Desert was trading in the 20's prior to the world financial meltdown in October 2008.
- 9.12 The Company's tax losses will be reduced as a result of the sale of the shares in Dawn and the forgiveness of debt.
- 9.13 Some of the granted tenements owned by Dawn have not met minimum expenditure requirements imposed as conditions of grant. Desert is aware of the shortfalls but if any fines are imposed on Aurora for non compliance with minimum expenditure requirements, Aurora will pay the fines. We have been advised that if fines are issued, the estimated exposure is \$60,000. If required to be paid this in affect reduces the cash of \$400,000 to say \$340,000 although the \$400,000 will be received by Aurora first. There is no guarantee that any fines will be incurred but there is the possibility of this occurring. The Minister also has the power under the Mining Act to forfeit the tenements for non compliance with the minimum expenditure requirements. Enquires made of the Department of Mines and Petroleum by Aurora indicate that forfeiture is unlikely in these circumstances. In the event that any of the Dawn tenements are forfeited (the directors of Aurora consider this to be unlikely), then Aurora will refund Desert \$10,810 per forfeited tenement (up to a maximum of \$400,000 for the 37 tenements being sold via the sale of Dawn to Desert).

10. Conclusion as to Reasonableness

- 10.1 **In our opinion, the proposals as outlined in paragraph 1.1 and resolution 1 are, on balance considered reasonable to the shareholders of Aurora whose votes are not to be disregarded. We consider the advantages outweigh the disadvantages.**

11. Sources of Information

- 11.1 In making our assessment as to whether the Proposed Transactions are fair and reasonable, we have reviewed relevant published available information and other unpublished information of the Company, Dawn, Desert and its subsidiaries and the Mining Assets that is relevant to the current circumstances. In addition, we have held discussions with the management of Aurora about the present and future operations of the Company and its subsidiaries. Statements and opinions contained in this report are given in good faith but in the preparation of this report, we have relied in part on information provided by the independent directors and management of Aurora.
- 11.2 Information we have received includes, but is not limited to:
- Draft March and April 2009 Notice of General Meeting of Shareholders of Aurora and draft Explanatory Statement to Shareholders;
 - Discussions with management and directors of Aurora and the legal advisers to Aurora;
 - Shareholding details of Aurora and Desert as supplied by the Company's share registries in March 2009;
 - Audited Consolidated Balance Sheet of Aurora as at 30 June 2008;

- The Share Sale Agreement between Aurora and Desert of 23 April 2009 relating to the proposed sale of the shares in Dawn;
- The Independent Valuation Report of Castle dated 9 January 2009 relating to the Mining Assets;
- Correspondence with Aurora and Desert personnel;
- Information on Aurora and Desert as lodged with ASX from January 2008 to 23 April 2009;
- Un-audited balance sheets for Aurora, Dawn and Desert as at 31 December 2008 and the unaudited consolidated balance sheet of Aurora as at 31 December 2008;
- Forecasted cash flows regarding mineral exploration on the Mining Assets; and
- Information on the loans between Aurora and Dawn.

11.3 Our report includes Appendix A and our Financial Services Guide attached to this report. The Castle Valuation Report that is attached to the Explanatory Statement to Shareholders should also be read in its entirety.

Yours faithfully

STANTONS INTERNATIONAL SECURITIES



J P Van Dieren FCA
Director

APPENDIX A

AUTHOR INDEPENDENCE AND INDEMNITY

This annexure forms part of and should be read in conjunction with the report of Stantons International Securities dated 23 April 2009, relating to the receipt by Aurora of 7,464,420 ordinary Consideration Shares as part consideration for selling all of the shares in Dawn to Desert as outlined in paragraph 1.1 of this report and the repayment of part of the loans made by Aurora to Dawn and as outlined in resolution 1 in the Notice of Meeting and Explanatory Statement to Shareholders to be issued in April or May 2009.

At the date of this report, Stantons International Securities does not have any interest in the outcome of the proposal. There are no relationships with Aurora or Desert other than acting as an independent expert for the purposes of this report. There are no existing relationships between Stantons International Securities and the parties participating in the transaction detailed in this report which would affect our ability to provide an independent opinion. The fee to be received for the preparation of this report is based on the time spent at normal professional rates plus out of pocket expenses and is estimated at \$12,000. The fee is payable regardless of the outcome. With the exception of the fee, neither Stantons International Securities nor John P Van Dieren have received, nor will, or may they receive, any pecuniary or other benefits, whether directly or indirectly, for or in connection with the making of this report.

Stantons International Securities or the author of this report does not hold any securities in Aurora or Desert. There are no pecuniary or other interests of Stantons International Securities that could be reasonably argued as affecting its ability to give an unbiased and independent opinion in relation to the proposal. Stantons International Securities and Mr J Van Dieren have consented to the inclusion of this report in the form and context in which it is included as an annexure to the Notice.

QUALIFICATIONS

We advise Stantons International Securities (a trading division of Stantons International Pty Ltd) is the holder of an Australian Financial Services Licence (no 319600) under the Corporations Act 2001 relating to advice and reporting on mergers, takeovers and acquisitions that involve securities. A number of the shareholders of Stantons International Services Pty Ltd (an associated company) are the Directors' of Stantons International Pty Ltd. Stantons International Pty Ltd and Stantons International Services Pty Ltd have extensive experience in providing advice pertaining to mergers, acquisitions and strategic and financial planning for both listed and unlisted companies and businesses.

Mr John P Van Dieren, FCA, the person responsible for the preparation of this report, has extensive experience in the preparation of valuations for companies and in advising corporations on takeovers generally and in particular on the valuation and financial aspects thereof, including the fairness and reasonableness of the consideration offered. The professionals employed in the research, analysis and evaluation leading to the formulation of opinions contained in this report, have qualifications and experience appropriate to the task they have performed.

DECLARATION

This report has been prepared at the request of the Directors of Aurora in order to assist the Aurora shareholders to assess the merits of the proposals as noted in resolution 1 to which this report relates. This report has been prepared for the benefit of Aurora's directors and shareholders and does not provide a general expression of Stantons International Securities' opinion as to the longer term value of Aurora, Desert and Dawn or the Mining Assets. Stantons International Securities does not imply, and it should not be construed, that it has carried out any form of audit on the accounting or other records of Aurora, Desert, Dawn or the Mining Assets. Neither the whole nor any part of this report, nor any reference thereto may be included in or with or attached to any document, circular, Resolution, letter or statement, without the prior written consent of Stantons International Securities to the form and context in which it appears.

DISCLAIMER

This report has been prepared by Stantons International Securities with due care and diligence. However, except for those responsibilities, which by law cannot be excluded, no responsibility arising in any way whatsoever for errors or omission (including responsibility to any person for negligence) is assumed by Stantons International Pty Ltd, Stantons International Services Pty Ltd, its directors, shareholders, employees or consultants for the preparation of this report.

DECLARATION AND INDEMNITY

Recognising that Stantons International Securities may rely on information provided by Aurora and its officers (save whether it would not be reasonable to rely on the information having regard to Stantons International Securities experience and qualifications), Aurora has agreed:

- a) To make no claim by it or its officers against Stantons International Securities (and Stantons International Pty Ltd) to recover any loss or damage which Aurora may suffer as a result of reasonable reliance by Stantons International Securities on the information provided by Aurora; and
- (b) To indemnify Stantons International Securities (and Stantons International Pty Ltd) against any claim arising (wholly or in part) from Aurora or any of its officers providing Stantons International Securities any false or misleading information or in the failure of Aurora or its officers in providing material information, except where the claim has arisen as a result of wilful misconduct or negligence by Stantons International Securities.

A draft of this report was presented to the Aurora directors for a review of factual information contained in the report. Comments received relating to factual matters were taken into account, however the valuation methodologies and conclusions did not alter.

FINANCIAL SERVICES GUIDE
Dated 23 APRIL 2009

1. STANTONS INTERNATIONAL PTY LTD (TRADING AS STANTONS INTERNATIONAL SECURITIES)

Stantons International Securities ACN 103 088 697 (“**SIS**” or “**we**” or “**us**” or “**ours**” as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

2. FINANCIAL SERVICES GUIDE

In the above circumstances we are required to issue to you, as a retail client a Financial Services Guide (“**FSG**”). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- who we are and how we can be contacted;
- the services we are authorised to provide under our **Australian Financial Services Licence, Licence No: 319600**;
- remuneration that we and/or our staff and any associated receive in connection with the general financial product advice;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

3. FINANCIAL SERVICES WE ARE LICENCED TO PROVIDE

We hold an Australian Financial Services Licence which authorises us to provide financial product advice in relation to:

- Securities (such as shares and options)

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

4. GENERAL FINANCIAL PRODUCT ADVICE

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

5. BENEFITS THAT WE MAY RECEIVE

We charge fees for providing reports. These fees will be agreed with, and paid by, the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis.

Except for the fees referred to above, neither SIS, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

6. REMUNERATION OR OTHER BENEFITS RECEIVED BY OUR EMPLOYEES

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report.

7. REFERRALS

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

8. ASSOCIATIONS AND RELATIONSHIPS

SIS is a trading name owned by Stantons International Pty Ltd a professional advisory and accounting practice. Our directors may be directors in Stantons International Services Pty Ltd.

From time to time, SIS and Stantons International Services Pty Ltd and/or their related entities may provide professional services, including audit, tax and financial advisory services, to financial product issuers in the ordinary course of its business.

9. COMPLAINTS RESOLUTION

9.1 *Internal complaints resolution process*

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to:

The Complaints Officer
Stantons International Securities
Level 1
1 Havelock Street
WEST PERTH WA 6005

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaints within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

9.2 Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service Limited ("FOSL"). FOSL is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOSL are available at the FOSL website www.fos.org.au or by contacting them directly via the details set out below.

Financial Ombudsman Service Limited
PO Box 3
MELBOURNE VIC 30021

Toll Free: 1300 78 08 08
Facsimile: (03) 9613 6399

10. CONTACT DETAILS

You may contact us using the details set out above under section 9.1 or phoning (08) 9481 3188 or faxing (08) 9321 1204.



Malcolm Castle
Consulting Geologist
P.O. Box 473, South Perth, WA 6951
Phone: 08 9474 9351
Mobile: 04 1234 7511
Email: mcastle@castleconsulting.com.au
ABN: 84 274 218 871

Appendix to Notice of Meeting and Explanatory Memorandum dated 4 May 2009

9 January 2009

Garry O'Hara
Dawn Metals Limited
Level 2, 231 Adelaide Terrace,
Perth, WA, 6000

Dear Sir,

Re: INDEPENDENT VALUATION OF MINERAL TENEMENTS IN WESTERN AUSTRALIA

I have been commissioned by Dawn Metals Limited ("Dawn Metals") to provide a Mineral Asset Valuation ("Report") of uranium exploration tenements in Western Australia.

DECLARATIONS

Relevant codes and guidelines

This report has been prepared as a technical assessment and valuation in accordance with the *Code for Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports (the "VALMIN Code")*, which is binding upon Members of the Australasian Institute of Mining and Metallurgy ("AusIMM") and the Australian Institute of Geoscientists ("AIG"), as well as the rules and guidelines issued by the Australian Securities and Investments Commission ("ASIC") and the ASX Limited ("ASX") which pertain to Independent Expert Reports (Regulatory Guides RG111 and RG112).

Where mineral resources have been referred to in this report, the classifications are consistent with the *"Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ("JORC Code")*, prepared by the Joint Ore Reserves Committee of the AusIMM, the AIG and the Minerals Council of Australia, effective December 2004.

Under the definition provided by the VALMIN Code, the Western Australian properties targeting uranium are classified as 'exploration areas', 'advanced exploration areas' and 'Pre Development Projects' which are inherently speculative in nature. The properties are considered to be sufficiently prospective, subject to varying degrees of risk, to warrant further exploration and development of their economic potential, consistent with the programs proposed by Dawn Metals.

Sources of Information

I have based this review on information provided by the title holders relating to exploration work on the properties, along with technical reports by independent consultants, previous tenement holders and other relevant published and unpublished data for the area. I have endeavoured, by making all reasonable enquiries, to confirm the authenticity and completeness of the technical data upon which this Report is based. Where and if appropriate, consent has been obtained to quote data and opinions expressed in unpublished reports prepared on the properties concerned by other professionals.

The independent technical report has been compiled based on information available up to and including the date of this report. Consent has been given for the distribution of this report in the form and context in which it appears. I have no reason to doubt the authenticity or substance of the information provided.

Qualifications and Experience

The person responsible for the preparation of this report is:

Malcolm Castle, B.Sc.(Hons), GCertAppFin (Sec Inst), MAusIMM, MSME

Malcolm Castle has over 40 years experience in exploration geology and property evaluation, working for major companies for 20 years as an exploration geologist. He established a consulting company 20 years ago and specialises in exploration management, technical audit, due diligence and property valuation at all stages of development. He has wide experience in a number of commodities including gold, base metals, iron ore and mineral sands. He has been responsible for project discovery through to feasibility study in Australia, Fiji, Southern Africa and Indonesia and technical Audits in many countries.

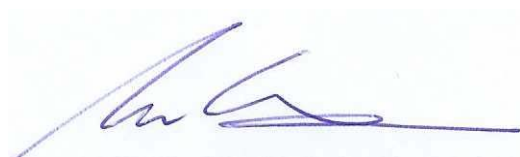
Mr. Castle completed studies in Applied Geology with the University of New South Wales in 1965 and has been awarded a B.Sc.(Hons) degree. He has completed postgraduate studies with the Securities Institute of Australia in 2001 and has been awarded a Graduate Certificate in Applied Finance and Investment in 2004.

Mr. Castle is a Member of the Australasian Institute of Mining and Metallurgy (AusIMM) and has the appropriate relevant qualifications, experience, competence and independence to be considered as a “Qualified Person” as defined in the National Instrument 43–101, Canada as well as an “Expert” and “Competent Person” under the Australian Valmin and JORC Codes, respectively and under National Instrument 43-101 in Canada.

Independence

I am not, nor intend to be a director, officer or other direct employee of Dawn Metals and have no material interest in the Project or Dawn Metals. The relationship with Dawn Metals is solely one of professional association between client and independent consultant. The review work and this report are prepared in return for professional fees based upon agreed commercial rates and the payment of these fees is in no way contingent on the results of this Report.

Yours faithfully



Malcolm Castle

B.Sc.(Hons) MAusIMM,
GCertAppFin (Sec Inst)

DESCRIPTIONS OF THE PROPERTIES INCLUDED IN THE VALUATION

The projects are targeting surficial uranium deposits in the Yilgarn Province of Western Australia, of which the Yeelirrie deposit is the largest example. Dawn Metals has assembled a portfolio of uranium properties which it holds 100% and which comprise 31 granted exploration licences and 7 exploration licence applications, divided between 13 projects in the Yilgarn region of central Western Australia. In total these cover an area of 7,341km².

In March-April 2008, extensive airborne radiometric and magnetic surveys were flown over the Galilee, Kurrajong, Belview and Texas Well Project areas. A total of 19,950 line kilometers were flown; flight lines were either north-south or east-west at 200m spacing with nominal flight height of 35m. Interpretation of processed data images resulted in a large number of uranium-channel anomalies being identified for ground follow-up. Target selection continues.

1. TEXAS WELL

Exploration Potential - Three occurrences of calcrete-uranium are known in the region: Windimurra, Lake Youanmi and Anketell. These were discovered in the 1970s by drill testing airborne radiometric anomalies. Dawn Metals' Texas Well tenements cover large sections of an easterly-flowing drainage system with development of calcrete and where recent soil and sand may cover more extensive calcrete development. This cover may also obscure radiometric response to uranium mineralization. There is potential for uranium mineralization beneath the shallow surficial cover which provides the focus for exploration.

Location and Tenure - The three granted exploration licences, E57/ 724, 726 and 727, lie within the Mt Magnet District approximately 65kms south of Sandstone. Access is via station tracks off the main Paynes Find to Sandstone road. The area covered by the tenements is approximately 474 square kilometres.

Geological Setting - The Texas Well tenements cover sections of broad drainages with surficial deposits of alluvial clays and sands covered in places by red-brown soils, clays and sands. Older weathering surfaces are partially covered by more recent wind-blown sands; both are now being actively eroded back along breakaways to form extensive active sheetwash plains.

Calcrete deposits are shown on the Youanmi 1:250,000 Geology mapsheet associated with the drainage systems. Basement consists of composite granitic bodies separating volcanic arms of the Sandstone greenstone belt. Outcrop is negligible. Uranium-channel radiometric

images highlight the drainage channels and the surrounding granites are generally radiometrically enhanced.

Previous Exploration - Searches of the Western Australia Department of Industry and Resources (DoIR) WAMEX database indicate there has been no previous reported uranium exploration within the Texas Well project. A large calcrete outcrop at Shephard Well, 6kms south of E57/725, was explored but no results are available.

2. KURRAJONG

Exploration Potential - The Kurrajong Project is targeting uranium mineralization associated with calcrete in palaeodrainages, now sand covered, in an area underlain by radiogenic granites. Previous exploration has demonstrated the presence of one such palaeodrainage in E57/717. Others can be expected throughout the Project area.

Location and Tenure - The Kurrajong Project comprises seven granted exploration licences and one exploration licence applications covering a large area, 90kms by 80kms, of mostly sand covered granite terrane between the Lake Mason to the north and the Lake Noondie playa lake systems to the south. Its center lies 55kms ENE of the town of Sandstone. The main Sandstone to Leinster road passes through the southern end of the project and access is then via various station tracks throughout the project area. Granted tenements include E57/713, 714, 717, 733 and 734, E36/643, 651 and 652. The area covered by the tenements is approximately 1353 square kilometres.

Geological Setting - The project covers the Archaean granite terrane between the NNE trending Sandstone greenstone belt in the west and the Booylgoo Range greenstone belt in the east. The granites crop out as low NW trending ridges, separated by broad sand-covered plains which cover an extensive drainage system sourced from the granitic ridges.

Scattered small exposures of calcrete in the valley plains suggest the presence of palaeo-drainages beneath the more recent sand cover. These drainages flowed north or south into the two major playa lake systems.

Regional radiometric images show a high uranium-channel response over the granite ridges with more diffuse anomalies over several of the larger drainages arising from these. Three of the small calcrete exposures have associated uranium-channel radiometric anomalies.

Previous Exploration - A small RAB drilling program over the NE part of E57/717 in 1978 outlined a SE trending palaeochannel with alluvial sediments 20 to 30m thick underlain by weathered and decomposed granite. No calcrete was intersected but minor carbonate cement occurs in the upper 10m. Uranium values were low and it was concluded that the sediments were too oxidized for uranium mineralization. However, analysis of water from

the palaeo-channel included values up to 100ppb U. The calcrete body exposed some 6km downstream from this drilling was not tested.

3. 3. BELVIEW

Exploration Potential - The Belview project covers side drainage systems to major north-south dry lake systems. There is good potential for uranium mineralization in buried palaeochannels and calcrete deposits beneath recent sands running down to these major lake systems. A recent radiometric survey has highlighted several uranium-channel anomalies which warrant follow-up.

Location and Tenure - Belview project comprises four granted exploration licences, E36/644, 645, 646 and 647 located across and north of the Sandstone-Leinster main road, immediately east of Depot Springs Homestead, 80kms east of Sandstone. Access from here is via station roads along the valleys. The area covered by the tenements is approximately 813 square kilometres.

Geological Setting - The four tenements cover the lower slopes and valleys surrounding a prominent north-south range, including Wild Cat Hills, of Archaean granites with minor east-west greenstones. Numerous small dry creeks are sourced in the granitic hills, coalesce downslope and feed into major north-south playa lake systems immediately west and east of the project. Extensive calcrete deposits are developed in these major systems.

The immediate slopes to the granite hills are covered with silcrete and laterite of an earlier Tertiary weathering surface, grading downslope into colluvium with more recent Aeolian sand cover in the broad valley plains.

Regional radiometric images show a high uranium-channel response from over the granite ridges and lower amplitude ones following some of the downslope drainages. There is a prominent anomaly over the calcrete-filled dry lake system in the west.

Previous Exploration - A search of the DoIR WAMEX database failed to show evidence of previous uranium exploration in the Belview project area.

4. GALILEE

Exploration Potential - The Galilee project covers parts of an extensive sand covered plain situated between the large Yeelirrie calcrete-hosted uranium deposit to the north and uranium occurrences in the Lake Mason playa lake system to the south. The potential at Galilee is for buried calcrete-hosted uranium mineralization beneath the extensive younger sand cover. A recent low-level detailed airborne survey has identified several uranium-channel radiometric anomalies for follow-up

Location and Tenure - Galilee consists of two contiguous granted exploration licences, E57/731 and E57/732, located in the broad N-S sand covered plains 70kms NE from Sandstone, immediately north of the Lake Mason playa lake system. Access is via bore-to-bore station tracks from the main Sandstone to Wiluna road. The area covered by the tenements is approximately 384 square kilometres.

Geological Setting - The two tenements cover part of a broad sand covered plain which drains south into the large Lake Mason playa lake system. Surrounding areas of outcrop are mainly Archaean granites and granitoids. The Gum Creek Greenstone Belt lies immediately to the west.

Throughout the tenements Archaean bedrock is obscured by extensive surficial deposits of Cainozoic age. These comprise an earlier ferruginous and siliceous duricrust mostly over and around the bedrock outcrops, valley calcrete deposits along the northern edge of Lake Mason and younger Aeolian sands which cover most of the area under tenure, burying earlier deposits.

Previous Exploration - The large Yeelirrie calcrete-hosted uranium deposit lies 15kms to the NE of the northern edge of Dawn Metals' Galilee project. Uranium as carnotite occurs in calcretes within the long Lake Mason playa lake system to the south. There does not appear to have been any previous reported exploration for uranium on the Galilee tenements.

5. BARRAMBIE SOUTH

Exploration Potential - The target is uranium mineralization associated with calcrete in palaeochannels concealed beneath younger sand cover.

Location and Tenure - Barrambie South lies in the Murchison Mineral Field, approximately 20kms northwest of Sandstone. It comprises one granted exploration licence, E57/716, and one contiguous exploration licence application E57/715. Access is via station tracks off the main Sandstone to Wiluna road. It is 20kms east of Dawn Metals' Windsor uranium project. The area covered by the tenements is approximately 408 square kilometres.

Geological Setting - The project covers a broad, sand covered plain surrounded by outcrops of Archaean granite. A small exposure of calcrete is shown within E57/715 on the Sandstone 1:250,000 Geology mapsheet.

Previous Exploration - Despite the presence of uraniferous calcretes in the region, there are no reports of uranium exploration within the Windsor Project area. In 1978 RAB drilling was conducted in the broad valley to the west around Swamp Well, targeting uranium in palaeochannels beneath aeolian sand cover. This was successful in discovering small exposures of calcrete within a buried palaeochannel; best assay was 300ppm U from a grab sample.

6. CENTRAL WELL

Exploration Potential - The Central Well tenement contains a broad sheetwash covered valley into which numerous small creeks, sourced in the adjacent granitic hills, coalesce. This forms one of the side drainages of the large Lake Maitland-Lake Darlot playa lake system which contains known uranium mineralization. Potential is for calcrete-hosted uranium mineralization in a palaeodrainage system beneath the more recent sheetwash cover.

Location and Tenure - Central Well lies approximately 120kms NW from Laverton, west of the Duketon Gold Mining centre. Access is via a series of station-to-station roads and tracks. The project consists of one granted exploration licence, E37/935, covering a broad plain southwest of the Mt Arthur hills. The area covered by the tenements is approximately 210 square kilometres.

Geological Setting - The Central Well project covers the broad valley southwest of the Mt Arthur granitic hills. Outcrop is negligible, being mostly covered by surficial deposits of sheetwash with more recent alluvium in the numerous small drainages from the granitic hills. The granites give a uranium-channel radiometric response, and drainages from these appear to coalesce into the broad valley.

Previous Exploration - There does not appear to have been any reported uranium exploration in the Central Well area. Exploration in the 1970s and 1980s focused around Lake Darlot to the south.

7. DUKETON

Exploration Potential - The Duketon project covers broad sand-covered plains between granitic ridges. Small exposures of calcrete in the centre of the plains suggest the presence of buried palaeodrainage systems. These have potential to host uranium mineralization.

Location and Tenure - The Duketon project consists of seven granted exploration licences, E38/2073 to 2077, 2080 and 2081 located in the Great Victoria Desert approximately 80kms north of Cosmo Newberry, itself 80kms NE of Laverton. The tenements cover broad sand-covered valleys between the NE trending De La Poer Range and a parallel one to the south. The area covered by the tenements is approximately 1452 square kilometres.

Geological Setting - Bedrock to the Duketon project area appears to be entirely Archaean granites, although these can only be seen as two parallel NE trending ranges. The rest of the area is covered by extensive sandplains consisting of unconsolidated quartz sand, silt and dune material. A few small exposures of calcrete are shown on the Duketon 1:250,000 Geology mapsheet. These occur in and along the centres of the three main NE sandy valleys between the granitic ridges. Drainage appears to be to the Northeast into the large Lake

Wells playa lake system. Regional airborne radiometric images indicate a uranium-channel response over the granitic outcrops.

Previous Exploration - An on-line search of DoIR WAMEX database did not locate any reports of previous uranium exploration in the area.

8. MAITLAND

Exploration Potential - Previous explorers had outlined calcrete-hosted uranium mineralization in a buried palaeochannel which extend east through the Maitland Project area. A second palaeochannel to the south was not tested. There remains good potential for further mineralization in this and other untested area of the Project.

Location and Tenure - Granted exploration licence E53/1345 covers a broad aeolian sand covered plain 80kms SE of Wiluna and approximately 19kms ENE of Mount Keith. It lies equidistant between the Wiluna-Leonora and Barwidgee-Yandal main roads. Access to the project area from either of the main roads is by graded bore-to-bore tracks. The area covered by the tenements is approximately 198 square kilometres.

Geological Setting - The Maitland project covers a broad sand covered plain to the southwest of the major Lake Maitland-Lake Way playa lake drainage system. Bedrock exposure is minimal within the tenement but Archaean granite crops out in the surroundings. Small but numerous creeks sourced in the surrounding Archaean granite ridges appear to funnel into and under the sand covered plain. From previous exploration data at least two such palaeochannels exist.

Calcrete is exposed throughout the Lake Maitland-Lake Way system where it gives a prominent uranium-channel radiometric response. There is one large outcrop of calcrete (with a radiometric response) on the western edge of the tenement.

Regional uranium-channel radiometric images show a prominent high over Lake Maitland and associated calcrete deposits, and a more diffuse anomaly through the center of E53/1345. Uranium mineralisation at Lake Maitland occurs as a surficial calcrete-style deposit in playa lake evaporitic sediments of Tertiary to Recent age and contains a significant quantity of uranium oxide.

Previous Exploration - In 1972, 43 RC holes were drilled over a 9km E-W by 2km N-S area crossing the west-center edge of the project area. Seven holes contained anomalous intersections over 100ppm; best intercept was 220ppm over 1.3m. The anomalous zone (>100ppm U₃O₈) is open to the east into Dawn Metals' Maitland tenement.

The previous exploration company was targeting calcrete-hosted uranium mineralization in two east-flowing palaeochannels covered by more recent aeolian sands. Drilling tested the northern channel only, with the southern channel untested.

9. TATE

Exploration Potential - The Tate project covers broad sand-covered plains between granitic ridges. Small exposures of calcrete in the centre of the plains suggest the presence of buried palaeodrainage systems which have potential to host uranium mineralization.

Location and Tenure - The project consists of two granted exploration licences, E38/2078 and E38/2079, located 10kms east of Mt Tate approximately 200kms north of Leonora and 150kms SE of Wiluna. The area covered by the tenements is approximately 411 square kilometres.

Geological Setting - Bedrock to the Tate project area appears to be entirely Archaean granites which crop out as NE and E-W trending ranges. The rest of the area is covered by extensive sandplains consisting of unconsolidated quartz sand, silt and dune material. A few small exposures of calcrete are shown on the Duketon 1:250,000 Geology mapsheet. These are considered to have formed along palaeodrainages, now effectively obscured by later sand cover.

Previous Exploration - There does not appear to have been any reported previous uranium exploration in the area.

10. CORNER WELL

Exploration Potential - The Corner Well project covers a broad colluvial drainage system with a uranium-channel airborne radiometric response. This indicates potential for uranium mineralization in the surficial cover sediments.

Location and Tenure - Corner Well comprises two adjacent granted exploration licences, E36/648 and E36/649, in a broad northeast drainage system approximately 5kms east of the town of Leinster. Access is bore-to-bore station tracks from the main Leinster-Leonora road. The area covered by the tenements is approximately 402 square kilometres.

Geological Setting - The two tenements cover 30kms of the main channel to a broad northeast creek system which eventually ends up in the Lake Darlot playa lake system to the east. Much of the area is covered by colluvium and alluvium with variable aeolian sands. Numerous side creeks and small tributaries coalesce in the main channel. Bedrock comprises Archaean granites sandwiched between two major north-trending greenstone belts.

Regional radiometric images show the granites to have a uranium-channel response and there is a notable uranium anomaly over the main drainage channel.

Previous Exploration - Previous explorers in the immediate area concentrated on gold and base metals associated with the two greenstone belts. There is no reported previous exploration for uranium over the granites underlying the Corner Well tenements.

11. IRVING WELL

Exploration Potential - The Irving Well project covers a broad sand-covered drainage system on the northern edge of the Lake Carnegie playa lake system. It is an internal drainage, sourced from surrounding Archaean granite dominated terrane. Small calcrete exposures and extensive younger sand cover add to the prospectivity for buried calcrete deposits and associated uranium mineralisation.

Location and Tenure - The Irving Well project consists of two contiguous exploration licence applications, E53/1422 and 1423, which cover a 35km long by 10km wide enclosed basin draining southeast into the northern edge of the Lake Carnegie playa lake system. The project is situated approximately 80kms east of the local regional center of Wiluna and access to the property is from the Lake Violet-Granite Peak road in the north and the Wongawal Road to the south which runs along the northern edge of Lake Carnegie. Station bore-to-bore tracks provide access within the project area. The area covered by the tenements is approximately 402 square kilometres.

Geological Setting - The Irving Well tenements cover a southeast flowing drainage system surrounded (and probably underlain) by Archaean granites with a thin north-south greenstone belt passing through the Millrose Homestead to the northwest. This broad Cainozoic-aged drainage is sourced from these granite/greenstones and the numerous small creeks coalesce into a broad southeasterly draining sandplain covered with younger unconsolidated sand and minor silt with an occasional ephemeral lake. Two small exposures of calcrete are shown within this plain on the Wiluna 1:250,000 Geology mapsheet.

The sandplain drains into the northern edge of the large east-west Lake Carnegie playa lake system which has several calcrete deposits along its northern and southern edges.

Previous Exploration - Despite the presence of the Lake Way, Hinkler Well and Centipede uranium deposits along drainages into and on the shores of the large Lake Way playa lake system south of Wiluna, some 70kms west of Dawn Metals' Irving Well project, the only previous uranium exploration in or around the project appears to have been in 1978 testing along the northern edge of Lake Carnegie. Only minor calcrete was reported from drilling. The Irving Well sand-covered plain does not appear to have been tested.

12. MARY MIA

Exploration Potential - Dawn Metals has positioned its Mary Mia tenements to cover the broad area where the numerous small creeks and drainages forming the headwaters of the Middle Branch of the Gascoyne River funnel west onto a broad plain, 21kms by 17kms, with only two restricted outlets, ie. an internal basin, now covered by alluvial sands and silts. The headwaters are sourced from radiogenic Archaean granites. Small exposures of calcrete elsewhere in the main drainage demonstrate that conditions were favorable for calcrete formation which could be expected to continue under surficial cover.

Location and Tenure - The project consists of three exploration licence applications E52/2128, 2261 and 2262 located in the Peak Hill Mineral Field. The project straddles the Great Northern Highway approximately 190kms NE of Meekatharra and access is from this along a series of well maintained station roads and tracks. The area covered by the tenements is approximately 624 square kilometres.

Geological Setting - The Mary Mia tenements cover the broad alluvial sand and silt covered network of creeks and drainages which form the Middle Branch of the south-flowing Gascoyne River, and which are sourced from Archaean granitic hills with greenstone inliers (the Plutonic Belt) immediately south and east of the tenements.

The project covers 45kms strike of the unconformable contact between the Archaean Yilgarn Craton and overlying mid-Proterozoic Bangemall Basin (Collier Group). The granites have a high uranium-channel radiometric response.

Several small exposures of Tertiary calcrete are shown on the Peak Hill 1:250,000 geological map sheet, in the main drainage channels.

Previous Exploration - Previous explorers in the area concentrated on base and precious metals in the Plutonic Greenstone Belt, the Goodin Dome and in Proterozoic sediments.

Searches of the DoIR online WAMEX database failed to show previous exploration for calcrete-hosted uranium within the Mary Mia project area.

13. WINDSOR

Exploration Potential - The presence of a uranium-channel radiometric anomaly over a broad sand-covered drainage suggests there to be potential for buried calcrete-uranium mineralisation in the Windsor project. Previous exploration to the east demonstrated the presence of buried palaeochannels with uranium mineralization.

Location and Tenure - The Windsor exploration licence application, E58/354, lies south and west from the Inglewood Homestead in the Mt Magnet District. Access from the homestead

is via a network of station tracks. The area covered by the tenements is approximately 210 square kilometres.

Geological Setting - The tenement covers two adjacent and discrete sand covered drainages between Archaean granite outcrops. Regional radiometric images show a general elevation in the uranium-channel response from the surrounding granites, and a weak to moderate response over a broad, diffuse westerly-flowing drainage in the northern part of the tenement. Calcrete, with an associated high radiometric response, is shown on the Sandstone 1:250,000 Geology mapsheet downstream to the west (outside the Windsor project).

Previous Exploration - Despite the presence of uraniferous calcretes in the region, there are no reports of uranium exploration within the Windsor Project area. In 1978 RAB drilling was conducted in the broad valley to the east around Swamp Well, targeting uranium in palaeochannels beneath aeolian sand cover. This was successful in discovering small exposures of calcrete within a buried palaeochannel; best assay was 300ppm U from a grab sample.

VALUATION OF THE EXPLORATION POTENTIAL

GEOSCIENTIFIC RATING METHOD

This valuation is based on an assessment of the exploration potential of the project. No resources or reserves have been delineated at the various projects and no financial studies are possible to assess the impact of the net profits interest and royalty at this stage. Elements of the valuation are as follows.

TENEMENT FACTORS

TENURE

Dawn Metals has assembled a portfolio of uranium properties which it holds 100% and which comprise 31 granted exploration licences and 7 exploration licence applications, divided between 13 projects in the Yilgarn region of central Western Australia. In total these cover an area of 7,341 km².

BAC – BASE ACQUISITION COST

This represents the exploration cost for the current period of the tenements. Exploration Licences in Western Australia are designed for broad exploration programs leading to the definition of target zones. Expenditure for the first year is considered to require between \$300 and \$350 per square kilometre.

GRANT FACTOR AND EQUITY

The granted tenements attract a grant factor of 100%. The tenement applications attract a 25% discount (grant factor 75%) to reflect uncertainty in the grant process.

TENEMENT AND BASE COST FACTORS

Project	Tenement No.	Equity	Size Sub blocks	Size (km2)	Base Acquisition Cost		Prospective Area		Grant Factor
					Low	High	Low	High	
Texas Well	E57/724	100%	61	183.00	300	350	25%	100%	1.00
	E57/0726	100%	67	201.00	300	350	25%	100%	1.00
	E57/0727	100%	30	90.00	300	350	25%	100%	1.00
Kurrajong	E57/0713	100%	58	174.00	300	350	25%	100%	1.00
	E57/0717	100%	47	141.00	300	350	25%	100%	1.00
	E57/0733	100%	69	207.00	300	350	25%	100%	1.00
	E57/0734	100%	39	117.00	300	350	25%	100%	1.00
	E36/0643	100%	48	144.00	300	350	25%	100%	1.00
	E36/0651	100%	52	156.00	300	350	25%	100%	1.00
	E36/0652	100%	68	204.00	300	350	25%	100%	1.00
	E57/0714	100%	70	210.00	300	350	25%	100%	1.00
Belview	E36/0644	100%	67	201.00	300	350	25%	100%	1.00
	E36/0645	100%	69	207.00	300	350	25%	100%	1.00
	E36/0646	100%	65	195.00	300	350	25%	100%	1.00
	E36/0647	100%	70	210.00	300	350	25%	100%	1.00
Galilee	E57/0731	100%	58	174.00	300	350	25%	100%	1.00
	E57/0732	100%	70	210.00	300	350	25%	100%	1.00
Barambie South	E57/0716	100%	68	204.00	300	350	25%	100%	1.00
	E57/715	100%	68	204.00	300	350	25%	100%	0.75
Central Well	E37/0935	100%	70	210.00	300	350	25%	100%	1.00

Project	Tenement No.	Equity	Size Sub blocks	Size (km2)	Base Acquisition Cost	Prospective Area	Grant Factor	Project	Tenement No.
					Low	High	Low	High	
Duketon	E38/2073	100%	67	201.00	300	350	25%	100%	1.00
	E38/2074	100%	69	207.00	300	350	25%	100%	1.00
	E38/2075	100%	78	234.00	300	350	25%	100%	1.00
	E38/2076	100%	62	186.00	300	350	25%	100%	1.00
	E38/2077	100%	70	210.00	300	350	25%	100%	1.00
	E38/2080	100%	70	210.00	300	350	25%	100%	1.00
	E38/2081	100%	68	204.00	300	350	25%	100%	1.00
Maitland	E53/1345	100%	66	198.00	300	350	25%	100%	1.00
				-					
Tate	E38/2078	100%	67	201.00	300	350	25%	100%	1.00
	E38/2079	100%	70	210.00	300	350	25%	100%	1.00
				-					
Corner Well	E36/0648	100%	68	204.00	300	350	25%	100%	1.00
	E36/0649	100%	66	198.00	300	350	25%	100%	1.00
				-					
Irving Well	E52/1422	100%	64	192.00	300	350	25%	100%	0.75
	E52/1423	100%	70	210.00	300	350	25%	100%	0.75
				-					
Mary Mia	E52/2128	100%	70	210.00	300	350	25%	100%	0.75
	E52/2261	100%	68	204.00	300	350	25%	100%	0.75
	E52/2262	100%	70	210.00	300	350	25%	100%	0.75
Windsor	E58/354	100%	70	210.00	300	350	25%	100%	0.75
		Total	2,447	7,341	38				

PROSPECTIVITY ASSESSMENT FACTORS

This includes a consideration of:

- Regional mineralisation, old and current working and the validity of conceptual models,
- Local mineralisation and mines within the tenements and the application of conceptual models,
- The indentified anomalies warranting followup within the tenements, and
- The presence of structural and lithological settings within the tenements and difficulty encountered by cover rocks and other factors.

Assessments in each category are based on a predetermined scale and are multiplied together to arrive at a “prospectivity index”.

Project	Tenement No.	Off Site		On Site		Anomaly		Geology	
		Low	High	Low	High	Low	High	Low	High
Texas Well	E57/724	1.00	1.10	1.00	1.10	0.70	0.80	0.70	0.80
	E57/0726	1.00	1.10	1.00	1.10	0.70	0.80	0.70	0.80
	E57/0727	1.00	1.10	1.00	1.10	0.70	0.80	0.70	0.80
Kurrajong	E57/0713	1.00	1.10	1.00	1.10	0.70	0.80	0.70	0.80
	E57/0717	1.00	1.10	1.00	1.10	0.70	0.80	0.70	0.80
	E57/0733	1.00	1.10	1.00	1.10	0.70	0.80	0.70	0.80
	E57/0734	1.00	1.10	1.00	1.10	0.70	0.80	0.70	0.80
	E36/0643	1.00	1.10	1.00	1.10	0.70	0.80	0.70	0.80
	E36/0651	1.00	1.10	1.00	1.10	0.70	0.80	0.70	0.80
	E36/0652	1.00	1.10	1.00	1.10	0.70	0.80	0.70	0.80
	E57/0714	1.00	1.10	1.00	1.10	0.70	0.80	0.70	0.80
Belview	E36/0644	1.00	1.10	1.00	1.10	0.70	0.80	-	0.10
	E36/0645	1.00	1.10	1.00	1.10	0.70	0.80	-	0.10
	E36/0646	1.00	1.10	1.00	1.10	0.70	0.80	-	0.10
	E36/0647	1.00	1.10	1.00	1.10	0.70	0.80	0.70	0.80

Project	Tenement No.	Off Site		On Site		Anomaly		Geology	
		Low	High	Low	High	Low	High	Low	High
Galilee	E57/0731	1.50	1.60	1.00	1.10	0.80	0.90	0.90	1.00
	E57/0732	1.50	1.60	1.00	1.10	0.80	0.90	0.90	1.00
Barambie South	E57/0716	1.00	1.10	1.00	1.10	0.60	0.70	0.70	0.80
	E57/715	1.00	1.10	1.00	1.10	0.60	0.70	0.70	0.80
Central Well	E37/0935	1.00	1.10	1.00	1.10	0.50	0.60	0.70	0.80
Duketon	E38/2073	1.00	1.10	1.00	1.10	0.50	0.60	0.70	0.80
	E38/2074	1.00	1.10	1.00	1.10	0.50	0.60	0.70	0.80
	E38/2075	1.00	1.10	1.00	1.10	0.50	0.60	0.70	0.80
	E38/2076	1.00	1.10	1.00	1.10	0.50	0.60	0.70	0.80
	E38/2077	1.00	1.10	1.00	1.10	0.50	0.60	0.70	0.80
	E38/2080	1.00	1.10	1.00	1.10	0.50	0.60	0.70	0.80
	E38/2081	1.00	1.10	1.00	1.10	0.50	0.60	0.70	0.80
Maitland	E53/1345	1.00	1.10	1.00	1.10	1.50	1.60	0.80	0.90
Tate	E38/2078	1.00	1.10	1.00	1.10	0.50	0.60	0.70	0.80
	E38/2079	1.00	1.10	1.00	1.10	0.50	0.60	0.70	0.80
Corner Well	E36/0648	1.00	1.10	1.00	1.10	0.50	0.60	0.70	0.80
	E36/0649	1.00	1.10	1.00	1.10	0.50	0.60	0.70	0.80
Irving Well	E52/1422	1.00	1.10	1.00	1.10	0.70	0.80	0.70	0.80
	E52/1423	1.00	1.10	1.00	1.10	0.70	0.80	0.70	0.80
Mary Mia	E52/2128	1.00	1.10	1.00	1.10	0.50	0.60	0.70	0.80
	E52/2261	1.00	1.10	1.00	1.10	0.50	0.60	0.70	0.80
	E52/2262	1.00	1.10	1.00	1.10	0.50	0.60	0.70	0.80
Windsor	E58/354	1.00	1.10	1.00	1.10	0.90	1.00	0.70	0.80

MARKET VALUE

The Technical Value is estimated based on geological factors and a consideration of exploration potential. It does not consider current market conditions and is valid for the long term metal prices over previous periods of price stability. Market factors consider the changes to the price structure of commodities and the current premiums or discounts which may apply to an arm's length sale of mineral assets. The Market value is calculated by multiplying the Technical Value by the Market Factor to arrive at an appropriate current sale value in today's market.

In arriving at a fair market value for a particular exploration tenement, I have considered the current market for exploration properties in Australia and overseas. It is considered appropriate to apply a market premium to the technical value of the exploration potential of its tenements and the low perceived country risk associated with investments in Australia. This reflects the current positive nature of the uranium exploration outlook.

World metal markets are under pressure and this applies to uranium tenements in Western Australia and elsewhere. Based on long term spot prices for uranium and current market prices and applying a 50% discount factor for perceived market sentiment this suggests a Market Factor of 1.0 to 1.5 and a preferred value of 1.2.

VALUATION

The valuation of the exploration potential has been arrived at from a consideration of the existence of surrounding mines and mineralisation defined within the project area. In this report, I have systematically established the value of the mineral assets as at 9 January 2009. The final valuation is arrived at by multiplying the Basic project value by the Prospectivity index to give the Technical value. This is then multiplied by the Market factor to give the estimated value.

Project Summary	Technical Value			Market Value		
	Low	High	Preferred	Low	High	Preferred
Texas Well	0.02	0.13	0.06	0.02	0.19	0.08
Kurrajong	0.05	0.37	0.18	0.05	0.54	0.22
Belview	0.01	0.08	0.03	0.01	0.11	0.04
Galilee	0.03	0.21	0.11	0.03	0.31	0.13
Barambie South	0.01	0.08	0.04	0.01	0.12	0.05
Central Well	0.01	0.04	0.02	0.01	0.06	0.03
Duketon	0.04	0.30	0.14	0.04	0.43	0.18
Maitland	0.02	0.12	0.06	0.02	0.18	0.08
Tate	0.01	0.08	0.04	0.01	0.12	0.05
Corner Well	0.01	0.08	0.04	0.01	0.12	0.05
Irving Well	0.01	0.08	0.04	0.01	0.12	0.05
Mary Mia	0.01	0.10	0.05	0.01	0.14	0.06
Windsor	0.01	0.05	0.03	0.01	0.08	0.03
Totals	0.23	1.72	0.85	0.23	2.53	1.04

This represents a valuation of \$142 per square kilometer.

VALUATION OPINION

*Based on an assessment of the factors involved I estimate the value of the various components of the project area to be in the range AU\$0.2 million and AU\$2.5 million with a preferred value of **AU\$1.0 million**.*

APPENDIX

MINERAL ASSETS VALUATION METHODOLOGY

FAIR MARKET VALUE OF MINERAL ASSETS

Mineral assets include, but are not limited to, mining and exploration tenements held or acquired in connection with the exploration, the development of, and the production from those tenements together with all plant, equipment and infrastructure owned or acquired for the development, extraction and processing of minerals in connection with those tenements.

Mineral assets classification

Exploration areas	Mineralisation may or may not have been identified, but where a mineral resource has not been defined.
Advanced exploration areas	Mineral resources have been identified and their extent estimated (possibly incompletely). This includes properties at the early stage of assessment.
Pre-development projects	A positive development decision has not been made. This includes properties where a development decision has been negative, properties on care and maintenance and properties held on retention titles.
Development projects	Committed to production, but which, are not yet commissioned or not initially operating at design levels.
Operating Mines	Mineral properties, particularly mines and processing plants, which have been fully commissioned and are in production.

The fair market value, of a mineral asset is the estimated amount of money or the cash equivalent or some other consideration for which the mineral asset should change hands between a willing buyer and a willing seller in an arm's length transaction. Each party is assumed to have acted knowledgeably, prudently and without compulsion.

The value of a mineral asset usually consists of two components,

- The underlying or Technical Value which is an assessment of a mineral asset's future net economic benefit under a set of appropriate assumptions, excluding any premium or discount for market, strategic or other considerations.
- The Market Component, which is a premium relating to market, strategic or other considerations which, depending on circumstances at the time, can be either positive, negative or zero.

When the technical and market components of value are combined the resulting value is referred to as the market value. A consideration of country risk should also be taken into account.

The value of mineral assets is time and circumstance specific. The asset value and the market premium (or discount) changes, sometimes significantly, as overall market conditions, commodity prices, exchange rates, political and country risk change.

REGULATORY AUTHORITIES

Mineral asset valuations are governed by the VALMIN code and ASIC Practice Note 43 in Australia and by the CIMVAL code, NI43-101 and TSXV Appendix 3G in Canada

THE VALMIN CODE

The four main requirements of the *VALMIN Code* are

Transparency The report needs to explain how the valuation was done and the assumptions used in calculating the value. The objective is to provide sufficient information that other people can come up with the same answer.

Materiality This means the valuer has to ensure that all important data that could have a significant impact on the valuation is included in the report.

Competence The valuer must be competent at doing valuations. The person needs to be an expert in the particular exploration target being evaluated. Typically the person needs at least 5 years experience in that commodity.

Independence. The valuer must act in a professional manner and not favour the buyer or the seller. In other words the price must be set at a “fair market value”. To achieve independence, the valuer must not receive any special benefit from doing the study.

The decisions as to the valuation methodology or methodologies to be used and the content of the Report are solely the responsibility of the Expert or Specialist whose decisions must not be influenced by the Commissioning Entity. The Expert or Specialist must state the reasons for selecting each methodology used in the Report. Methods chosen must be rational and logical and be based upon reasonable grounds.

The Expert or Specialist should make use of valuation methods suitable to the Mineral or Petroleum Assets or Mineral or Petroleum Securities under consideration. Selection of the appropriate valuation method will depend on, inter alia:

- (a) the purpose of the Valuation;
- (b) the development status of the Mineral or Petroleum Assets;
- (c) the amount and reliability of relevant information;
- (d) the risks involved in the venture; and
- (e) the relevant market conditions for commodities and/or shares.

The Expert or Specialist should choose, discuss and disclose the selected valuation method(s) appropriate to the Mineral or Petroleum Assets or Mineral or Petroleum Securities under consideration, stating the reasons why the particular valuation method(s) have been selected in relation to those factors set out in Paragraph 39 and to the adequacy of available data. It may also be desirable to discuss why a particular valuation method has not been used. The disclosure should give a sufficient account of the valuation method(s) used so that another Expert could understand the procedure used and assess the Valuation. Should more than one valuation method be used and different valuations result, the Expert or Specialist should comment on the reason(s) for selecting the Value adopted.

Australian Securities and Investment Commission – Regulatory Guides RG111 and RG112

It is not the ASIC's role or intention to limit the expert's exercise of skill and judgment in selecting the most appropriate method or methods of valuation. However, it is appropriate for the expert to consider:

- (a) the discounted cash flow method;
- (b) the amount which an alternative acquirer might be willing to offer if all the securities in the target company were available for purchase;

The ASIC does not suggest that this list is exhaustive or that the expert should use all of the methods of valuation listed above. The expert should justify the choices of valuation method and give a sufficient account of the method used to enable another expert to replicate the procedure and assess the valuation. It may be appropriate for the expert to compare the figures derived by more than one method and to comment on any differences.

The complex valuations in an expert's report necessarily contain significant uncertainties. Because of this an expert who gives a single point value will usually be implying spurious accuracy to his or her valuation. An expert should, however, give as narrow a range of values as possible. An expert report becomes meaningless if the range of values is too wide. An expert should indicate the most probable point within the range of values if it is feasible to do so.

The expert should carry out sufficient enquiries or examinations to establish reasonable grounds for believing that any profit forecasts, cash flow forecasts and unaudited profit figures that are used in the expert's report, and have been prepared on a reasonable basis. If there are material variations in method or presentation the expert should adjust for or comment on them in the report.

The expert should discuss the implications to his or her valuation if:

- (a) the current market value of the subject of the report is likely to change because of market volatility (for example, boom or depression); or
- (b) the current market value differs materially from that derived by the chosen method.

VALUATION METHODOLOGY FOR EXPLORATION TENEMENTS

Valuation of exploration properties is exceptionally subjective. If an economic resource is subsequently identified then a new valuation will be dramatically higher, or alternatively if expenditure of further exploration dollars is unsuccessful then it is likely to decrease the value of the Tenements. There are a number of generally accepted procedures for establishing the value of exploration properties and, where relevant, the use of more than one such method to enable a balanced analysis and a check on the result has been undertaken. The value will always be presented as a range with the preferred value identified. The preferred value need not be the median value, and will be determined by the Independent Expert based on his experience.

The Independent Expert, when determining a value for a mineral asset, must assess a range of technical issues prior to selection of a valuation methodology. Often this will require seeking advice from a specialist in specific areas. The key issues are:-

- geological setting and style of mineralisation
- level of knowledge of the geometry of mineralisation in the district
- mining history, including mining methods
- location and accessibility of infrastructure
- milling and metallurgical characteristics of the mineralisation
- results of exploration including geological mapping, costeaning and drilling o interpretation of geochemical anomalies
- parameters used to identify geophysical and remote sensing data anomalies
- location and style of mineralisation identified on adjacent properties

- appropriate geological models

In addition to these technical issues the Independent Expert needs to make a judgement about the market demand for the type of property, commodity markets, financial markets and stock markets. The technical value of a property should not be adjusted by a “market factor” unless there is a marked discrepancy between the technical value and the market value. When this is done the factor should be clearly identified.

Where there are identified reserves it is appropriate to use financial analysis methods to estimate the net present value (NPV) of the properties. This technique has deficiencies which include assessment of only a very narrow area of risk, namely the time value of money given the real discount rate, and the underlying assumption that a static approach is applicable to investment decision making, which is clearly not the case. Dawn Metals do not have reserves on the tenements being assessed and this technique will not be used.

The tenement under review in this study is under application. There are no known impediments to the granting of the application. It is the intention to discount the tenement under application as it cannot be assumed it will be granted.

When assessing value of exploration properties with no identified mineral resources or only inferred resources it is inappropriate to prepare any form of financial analysis to determine the net present value. The valuation of exploration tenements or licences, particularly those without identified resources, is highly subjective and a number of methods are appropriate to give a guide as discussed below.

All of these valuation methods are relatively independent of the location of the mineral property. Consequently the valuer will make allowance for access to infrastructure etc when choosing a preferred value. It is observed that the Prospectivity Exploration Multiplier (PEM) is heavily based on the expenditure, while the Kilburn Geoscience Rating (Kilburn) is more heavily based on opinions of the prospectivity hence tenements can have marked variation in value between the methods e.g. E47/1397 or E47/1334. If the Kilburn assessment is high and the PEM is low it indicates effective well focussed exploration, if the Kilburn is low and the PEM high it suggests that the tenement is considered to have lower prospectivity.

YARDSTICK

The range of values which can be estimated for the exploration interests on iron properties based on \$/km² varies considerably. A value is assigned based on dollar per unit area according to the prospectivity of the property.

PROSPECTIVITY ENHANCEMENT MULTIPLIER (PEM) OR MULTIPLE OF EXPLORATION EXPENDITURE (MEE)

Past expenditure on a tenement and/or future committed exploration expenditure can establish a base value from which the effectiveness of exploration can be assessed. Where exploration has produced documented results a PEM can be derived which takes into account the valuer's judgement of the prospectivity of the tenement and the value of the database. Future committed exploration expenditure is discounted to 60% to reflect the uncertainty of results and the possible variations in exploration programmes caused by future undefined events. Tenements under application have been discounted to 60% of the estimated value to reflect uncertainty in the future granting of the tenement. The PEM technique has been employed on the exploration properties in this portfolio. The assigning of PEM factors has to a large extent followed that described by Lawrence (2007) and is defined in the following table. The PEM method has been used as an audit check in this work.

PEM Factors Used in this valuation method

PEM Range	Criteria
0.2 – 0.5	Exploration (past and present) has downgraded the tenement prospectivity, no iron ore mineralisation identified
0.5 – 1.0	Exploration potential has been maintained (rather than enhanced) by past and present activity Fe targets from regional mapping
1.0 – 1.3	Exploration has maintained, or slightly enhanced (but not downgraded) the prospectivity
1.3 – 1.5	Exploration has considerably increased the prospectivity by identifying supergene BIF or continuous CID anomalies (geological mapping, geochemical or geophysical)
1.5 – 2.0	Scout Drilling has identified interesting (%Fe, %P, %Al ₂ O ₃ , %SiO ₂ , %LOI) intersections of mineralisation
2.0 – 2.5	Detailed Drilling has defined targets with potential economic interest with the potential to contain >100Mt of iron ore
2.5 – 3.0	A resource >100Mt Fe has been defined at Inferred Resource Status, no feasibility study has been completed
3.0 – 4.0	Indicated Resources >200Mt have been identified that are likely to form the basis of a prefeasibility study
4.0 – 5.0	Indicated and Measured Resources have been identified and economic parameters are available for assessment.

KILBURN GEOSCIENCE RATING METHOD

Valuation is based on a calculation in which the geological prospectivity, commodity markets, financial markets, stock markets and mineral property markets are assessed independently. The Kilburn method is essentially a technique to define a value based on geological prospectivity. The method appraises a variety of mineral property characteristics:

- location with respect to any off-property mineral occurrence of value, or favourable geological, geochemical or geophysical anomalies;
- location and nature of any mineralisation, geochemical, geological or geophysical anomaly within the property and the tenor of any mineralisation known to exist on the property being valued;
- number and relative position of anomalies on the property being valued;
- geological models appropriate to the property being valued.

The Kilburn Method systematically assesses and grades these four key technical attributes of a tenement to arrive at a series of multiplier factors. The Basic Acquisition Cost (BAC) is the important input to the Kilburn Method and it is calculated by summing the application fees, annual rent, work required to facilitate granting (e.g. native title, environment etc) and statutory expenditure for a period of 12 months. This has been established at \$300 to \$350 per square kilometer for Exploration Licences in Western Australia. Each factor then multiplied serially to the BAC to establish the overall technical value of each mineral property.

As there are many of the tenements under application Hermitage has elected to discount the technical value to 60% to reflect the uncertainty in the timing and likely granting of these tenements.

In arriving at a market factor of the tenements the current market for iron ore properties in Australia has been considered. Each tenement has been assessed individually to establish a premium up to a 1.5 times multiplier or a discount of 0.5 multiplier dependant on the assessed potential. The isolation, dependence on infrastructure and the time to bring resources into production have been considered in assigning a market factor.

The multipliers or ratings and the criteria for rating selection across these 6 factors are summarised in the following table.

Geoscientific Rating Criteria - simplified				
Rating	Off Property Factor	On Property Factor	Anomaly Factor	Geological Factor
0.1				Unfavourable lithology
0.5			Extensive previous exploration with poor results - no encouragement	Generally favourable lithologies on 25% of the lease area
0.9			Extensive previous exploration with encouraging results - regional targets	Generally favourable lithology on 50% of the lease area
1	No known Mineralization in District	No known Mineralization	No targets outlined	Generally favourable lithology on 70% of the lease area
2	Several old workings in District	Several old workings on leases	Several well defined surface targets	Generally favourable lithology with structures throughout the lease area
3.5	Historical production >200,000 oz	Historical production >100,000 oz		
5	Historical production >1 million oz	Historical Production >500,000 oz	Several ore grade Drill intersections	

VALUATION REFERENCES

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