

# Riedel Resources Limited

ACN 143 042 022

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## PROSPECTUS

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For the offer of up to 35 million Shares at an issue price of \$0.20 each to raise up to \$7 million (**Offer**).

As part of the Offer, the Company will offer 10 million Shares (of the 35 million Shares on offer under this Prospectus) in priority to shareholders of ADX Energy Limited registered as at the Record date on a first-come, first-served basis (**Priority Offer**).

### Lead Manager



AFSL 239052

### IMPORTANT INFORMATION

This is an important document that should be read in its entirety. If you do not understand it you should consult your professional advisers without delay. **The Shares offered by this Prospectus should be considered speculative.**

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**INDICATIVE TIMETABLE**

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<b>Event</b>	<b>Date</b>
Lodgement of Prospectus with ASIC	12 November 2010
Record Date	17 November 2010
Exposure period ends	5:00pm WST 19 November 2010
Priority Offer and Public Offer Opening Date	22 November 2010
Priority Offer Closing Date	5:00pm WST 8 December 2010
Public Offer Closing Date	5:00pm WST 10 December 2010
Allotment of Shares	20 December 2010
Dispatch of holding statements	22 December 2010
Expected date for listing on ASX	23 December 2010

\* The above dates are indicative only and may be varied by the Company without notice.

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## **IMPORTANT NOTICE**

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This Prospectus is dated 12 November 2010 and was lodged with the Australian Securities and Investments Commission (**ASIC**) on that date. ASIC and its officers take no responsibility for the contents of this Prospectus or the merits of the investment to which the Prospectus relates.

The expiry date of this Prospectus is at 5:00pm WST on that date which is 13 months after the date this Prospectus was lodged with ASIC (**Expiry Date**). No Shares may be issued on the basis of this Prospectus after the Expiry Date.

Application will be made to ASX within seven (7) days after the date of this Prospectus for Official Quotation of the Shares the subject of this Prospectus.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of these restrictions. Failure to comply with these restrictions may violate securities laws. Applicants who are resident in countries other than Australia should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed.

This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer. It is important that investors read this Prospectus in its entirety and seek professional advice where necessary. The Shares the subject of this Prospectus should be considered speculative.

### **Web site – Electronic Prospectus**

A copy of this Prospectus is available to download from the Company's website [www.riedelresources.com.au](http://www.riedelresources.com.au). Any person accessing the electronic version of this Prospectus for the purpose of making an investment in the Company must be an Australian resident and must only access the Prospectus from within Australia.

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

### **Exposure Period**

This Prospectus will be subject to an Exposure Period of seven days, which may be extended by ASIC by not more than seven days. The purpose of the Exposure Period is to enable the Prospectus to be examined by market participants prior to the raising of funds. Potential investors should be aware that this examination may result in the identification of deficiencies in the Prospectus and, in those circumstances, any application that has been received may need to be dealt with in accordance with Section 724 of the Corporations Act.

Applications for Shares under this Prospectus will not be processed by the Company until after the expiry of the Exposure Period. No preference will be conferred on persons who lodge applications prior to the expiry of the Exposure Period.

## **Forward looking statements and information**

This Prospectus may contain forward looking statements or information. Forward-looking statements can be identified by the use of words such as "may", "should", "will", "expect", "anticipate", "believe", "estimate", "intend", "scheduled" or "continue" or similar expressions. Such statements and information are subject to risks and uncertainties and a number of assumptions, which may cause the actual results or events to differ materially from the expectations described in such forward looking statements or information. Whilst the Company considers the expectations reflected in any perceived forward looking statements or information in this Prospectus are reasonable, no assurance can be given that such expectations will prove to be correct. The risk factors outlined in Section 11 of this Prospectus, as well as other matters as not yet known to the Company or not currently considered material by the Company, may cause actual events to be materially different from those expressed, implied or projected in any perceived forward looking statements or information. Any forward looking statements or information contained in this Prospectus is qualified by this cautionary statement.

## **Competent Person's Statement**

The information in this Prospectus that relates to exploration results, mineral resources or ore reserves is based on information compiled by Mr Allen Maynard, who is a Member of the Australasian Institute of Mining and Metallurgy and a Member of the Australian Institute of Geoscientists, with 30 years' experience in mineral exploration and evaluation and more than 25 years' experience in mineral asset valuation. Mr Maynard accepts responsibility for the accuracy of the information contained within this Prospectus. Mr Maynard has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the *'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'*. Mr Maynard consents to the inclusion in this Prospectus of the matters based on his information in the form and context in which it appears.

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## 1. INVESTMENT HIGHLIGHTS AND KEY INVESTMENT RISKS

The information set out below should be read in conjunction with the more detailed information further contained in this Prospectus. Investors should consider the risk factors that could affect the financial and operating performance of the Company before making an investment decision.

### 1.1 Investment highlights

Investment highlights include:

- Riedel Resources is an Australian-based exploration company established to explore for and develop gold and base metals mineralisation in the Archaean and Proterozoic areas of Western Australia.
- The Board has proven extensive and relevant experience in the resources and finance industries.
- Upon successful completion of the Offer and admission to the Official List of ASX, the Company will have 66,500,100 Shares and 8,000,000 Options on issue.
- The Company has acquired a substantial package of prospective tenements, joint ventures, and royalty agreements from ADX Energy Limited (**ADX**) (formerly AuDAX Resources Limited).
- The Mary Mia Project assets lie along strike upon the prospective "Jenkin Fault" which hosts extensive regional exploration activity in an emerging multi commodity province, including the recently discovered Degruusa deposit by Sandfire Resources NL.
- The Millrose Project assets include an Inferred Resource estimate of 4Mt at 2.4 g/t Au for 309,000 oz (1 g/t) cut off.
- The Company is seeking to develop its assets at a time when gold and the majority of base metal prices have increased substantially over the past twelve months.
- The Company will maintain an active programme of identifying projects that complement the Company's tenement portfolio and the corporate strategy.

The above highlights are a summary only, and must be read in conjunction with the remainder of this Prospectus.

## 1.2 Key investment risks

Prospective investors in the Company should be aware that subscribing for Shares the subject of this Prospectus involves a number of risks.

**These risks are set out in detail in Section 11 of this Prospectus and investors are urged to consider the risks carefully (and if necessary, consult their professional advisers) before deciding whether to invest in the Company.**

The key risks include, but are not limited to:

Risk area	Further details
<ul style="list-style-type: none"><li>• <b>Tenure risk:</b> The Company's Projects comprise a number of granted exploration licences and applications for the grant of exploration licences. Three of the granted exploration licences have not been transferred from their current holders into the name of AuDAX Minerals Pty Ltd (<b>ADXM</b>) (the entity proposed to be acquired by the Company pursuant to the Share Sale Agreement summarised in Section 12.1 of this Prospectus) as they have been granted for less than 12 months and are therefore unable to be transferred to ADXM without Ministerial consent. These 3 tenements are being held on trust by their current holders (being OldCity Nominees in respect of E77/1223 and ADX in respect of E52/2394 and E52/2395) for the benefit of the Company and ADXM and will not be transferred to ADXM until the 12-month anniversary of their grant date. There is a risk that these exploration licences may not be transferred to ADXM and that it may therefore not obtain registered legal title to them.</li></ul>	11.2
<ul style="list-style-type: none"><li>• <b>Risk of non-renewal of tenements:</b> The Company cannot guarantee that the granted exploration licences will be renewed beyond their current expiry date and there is a risk that, in the event the Company is unable to renew the tenements beyond their current expiry date, the Company's proposed interest in those Projects will be relinquished. Three of the tenements have expiry dates of 13 months or less from the date of this Prospectus, being: E36/215 – 4 December 2011, E36/404 – 5 July 2011, and E36/509 – 4 July 2011.</li></ul>	11.3
<ul style="list-style-type: none"><li>• <b>Application risk:</b> There is a risk that the applications for exploration licences may never be granted, in which case the Company will not be able to undertake exploration activities on these tenements.</li></ul>	11.4
<ul style="list-style-type: none"><li>• <b>Applications for forfeiture:</b> As at the date of this Prospectus, Millrose Project tenement E53/1305 and Dulcie Project tenements P77/3727 and P77/3728 are the subject of applications for forfeiture. An application for non-forfeiture of E53/1305 has been lodged with the Department of Mines and Petroleum and is yet to be determined. The forfeiture applications in respect of the two Dulcie Project tenements set out above are listed to be heard in the Warden's Court on 23 November 2010. There is a risk that some or all of these tenements may be liable to forfeiture if Department of Mines and Petroleum declines the application for non-forfeiture and/or the Warden's Court makes an adverse ruling in respect of the Dulcie tenement forfeiture applications (however it is noted that the Dulcie Project tenements are fully expended). Of the three tenements the subject of forfeiture applications, the Dulcie Project tenements are not considered material to the Company's ongoing operations</li></ul>	11.6

because they are non-core assets. The Millrose Project tenement is also not considered material because the Millrose Inferred Resource and strike extension on the Millrose Project are located in E53/1304, rather than E53/1305.

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- **Cheritons Find Project tenure risk:** The Cheritons Find exploration licence application E77/1793 lies within the Jilbadji Nature Reserve. As such, the application process is more stringent and this application may be granted with additional conditions imposed to regulate access arrangements by the Company/ADXM and more onerous conditions to regulate activity on the tenement area.

11.7

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  - **Exploration risks:** Mineral exploration is speculative and involves significant degrees of risk. There can be no assurance that the exploration proposed by the Company will result in discoveries of an economic resource. Exploration by its nature is a high-risk endeavour and consequently there can be no assurance that the exploration of the Projects described in this Prospectus, or any other projects that may be acquired in the future, will result in discovery of an economic resource.

11.8

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  - **Operating risks:** The operations of the Company may be affected by various factors, including failure to locate or identify mineral deposits, failure to achieve predicted grades in exploration and mining, operational and technical difficulties encountered in mining, difficulties in commissioning and operating plant and equipment, mechanical failure or plant breakdown, unanticipated metallurgical problems which may affect extraction costs, adverse weather conditions, industrial and environmental accidents, industrial disputes and unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment.

11.9

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  - **Exploration budgets:** The exploration costs of the Company described in Section 6 and in the Independent Geologist's Report in Section 8 are based on certain assumptions with respect to the method and timing of exploration. By their nature, these estimates and assumptions are subject to significant uncertainties and the actual costs may materially differ from these estimates and assumptions. Accordingly, no assurance can be given that the cost estimates and the underlying assumptions will be realised in practice, which may materially and adversely affect the viability of the Company's Projects. In addition to this, exploration programmes phased and subsequent programmes are based results and outcomes of previous programmes. Programmes will not necessarily be carried out of results do not warrant it.

11.11

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## 2. CORPORATE DIRECTORY

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### Directors

**Mr Ian Tchacos**  
Non-Executive Chairman

**Mr Bruce Franzen**  
Executive Director

**Mr Jeffrey Moore**  
Non- Executive Director

**Mr Andrew Childs**  
Non-Executive Director

**Mr Wolfgang Zimmer**  
Non- Executive Director

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### Company Secretary

Mr Bruce Franzen

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### Solicitors

Steinepreis Paganin  
Level 4, The Read Buildings  
16 Milligan Street  
PERTH WA 6000

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### Lead Manager

Patersons Securities Limited  
Level 23, Exchange Plaza  
2 The Esplanade  
PERTH WA 6000

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### Proposed ASX Code

RIE

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### Registered Office

Suite 6  
Level 2, 11 Ventnor Avenue  
WEST PERTH WA 6005

Telephone: +61 8 9226 0866  
Facsimile: +61 8 9226 5333  
Email: info@riedelresources.com.au

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### Website:

www.riedelresources.com.au

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### Investigating Accountant

Mack & Co Chartered Accountants  
2<sup>nd</sup> Floor, 35 Havelock Street  
WEST PERTH WA 6005

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### Auditors

Mack & Co Chartered Accountants  
2<sup>nd</sup> Floor, 35 Havelock Street  
WEST PERTH WA 6005

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### Independent Geologist

Al Maynard & Associates  
Suite 9, 280 Hay Street  
SUBIACO WA 6008

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### Share Registry\*

Computershare Investor Services Pty  
Limited  
Level 2, 45 St Georges Terrace  
PERTH WA 6000

Telephone: 1300 55 70 10  
Facsimile: +61 8 9323 2033

\*This entity is included for information purposes only. It has not been involved in the preparation of this Prospectus.

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### 3. CHAIRMAN'S LETTER

Dear Investor

On behalf of the Directors of Riedel Resources Limited (**Riedel** or **Company**), it is my pleasure to extend this Offer to you and invite you to become a Shareholder of the Company.

This Prospectus has been issued by Riedel for the purposes of offering 35 million Shares at \$0.20 each to raise up to \$7 million before costs with a minimum subscription of \$5 million (**Public Offer**). As part of the Offer, the Company will offer 10 million Shares (of the 35 million Shares on offer under this Prospectus) in priority to shareholders of ADX Energy Limited (**ADX**) (formerly AuDAX Resources Limited) registered as at the Record date on a first-come, first-served basis (**Priority Offer**). The pool for the Public Offer will be a minimum of 25 million Shares, with the balance of any Shares not applied for by ADX Shareholders under the Priority Offer also forming part of the pool for the Public Offer.

Riedel was incorporated on 9 April 2010 for the purposes of acquiring all of the mineral exploration assets of ADX, as described in Section 6 of this Prospectus, and for further investment in resource opportunities.

Riedel's assets include a portfolio of gold, copper and nickel projects and significant land holdings in prospective areas in the Archaean and Proterozoic areas in Western Australia. The Company has a mixture of early stage and more advanced prospects, with an initial focus on four core Projects, comprising the Mary Mia, Millrose, Mt Webb, and Cheritons Projects. These Projects comprise an existing inferred gold resource, numerous drill ready Cu, Ni, Au and Cu-Au targets as well as a number of quality conceptual targets. The core Projects are augmented with a number of further prospects, all of which are described in Section 6.2 of this Prospectus.

The Company proposes a well funded, well resourced and aggressive exploration strategy. Programmes have been designed to evaluate existing core Projects and to achieve key exploration milestones within the next two years.

The Board therefore believes these Projects contain a number of exciting opportunities.

The Board has considerable experience in exploration, and development of resources projects both in Australia and overseas. Riedel is fortunate to secure such an experienced and well credentialed management team.

This Prospectus contains detailed information about Riedel and the Company's current exploration Projects together with relevant independent experts reports. Please read this Prospectus carefully before you make your investment decision and, where necessary, consult your professional advisers.

The Board joins me in extending this Offer to you and we look forward to welcoming you as a Shareholder of the Company.

Yours sincerely



**Mr Ian Tchacos**  
**Non-Executive Chairman**

## 4. INVESTMENT OVERVIEW

### 4.1 Important notice

This Section is not intended to provide full information for investors intending to apply for Shares offered pursuant to this Prospectus. This Prospectus should be read and considered in its entirety.

### 4.2 Objectives

The strategic objective of the Company in undertaking the Offer is to commence an exploration and drilling programme to achieve results as soon as practicable.

On completion of the Offer, the Board believes the Company will have sufficient working capital to achieve these objectives.

### 4.3 Indicative timetable

Event	Date
Lodgement of Prospectus with ASIC	12 November 2010
Record Date	17 November 2010
Exposure period ends	5:00pm WST 19 November 2010
Priority Offer and Public Offer Opening Date	22 November 2010
Priority Offer Closing Date	5:00pm WST 8 December 2010
Public Offer Closing Date	5:00pm WST 10 December 2010
Allotment of Shares	20 December 2010
Dispatch of holding statements	22 December 2010
Expected date for listing on ASX	23 December 2010

\* The above dates are indicative only and may be varied by the Company without notice.

### 4.4 Purpose of the Offer and application of proceeds

The purpose of the Offer is to raise up to \$7 million (before expenses).

It is intended that the proceeds raised under the Offer will be applied as follows:

Available funds	Minimum subscription (\$)	Full subscription (\$)
Pre Offer cash and receivables	650,000	650,000
Total raised under the Offer	5,000,000	7,000,000
<b>Total funds available</b>	<b>5,650,000<sup>2</sup></b>	<b>7,650,000<sup>2</sup></b>

Use of funds	Year 1 (\$)		Year 2 (\$)		Total (\$)	
	Minimum subscription	Full subscription	Minimum subscription	Full subscription	Minimum subscription	Full subscription
Exploration expenditure <sup>1</sup>	1,507,000	2,340,000	1,589,000	2,469,000	3,096,000	4,809,000
Acquisition costs	253,000	253,000	-	-	253,000	253,000

Use of funds	Year 1 (\$)		Year 2 (\$)		Total (\$)	
	Minimum subscription	Full subscription	Minimum subscription	Full subscription	Minimum subscription	Full subscription
Administration costs	722,300	809,300	702,700	789,700	1,425,000	1,599,000
Project generation	25,000	25,000	25,000	25,000	50,000	50,000
Expenses of the Offer	829,000	939,000	-	-	829,000	939,000
Working capital	-	-	-	-	-	-
<b>TOTAL</b>	<b>3,333,300</b>	<b>4,366,300</b>	<b>2,316,700</b>	<b>3,283,700</b>	<b>5,650,000</b>	<b>7,650,000<sup>2</sup></b>

Notes:

1. The funds raised under the Offer will contribute to the proposed exploration expenditure as set out in detail in the Independent Geologist's Report in Section 8 of this Prospectus.

2. Prospective investors should be aware that if the Offer is not fully subscribed, the Company will not be able to conduct an exploration programme which is as comprehensive as the exploration currently proposed and commented on in Section 6.2.4 of this Prospectus and in the Independent Geologist's Report in Section 8 of this Prospectus. If the Offer is subscribed to raise more than \$5 million but less than \$7 million, the Company will scale back its proposed expenditure pro rata.

As with any budget, intervening events and new circumstances have the potential to affect the ultimate way funds will be applied. The Board reserves the right to alter the way funds are applied on this basis.

#### 4.5 Capital structure

The capital structure of the Company following completion of the Offer (assuming the Offer is fully subscribed) will be as follows<sup>1</sup>:

Shares	Number
Shares on issue at date of Prospectus	6,500,100
Vendor Shares	25,000,000 <sup>2</sup>
Shares now offered	35,000,000
<b>Total Shares on issue at completion of the Offer<sup>3</sup></b>	<b>66,500,100</b>

Options	Number
Options exercisable at \$0.30 each on or before 30 June 2014 <sup>4</sup>	8,000,000
Options now offered	Nil
<b>Total Options on issue at completion of the Offer<sup>5</sup></b>	<b>8,000,000</b>

Notes:

1. Refer to the Investigating Accountant's Report Section 9 of this Prospectus for further information.

2. Pursuant to the Share Sale Agreement (summarised in Section 12.1 of this Prospectus), ADX is entitled to be issued 25 million Shares as consideration for the sale of all of the issued capital of ADXM to the Company.

3. Pursuant to the terms of the Advisory Mandate (summarised in Section 12.8 of this Prospectus), Zen Magnolia Pty Ltd (**Zen Magnolia**), an entity of which Mr Bruce Franzen is a Director and shareholder, is entitled to be issued 600,000 Shares upon successful admission of the Company to the Official List.

4. The rights attaching to Shares and the terms of the Options on issue are summarised in Section 13.1 of this Prospectus.

5. Approximately 12 weeks after the Company's successful admission to the Official List, the Company proposes to conduct the Entitlement Issue of Options. Refer to Sections 5.2 and 13.5 of this Prospectus for further details.

#### **4.6 Restricted securities**

Subject to the Company being admitted to the Official List, certain of the Shares and Options on issue prior to the Offer, and certain of the Shares issued on the exercise of the Options on issue prior to the Offer, are likely to be classified by ASX as restricted securities and will be required to be held in escrow.

#### **4.7 Dividend policy**

Any future determination as to the payment of dividends by the Company will be at the discretion of the Directors and will depend on the availability of distributable earnings and operating results and financial condition of the Company, future capital requirements and general business and other factors considered relevant by the Directors. No assurance in relation to the payment of dividends or franking credits attaching to dividends can be given by the Company.

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## 5. DETAILS OF THE OFFER

### 5.1 The Offer

By this Prospectus, the Company offers for subscription up to 35 million Shares at an issue price of \$0.20 each to raise up to \$7 million. The Offer comprises the Priority Offer and the Public Offer, each of which are described in further detail below.

The Shares offered under this Prospectus will rank equally with the existing Shares on issue.

### 5.2 Priority Offer and Public Offer

#### ***Priority Offer***

The Company will offer 10 million Shares (of the 35 million Shares on offer under this Prospectus) in priority to shareholders of ADX Energy Limited (**ADX**) registered as at the Record date (**Eligible ADX Shareholders**) on a first-come, first-served basis.

To the extent that subscriptions from ADX Shareholders under the Priority Offer exceed 10 million Shares, the Board may treat some or all of the Applications for excess Shares as Applications for Shares under the Public Offer.

The priority given to ADX Shareholders will be in respect of a minimum 10,000 Shares for each ADX Shareholder.

To the extent that any Eligible ADX Shareholders apply for more than 10,000 Shares and there remains a balance of Shares out of the Priority Offer pool, the Company will at Directors' election allocate the balance to those Applicants.

The Board retains absolute discretion when deciding whether or not to accept any particular Application in part or in full and will not be liable to any Eligible ADX Shareholder who is not allocated Shares.

If any of the Shares available for Eligible ADX Shareholders are not applied for by 5:00 pm on the Priority Offer Closing Date, those Shares will form part of the Public Offer.

All ADX Shareholders may apply for Shares under the Public Offer.

#### ***Public Offer***

The pool for the Public Offer will be a minimum of 25 million Shares, with the balance of any Shares not applied for by ADX Shareholders under the Priority Offer also forming part of the Public Offer.

#### **Non-renounceable Entitlement Issue of Options after listing**

All Shareholders registered on the Company's Share register at a date approximately twelve weeks after the Company is admitted to the Official List will be entitled to participate in a proposed non-renounceable entitlement issue of Options on the basis of one (1) Option for every two (2) Shares held (**Entitlement Issue**). It is proposed to issue the Options at \$0.01 each, with an exercise price of \$0.20 and an expiry date of 30 November 2012. Application will be made for Official Quotation of the Options. The terms and conditions of the

Options proposed to be issued pursuant to the Entitlement Issue are set out in Section 13.5 of this Prospectus.

### 5.3 Applications

Applications for Shares under the Priority Offer and the Public Offer must be made using the Application Form enclosed with this Prospectus.

Payment for the Shares must be made in full at the issue price of \$0.20 per Share. Applications for Shares must be for a minimum of 10,000 Shares and thereafter in multiples of 1,000 Shares. Completed Application Forms and accompanying cheques must be mailed or delivered to the Company's Share Registry, Computer Share Investor Services Pty Limited, as follows:

By post	By hand
GPO Box D182 PERTH WA 6840	Level 2, 45 St Georges Terrace PERTH WA 6000

Cheques should be made payable to "**Riedel Resources Limited – Trust Account**" and crossed "Not Negotiable".

Completed Application Forms must reach one of the above addresses by no later than the Priority Offer Closing Date (in the case of the Priority Offer) or the Public Offer Closing Date (in the case of the Public Offer).

The Company reserves the right to close the Offer early.

### 5.4 Oversubscriptions

No oversubscriptions will be accepted by the Company.

### 5.5 Minimum subscription

The minimum subscription to be raised pursuant to this Prospectus is \$5 million.

If the minimum subscription has not been raised within four months after the date of this Prospectus, the Company will return all application monies received without interest.

### 5.6 ASX listing

The Company will apply to ASX within seven days after the date of this Prospectus for Official Quotation of the Shares offered under this Prospectus. If ASX does not grant permission for Official Quotation of the Shares within three months after the date of this Prospectus, or such longer period as is permitted by the Corporations Act, none of the Shares offered by this Prospectus will be allotted or issued. In that circumstance, all applications will be dealt with in accordance with the Corporations Act.

### 5.7 Allotment

The Lead Manager will determine the allottees of the Shares in its sole discretion. The Lead Manager reserves the right to allot Shares in full for any application or to allot any lesser number or to decline any application. Shares will be allotted and issued as soon as practicable after the Public Offer Closing Date. Where the number of Shares allotted is less than the number applied for, or where no

allotment is made, the surplus application moneys will be returned by cheque to the Applicant within seven days of the allotment date.

Pending the allotment and issue of the Shares or payment of refunds pursuant to this Prospectus, all application monies will be held by the Company in trust for the Applicants in a separate bank account as required by the Corporations Act. The Company will be entitled to retain all interest that accrues on the bank account and each Applicant waives the right to claim interest.

## **5.8 Applicants outside Australia**

This Prospectus does not, and is not intended to, constitute an offer in any place or jurisdiction, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. No action has been taken to register or qualify these Shares or otherwise permit a public offering of the Shares the subject of this Prospectus in any jurisdiction outside Australia.

It is the responsibility of Applicants outside Australia to obtain all necessary approvals for the allotment and issue of the Shares pursuant to this Prospectus. The return of a completed Application Form will be taken by the Company to constitute a representation and warranty by the Applicant that all relevant approvals have been obtained.

## **5.9 No Underwriter**

The Offer is not underwritten.

## **5.10 Commissions on Application Forms**

The Company reserves the right to pay a commission of up to 4% (plus goods and services tax) of amounts subscribed to any Australian Financial Services licensee in respect of valid applications lodged and accepted by the Company and bearing the stamp of the Australian Financial Services licensee. Payments will be subject to the receipt of a proper tax invoice from the licensed securities dealer or Australian Financial Services licensee.

## **5.11 CHESS**

The Company will apply to participate in the Clearing House Electronic Sub-register System (**CHESS**). CHESS is operated by ASX Settlement and Transfer Corporation Pty Ltd (**ASTC**), a wholly owned subsidiary of ASX, in accordance with the Listing Rules and the ASTC Settlement Rules.

Under CHESS, the Company will not issue certificates to investors. Instead, Shareholders will receive a statement of their holdings in the Company. If an investor is broker sponsored, ASTC will send a CHESS statement.

## **5.12 Withdrawal**

The Directors reserve the right, at any time, to withdraw this Prospectus and the Offer. In this event, the Company will return all application monies received without interest within 28 days of giving the notice of withdrawal.

### **5.13 Risk factors**

Prospective investors in the Company should be aware that subscribing for Shares the subject of this Prospectus involves a number of risks.

These risks are set out in detail in Section 11 of this Prospectus and investors are urged to consider those risks carefully (and if necessary, consult their professional adviser) before deciding whether to apply for Shares under this Prospectus.

### **5.14 Privacy statement**

If you complete an application for Shares, you will be providing personal information to the Company. The Company collects, holds and will use that information to assess your application, service your needs as a Shareholder and to facilitate distribution payments and corporate communications to you as a Shareholder.

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

You can access, correct and update the personal information that we hold about you. If you wish to do so, please contact the Company's Share Registry at the relevant contact number set out in the Corporate Directory.

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

### **5.15 Enquiries**

Any questions concerning the Offer should be directed to Mr Bruce Franzen, Executive Director on +61 (8) 9226 0866.

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## **6. COMPANY AND PROJECT OVERVIEW**

### **6.1 Background**

Riedel Resources Limited is an Australian-based exploration company established to explore for and develop gold and base metals mineralisation in Western Australia.

The Company was incorporated on 9 April 2010 as a public company for the purpose of acquiring a portfolio of highly prospective exploration Projects located in Western Australia from ADX Energy Limited (**ADX**) formerly AuDAX Resources Limited. Since incorporation, the Company has entered into a Share Sale Agreement with ADX to acquire ADX's wholly owned subsidiary, AuDAX Minerals Pty Ltd (**ADXM**) on the terms set out in Section 12.1 of this Prospectus (**Share Sale Agreement**).

### **6.2 Project overview**

#### **6.2.1 Background and overview**

Riedel's assets include a portfolio of gold, copper and nickel Projects and significant land holdings in prospective areas in the Archaean and Proterozoic areas in Western Australia. The Company has a mixture of early stage and advanced prospects, with an initial focus on the following four core Projects:

- Cheritons East;
- Mary Mia;
- Millrose; and
- Mt Webb.

These Projects comprise an existing inferred gold resource, numerous drill ready Cu, Ni, Au and Cu-Au targets as well as a number of quality conceptual targets. All core Project areas are also considered to have recognised potential for hosting uranium mineralisation, however the Company has no current intention of exploring for uranium and is prevented from doing so under its heritage agreements.

The core Projects are augmented with a number of further prospects, including existing joint venture Projects, prospective royalties and free carried interests (these are described in further detail in Section 6.2.3 below under 'Second tier Projects').

#### **6.2.2 Company strategy**

The Company proposes a well funded, well resourced and aggressive exploration strategy. Programmes have been designed to evaluate and add significant value to existing core Projects and to achieve key exploration milestones within the next two years.

The Board therefore believes these Projects contain a number of exciting opportunities and has a proven track record in developing mineral assets, together with recognising and advancing underexplored projects. These skills will assist the Company to maximise returns from the portfolio of Projects to be acquired under the Share Sale Agreement.

The Board's primary aim is to become a successful exploration company and advance Shareholders' interests and asset values. The Company aims to achieve this goal through:

- (a) utilising the collective experience of the Board members to advance its existing Projects;
- (b) active exploration programmes on the Company's current Project portfolio;
- (c) acquisition and consolidation of tenement holdings in the Project areas; and
- (d) utilisation of the Board's project acquisition skills to give the Company high exposure to other projects at an attractive entry price.

### 6.2.3 Project descriptions

#### **Core Projects**

As discussed above, the Company's core Projects include Cheritons East, Mary Mia, Millrose and Mount Webb. The Company also holds a number of prospective second-tier Projects in Western Australia. These second-tier Projects are not reported on in the Independent Geologist's Report included in Section 8 of this Prospectus because the Company does not currently consider them to be material to its future operations and strategy.

The following map (Figure 1) shows the location of the Company's Projects:



Figure 1: Location of Projects

A summary of each Project is set out below. Also refer to the Independent Geologist's Report in Section 8 of this Prospectus for more detailed information on the core Projects.

Refer to the material contract summaries contained in Section 12.9 of this Prospectus for further details of Tenement Agreements.

### **Cheritons East**

The Cheriton's East gold prospect is located 48km south-east of Marvel Loch in the eastern Goldfields of Western Australia. It is approximately 2km south of the Cheritons Find (Redwing) deposit which has an estimated Inferred Resource of 1.4Mt at 2.4g/t Au for 108,000 oz.

E77/1223 covers a total area of 58.3km<sup>2</sup> and overlies the southern strike extension of the Redwing gold mineralisation. It is considered to have the potential to host major low to medium grade gold mineralisation and possibly also nickel mineralisation.

The Cheritons East Project is described in further detail in section 1 of the Independent Geologist's Report.

### **Mary Mia**

The Mary Mia Project area is located approximately 180km northeast of Meekatharra in the Peak Hill district of Western Australia and lies within the Mary Mia Dome. The Mary Mia Project Area is comprised of two large contiguous exploration licences which overlie most of the Baumgarten Greenstone Belt. E52/2394 and E52/2395 occupy a total area of approximately 431.4km<sup>2</sup>.

Exploration drilling has outlined sporadic gold mineralisation hosted in a granophyric dolerite sill. There is potential for 'blind', primary gold mineralisation beneath over-thrust granite in the Project area. Much of the ultramafic strike-length in the Project area remains untested by modern day exploration techniques.

The Mary Mia Project Area is along strike from Sandfire Resources' Doolgunna copper-gold project at DeGrussa, which lies approximately 50km west-south west of the tenements. The indicated and Inferred Resource for Sandfire Resources' high grade volcanic massive sulphide mineralisation was upgraded in September 2010 to 10.67Mt at 5.6% Cu; 1.9g/t Au and 15g/t Ag. This is comprised of an Indicated Resource of 8.15 Mt @ 5.8% Cu, 1.8g/t Au and 14g/t Ag and an Inferred Resource of 2.52Mt @ 5.2% Cu, 2.3g/t Au and 15g/t Ag. The Sipa Resources' Thaduna Copper Project and Lodestar Minerals Ltd's base metals 'Conductor' targets have also recently been identified to the south west of Riedel Resources' leases.

The Mary Mia Project is described in further detail in section 2 of the Independent Geologist's Report.

### **Millrose**

The Millrose Project Area is located within the Yandal / Millrose Greenstone Belt, in the Murchison region of the north-eastern Goldfields of Western Australia. It is situated approximately 80km north-east of Wiluna. The Millrose Project Area is comprised of E53/1304 and E53/1305, which have a combined area of 119.8km<sup>2</sup>.

An Inferred Resource of 4Mt at 2.4g/t Au for 308,600 oz has been outlined from drilling carried out on E53/1304, prior to and during 1999. No additional field-work has been conducted since 2005.

The Millrose Project is described in further detail in section 3 of the Independent Geologist's Report.

### **Mt Webb**

The Mt Webb Project area is located in the Lake Mackay region in Western Australia, close to the WA-NT border. These isolated tenements are approximately 1,300km east of Wiluna. The Project area is comprised of four tenements, namely E80/4165, E80/4166, E80/4167 and E80/4429, which have a combined area of 568.1km<sup>2</sup>.

Each of the "hot" granites within these tenements will be evaluated for its gold and copper potential. The mineralisation is expected to be associated with one of the Iron Oxide Copper Gold subtypes.

The Mt Webb Project is described in further detail in section 4 of the Independent Geologist's Report.

### **Second tier Projects**

#### **Bronzewing South / Kara / Delaney Well**

The Bronzewing South Project is located within the Yandal Greenstone Belt approximately 65km north-east of Leinster and immediately south of the Bronzewing Mine site. It includes tenements E36/734, E36/215, E36/623, M36/670, and E36/509.

To date, work at this Project has included: prospecting, airborne magnetic / DEM / radiometric surveys, ground electromagnetic surveys, regolith mapping, geological mapping, rock chip sampling, soil and lag sampling surveys, RAB / Aircore / RC and diamond drilling.

Until the discovery of the Bronzewing Mine in the mid 1990s, relatively little work had been done on the area. Since its grant in 2002, the area has been explored by Newmont Yandal Operations Limited (**Newmont**), ADX, Independence Group NL (**Independence**) and View Gold NL / Navigator (**Bronzewing**).

While results have generated a number of interesting anomalies and confirmed the geological prospectivity of the area, they have been disappointing in that they have not delivered a significant open pitable oxide resource. Model-driven exploration by Newmont and Independence, while generating a number of gold and nickel sulphide targets, meant that these companies did not follow up a number of targets.

The area is still considered to have potential to host a small to moderate blind underground prospect. The area is under drilled relative to other areas within the eastern Goldfields and the Yandal Belt in particular.

## Charteris Creek

This Project includes a tenement under application: E45/2763. It lies approximately 50km north of Nullagine and covers an area considered prospective for gold and base metal mineralization. The tenement lies in the east Pilbara and covers portions of the Marble Bar and Kelly Greenstone Belts to the east of the Mount Edgar and Corunna Downs Granitic plutons.

While the area has been the subject of previous exploration in the past much of the more recent work has been carried out by the majors and has been focused on large ore systems. Evaluation has often been by regional stream sediment sampling programs that may not have been entirely appropriate and “on ground” follow up appears to have been limited.

The area is considered prospective for structurally controlled vein and hydrothermal gold mineralisation and for VHMS style base metal mineralisation similar to those in the Copper Hills-Kellys Area immediately to the south of the tenement. Iron, Manganese and speciality metals (Sn, Ta, Li) are also to be considered.

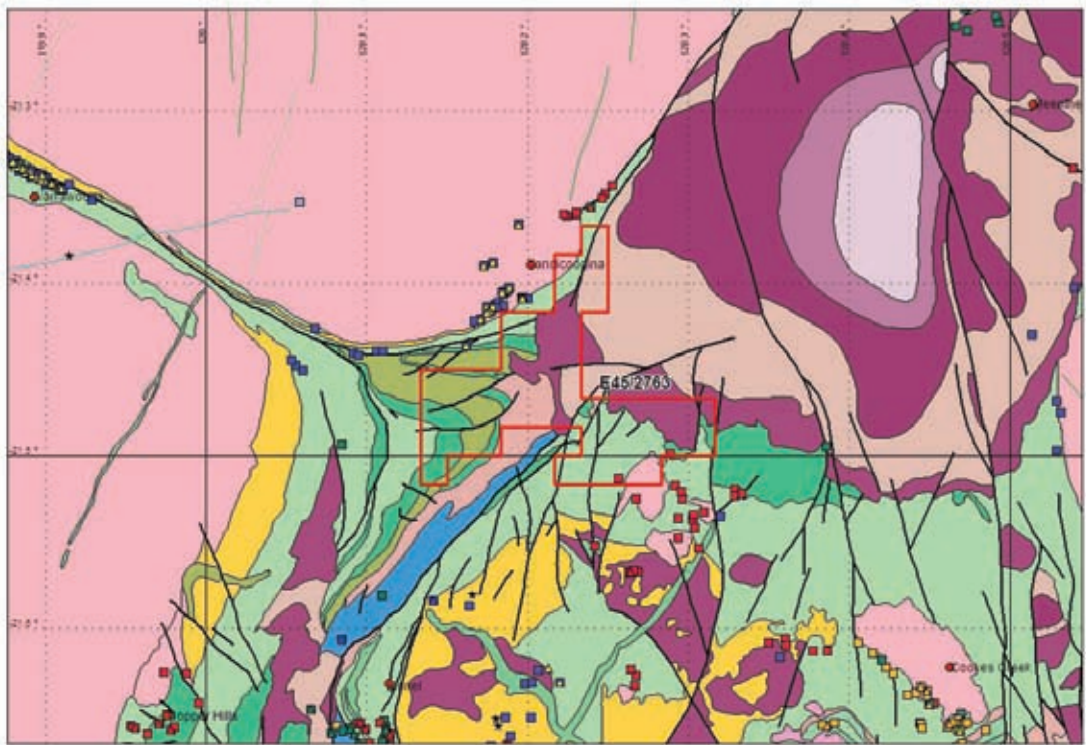


Figure 2: Charteris Creek Tenure on Regional Geology

## Telfer

This Project includes tenements under application E45/2761, and E45/2764. The Project lies approximately 35km north west of the Telfer mine and covers the area immediately surrounding the Lamil Hills region and strike extensions to the north. The area was applied for in anticipation of results of geophysical (magnetic and gravity) surveys, mapping and re-interpretive surveys conducted by the Geological Survey of WA (GSWA). It is believed that this initiative together with new insights brought about as a result of the mining of the Telfer underground will lead to new and better models for mineralisation in the Telfer area.



## **Free carried interests and royalties**

### **Cheritons Find (Redwing)**

Initial work by ADX in the late 1990's resulted in the definition and mining of the Cheritons Find M77/1078 laterite resource. Subsequent work by Sons of Gwalia Limited has resulted in the definition of a small Inferred Resource estimate at Redwing (located adjacent to Cheritons Find Laterite deposit) of 1,400,000t @ 2.4g/t Au for 108,000 oz. Riedel holds a 10% free carried interest in the Redwing Deposit which is currently managed by St Barbara Limited.

The Redwing Inferred Resource is located immediately adjacent to the old Cheritons Find Laterite Pit, within the Jilbadji Nature Reserve and approximately 55km by road from Marvel Loch. The prospect is hosted within a west-north-west striking sequence of para-amphibolites, ultramafic and ortho-amphibolites that is located on the south-western flank of the Parker Range Dome. Mineralisation has been defined along a strike length of 500m to a vertical depth of 160m. The zone dips shallowly to the west and has a true thickness of between 5m and 30m. The host rock sequence and controlling structural zone extend a further 2,500m south of Redwing and is associated with quartz veining and similar altered rock. Gold mineralisation is related to discrete sheeted quartz veins (1m to 4m thick). Free gold is evident in veins, alteration halos comprise calc-silicate, carbonate, garnet and pyrite assemblages.

The Inferred Resource was calculated using a sectional polygonal method with grade interpolation by inverses distance method using parameters appropriate to the data density. Sample locations, drill sampling recoveries and analytical methods are deemed acceptable.

### **West Yandal**

Tenements E36/404 and M36/615 are owned and managed by Navigator Resources Limited and lie south of the Bronzewing mine. Subject to completion of the transfer of the tenements to the Company, the Company will retain a royalty over these tenements (refer to Section 12.9 of this Prospectus for details of the royalty held pursuant to the Venus Sale Agreement).

View Resources Ltd mined and processed some of the ore from the Venus prospect in 2007 via a small open cut. However, due to the collapse of View Resources and the fact the company went into administration, mining ceased.

Prior to mining the ore from the Venus resource, previous exploration has indicated the potential for gold mineralisation. The Company believes there is further potential for incremental ounces along strike. Regional structural/magnetic and RAB/AC/RC and soil targets remain to be tested.

### **Dulcie**

The Company holds a 20% free carried interest in the Dulcie Project tenements P77/3727, P77/3728, P77/3729 together with Gondwana Resources Limited which holds and manages an 80% interest. Details of the Dulcie Joint Venture Agreement are set out in Section 12.9 of this Prospectus.

These tenements managed by Gondwana Resources represent part of a large portfolio of prospective tenements located in the Southern Cross Greenstone Belt immediately south of St Barbara Limited's Marvel Loch Gold Operations and 80km north of Western Area's Forrestania Nickel Operations.

The Southern Cross area is a well recognised regional mining centre, offering excellent established infrastructure and a long gold mining tradition.

The Company believes that previous explorers have focused on large tonnage gold targets and, as a result, there remains potential to delineate smaller, high-grade gold targets near to surface that could offer the Company positive cash flows through toll treatment or small-scale, boutique gold mining operations.

The Southern Cross-Marvel Loch region exhibits zones of near surface gold depletion related to oxidation of the profile (noted at the Marvel Loch and Yilgarn Star gold mines). Drill data for Gondwana's landholding reveals large strike lengths of favourable host rocks that remain untested below the base of oxidation.

### Porphyry

The Porphyry prospect owned and managed by Saracen Minerals includes tenements M31/145, and M31/157 and lies on the Edjudina Station Pastoral Lease approximately 48km north of the Carosue Dam processing plant. The Company will retain a royalty interest in the Porphyry deposit.

The Porphyry mining area has a long history of gold mining, having been mined intermittently over the past 75 years. Historical production from the Porphyry mine is 1.33mt @ 3.36g/t producing 144,000 oz from both underground and surface operations.

### Further details

Investors should refer to the Solicitor's Report on Tenements included in Section 10 of this Prospectus for further details of the second-tier Projects.

## 6.2.4 Proposed activities

The Company has planned a two-year exploration programme, with a total expenditure of \$4.809 million (assuming full subscription) and a total expenditure of \$3.096 million (assuming only the minimum subscription of \$5 million is reached under the Offer) primarily directed at exploring its 4 core Projects:

Totals	Proposed Expenditure					
	Year 1 (\$)		Year 2 (\$)		Total (\$)	
	Minimum Subscription	Full Subscription	Minimum Subscription	Full Subscription	Minimum Subscription	Full Subscription
Wages / salaries / contractors	443,000	583,000	503,000	693,000	<b>946,000</b>	<b>1,276,000</b>
Data acquisition/ processing	203,000	551,000	6,000	110,000	<b>209,000</b>	<b>661,000</b>
Geophysical surveys	135,000	135,000	65,000	65,000	<b>200,000</b>	<b>200,000</b>
Drilling – auger / RAB / AC / RC / DD	360,000	710,000	660,000	1,267,000	<b>1,020,000</b>	<b>1,977,000</b>
Assays	73,000	73,000	95,000	95,000	<b>168,000</b>	<b>168,000</b>
Tenement costs	68,000	69,000	55,000	20,000	<b>123,000</b>	<b>89,000</b>
Equipment & consumables	69,500	73,500	84,500	84,500	<b>154,000</b>	<b>158,000</b>
Logistics & support	76,500	76,500	69,500	73,500	<b>146,000</b>	<b>150,000</b>

Totals	Proposed Expenditure					
	Year 1 (\$)		Year 2 (\$)		Total (\$)	
	Minimum Subscription	Full Subscription	Minimum Subscription	Full Subscription	Minimum Subscription	Full Subscription
Heritage / environment / rehabilitation	79,000	69,000	51,000	61,000	130,000	130,000
<b>Total</b>	<b>1,507,000</b>	<b>2,340,000</b>	<b>1,589,000</b>	<b>2,469,000</b>	<b>3,096,000</b>	<b>4,809,000</b>

Cheritons Project	Proposed Expenditure					
	Year 1 (\$)		Year 2 (\$)		Total (\$)	
	Minimum Subscription	Full Subscription	Minimum Subscription	Full Subscription	Minimum Subscription	Full Subscription
Wages / salaries / contractors	48,000	48,000	28,000	58,000	76,000	106,000
Data acquisition / processing	2,000	2,000	-	108,000	2,000	110,000
Geophysical surveys	35,000	35,000	5,000	5,000	40,000	40,000
Drilling – auger / RAB / AC / RC / DD	-	-	-	180,000	0	180,000
Assays	8,000	8,000	10,000	10,000	18,000	18,000
Tenement costs	4,000	4,000	8,000	8,000	12,000	12,000
Equipment & consumables	16,000	20,000	5,000	5,000	21,000	25,000
Logistics & support	12,000	12,000	8,000	8,000	20,000	20,000
Heritage / environment / rehabilitation	15,000	15,000	10,000	10,000	25,000	25,000
<b>Total</b>	<b>140,000</b>	<b>144,000</b>	<b>74,000</b>	<b>392,000</b>	<b>214,000</b>	<b>536,000</b>

Mary Mia Project	Proposed Expenditure					
	Year 1 (\$)		Year 2 (\$)		Total (\$)	
	Minimum Subscription	Full Subscription	Minimum Subscription	Full Subscription	Minimum Subscription	Full Subscription
Wages / salaries / contractors	200,000	300,000	165,000	215,000	365,000	515,000
Data acquisition / processing	199,000	249,000	1,000	1,000	200,000	250,000
Geophysical surveys	55,000	55,000	25,000	25,000	80,000	80,000
Drilling – auger / RAB / AC / RC / DD	250,000	500,000	250,000	437,000	500,000	937,000
Assays	20,000	20,000	15,000	15,000	35,000	35,000
Tenement costs	14,000	14,000	2,000	2,000	16,000	16,000
Equipment & consumables	20,000	20,000	10,000	10,000	30,000	30,000
Logistics & support	20,000	20,000	20,000	20,000	40,000	40,000
Heritage / environment / rehabilitation	25,000	25,000	25,000	25,000	50,000	50,000
<b>Total</b>	<b>803,000</b>	<b>1,203,000</b>	<b>513,000</b>	<b>750,000</b>	<b>1,316,000</b>	<b>1,953,000</b>

<b>Millrose Project</b>		<b>Proposed Expenditure</b>				
	<b>Year 1 (\$)</b>		<b>Year 2 (\$)</b>		<b>Total (\$)</b>	
	<b>Minimum Subscription</b>	<b>Full Subscription</b>	<b>Minimum Subscription</b>	<b>Full Subscription</b>	<b>Minimum Subscription</b>	<b>Full Subscription</b>
Wages / salaries / contractors	95,000	115,000	215,000	265,000	<b>310,000</b>	<b>380,000</b>
Data acquisition / processing	-	-	-	-	<b>0</b>	<b>0</b>
Geophysical surveys	-	-	-	-	<b>0</b>	<b>0</b>
Drilling – auger / RAB / AC / RC / DD	110,000	110,000	410,000	510,000	<b>520,000</b>	<b>620,000</b>
Assays	25,000	25,000	45,000	45,000	<b>70,000</b>	<b>70,000</b>
Tenement costs	6,000	6,000	6,000	6,000	<b>12,000</b>	<b>12,000</b>
Equipment & consumables	1,000	1,000	52,000	52,000	<b>53,000</b>	<b>53,000</b>
Logistics & support	13,000	13,000	18,000	22,000	<b>31,000</b>	<b>35,000</b>
Heritage / environment / rehabilitation	4,000	4,000	6,000	6,000	<b>10,000</b>	<b>10,000</b>
<b>Total</b>	<b>254,000</b>	<b>274,000</b>	<b>752,000</b>	<b>906,000</b>	<b>1,006,000</b>	<b>1,180,000</b>

<b>Mt Webb Project</b>		<b>Proposed Expenditure</b>				
	<b>Year 1 (\$)</b>		<b>Year 2 (\$)</b>		<b>Total (\$)</b>	
	<b>Minimum Subscription</b>	<b>Full Subscription</b>	<b>Minimum Subscription</b>	<b>Full Subscription</b>	<b>Minimum Subscription</b>	<b>Full Subscription</b>
Wages / salaries / contractors	95,000	115,000	90,000	150,000	<b>185,000</b>	<b>265,000</b>
Data acquisition / processing	1,000	299,000	1,000	1,000	<b>2,000</b>	<b>300,000</b>
Geophysical surveys	45,000	45,000	35,000	35,000	<b>80,000</b>	<b>80,000</b>
Drilling – auger / RAB / AC / RC / DD	-	100,000	-	140,000	<b>0</b>	<b>240,000</b>
Assays	15,000	15,000	20,000	20,000	<b>35,000</b>	<b>35,000</b>
Tenement costs	34,000	35,000	34,000	(1,000)	<b>68,000</b>	<b>34,000</b>
Equipment & consumables	30,000	30,000	15,000	15,000	<b>45,000</b>	<b>45,000</b>
Logistics & support	30,000	30,000	20,000	20,000	<b>50,000</b>	<b>50,000</b>
Heritage / environment / rehabilitation	35,000	25,000	10,000	20,000	<b>45,000</b>	<b>45,000</b>
<b>Total</b>	<b>285,000</b>	<b>694,000</b>	<b>225,000</b>	<b>400,000</b>	<b>510,000</b>	<b>1,094,000</b>

## Other

Other Projects	Proposed Expenditure					
	Year 1 (\$)		Year 2 (\$)		Total (\$)	
	Minimum Subscription	Full Subscription	Minimum Subscription	Full Subscription	Minimum Subscription	Full Subscription
Wages / salaries / contractors	5,000	5,000	5,000	5,000	10,000	10,000
Data acquisition/processing	1,000	1,000.00	4,000	-	5,000	1,000
Geophysical surveys	-	-	-	-	0	0
Drilling – auger / RAB / AC / RC / DD	-	-	-	-	0	0
Assays	5,000	5,000	5,000	5,000	10,000	10,000
Tenement costs	10,000	10,000	5,000	5,000	15,000	15,000
Equipment & consumables	2,500	2,500	2,500	2,500	5,000	5,000
Logistics & support	1,500	1,500	3,500	3,500	5,000	5,000
Heritage / environment / rehabilitation	-	-	-	-	0	0
<b>Total</b>	<b>25,000</b>	<b>25,000</b>	<b>25,000</b>	<b>21,000</b>	<b>50,000</b>	<b>46,000</b>

**Table 1 - Details of the Company's proposed exploration programme** (refer to the notes to the proposed use of application funds table in Section 4.4 of this Prospectus for certain assumptions underlying the following 2-year exploration programme):

Projects	Proposed Expenditure					
	Year 1 (\$)		Year 2 (\$)		Total (\$)	
	Minimum Subscription	Full Subscription	Minimum Subscription	Full Subscription	Minimum Subscription	Full Subscription
Cheritons	140,000	144,000	74,000	392,000	214,000	536,000
Mary Mia	803,000	1,203,000	513,000	750,000	1,316,000	1,953,000
Millrose	254,000	274,000	752,000	906,000	1,006,000	1,180,000
Mt Webb	285,000	694,000	225,000	400,000	510,000	1,094,000
Other Projects	25,000	25,000	25,000	21,000	50,000	46,000
<b>Totals</b>	<b>1,507,000</b>	<b>2,340,000</b>	<b>1,589,000</b>	<b>2,469,000</b>	<b>3,096,000</b>	<b>4,809,000</b>

**Table 2 - Project exploration expenditure by category:**

Category	Proposed Expenditure					
	Year 1 (\$)		Year 2 (\$)		Total (\$)	
	Minimum Subscription	Full Subscription	Minimum Subscription	Full Subscription	Minimum Subscription	Full Subscription
Wages / Salaries / Contractors	443,000	583,000	503,000	693,000	946,000	1,276,000
Data Acquisition / Processing	203,000	551,000	6,000	110,000	209,000	661,000
Geophysical Surveys	135,000	135,000	65,000	65,000	200,000	200,000
Drilling – Auger / RAB / AC / RC / DD	360,000	710,000	660,000	1,267,000	1,020,000	1,977,000
Assays	73,000	73,000	95,000	95,000	168,000	168,000
Tenement Costs	68,000	69,000	55,000	20,000	123,000	89,000
Equipment & Consumables	69,500	73,500	84,500	84,500	154,000	158,000
Logistics & Support	76,500	76,500	69,500	73,500	146,000	150,000
Heritage / Environment / Rehabilitation	79,000	69,000	51,000	61,000	130,000	130,000
<b>TOTAL</b>	<b>1,507,000</b>	<b>2,340,000</b>	<b>1,589,000</b>	<b>2,469,000</b>	<b>3,096,000</b>	<b>4,809,000</b>

***Project generation and business development***

In addition to completing the proposed activities outlined above, the Company intends to endeavour to use its knowledge, people and contacts, both in Australia and abroad, to generate high quality targets and to pursue business development opportunities. The Company has not yet determined specific criteria for identification of these projects.

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## 7. DIRECTORS AND CORPORATE GOVERNANCE

### 7.1 Directors

#### **Ian Tchacos (B.Eng (Mech.))**

Non Executive Chairman

Mr Tchacos is a mechanical engineer with over 25 years' international experience in corporate development and strategy, mergers and acquisitions, exploration, development and production operations, marketing and finance. He has a proven management track record in a range of international company environments. In his last appointment as Managing Director of Nexus Energy, he was responsible for the company's development from an onshore micro cap explorer to an ASX top 200 offshore producer and operator. Mr Tchacos is currently non-executive Chairman of ADX Energy Limited, and non-executive director of Australian Oil Company Limited.

#### **Bruce Franzen (B.Bus. CPA, FFin)**

Executive Director

Mr Franzen is a certified practising accountant with over twenty years' local and international experience in the resources industry. Bruce has substantial experience in commercial administration and financial control related to offshore oil and gas drilling, exploration and development of large scale capital resource projects. Bruce has held senior positions for large companies such as Woodside Petroleum, Inpex and Origin Energy.

He also was a former Chief Financial Officer and Company Secretary for Globe Metals and Mining from 2007 - 2009 and a founding director of DMC Mining Limited. He served as an executive director, Company Secretary and Chief Financial Officer of DMC Mining from 2006 - 2009.

#### **Jeffrey Moore (B.Sc, MAusIMM, MGSA)**

Non Executive Director

Mr Moore is a geologist with extensive technical, managerial and project finance experience in exploration and mining for publicly listed companies. During his career, he has generated and managed projects for commodities including precious metals, base metals, diamonds, nickel and industrial minerals throughout Australia, Central and South America, Africa and Asia.

Jeff has held previous directorships with Allied Gold Limited from 2004 to 2008 and Great Australian Resources Limited from 2005 to 2007 and is currently a Director of Abra Mining Limited (commencing 2006) and Cougar Metals NL (commencing 2008). He is also a corporate member of the Australasian Institute of Mining and Metallurgy and a member of the Geological Society of Australia.

#### **Andrew Childs (B.Sc. Geology and Zoology)**

Non Executive Director

Mr Childs is currently Chairman of Australian Oil Company Limited and Non Executive Director of ADX Energy Limited. He also sits on the Boards of a number of unlisted private and public companies. Andrew graduated from the University of Otago, New Zealand in 1980 with a Bachelor of Science in Geology and Zoology. Having started his professional career as an exploration geologist in the eastern Goldfields of Western Australia, Andrew moved to petroleum geology and geophysics with Perth-based Ranger Oil Australia (later renamed

Petroz NL). He gained technical experience with Petroz as a geoscientist and later commercial experience as the commercial assistant to the Managing Director. Andrew subsequently worked with a major human resources consultancy in Perth, before founding Resource Recruitment in 1995.

**Mr Wolfgang Zimmer (Ph.D Geology and Petrology)**

Non Executive Director

Mr Zimmer has over 30 years' experience in the oil and gas industry. He received his Ph.D from the University of Vienna in Geology and Petrology. His career began with Mobil Oil in Vienna, where he worked for 11 years primarily in Europe and the USA in oil and gas exploration and production. In 1991, he joined OMV, the Austrian oil company, and fulfilled a variety of senior management roles for the next 15 years. He established OMV's exploration and production business in Australia and New Zealand and was its Managing Director for five years. Mr Zimmer has significant experience in North Africa, having been the director of OMV's onshore and offshore production operations in Tunisia. In 2006, he joined Grove Energy, a Canadian and UK listed oil and gas explorer. As CEO, he successfully merged Gove with another exploration company in 2007.

Mr Zimmer is currently Managing Director of ADX Energy Limited.

## **7.2 Corporate governance**

This Section summarises the corporate governance practices adopted by the Board. The Company's objective is to achieve best practice in corporate governance, and the Company's officers and employees are committed to achieving this objective.

### **Board of Directors**

#### *Role of the Board*

The Board's primary responsibility is to oversee the Company's business activities and management for the benefit of Shareholders. The Board is responsible for:

- (a) overseeing and approving the Company's strategic and operating objectives;
- (b) reviewing, ratifying and approving the Company's financial position, systems of risk management and internal compliance and control, codes of conduct and legal compliance;
- (c) approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures;
- (d) being responsible for the Company's senior executives and personnel, including appointing and, where appropriate, removing the Chairman;
- (e) ratifying the appointment, and where appropriate, the removal of the Managing Director/CEO (if applicable) and the Company Secretary;
- (f) monitoring and evaluating the performance of the executive Directors and the senior management team of their implementing of Company strategy and to satisfy itself, on a reasonable basis, that the level and composition of executive remuneration is sufficient and reasonable and that its relationship to corporate and individual performance is defined;

- (g) satisfying itself that appropriate internal and external audit arrangements are in place and operating effectively;
- (h) reviewing procedures and practices employed in relation to health, safety and the environment and assessing their adequacy;
- (i) satisfying itself that the financial statement and other financial disclosures of the Company are fair and accurate;
- (j) convening and attending general meetings of Shareholders;
- (k) assessing and approving the Company's response to proposed transactions which would affect Shareholders' positions and rights as Shareholders and, where relevant, making recommendations thereon to Shareholders;
- (l) delegating appropriate powers to the executive Directors and senior management to ensure the effective day-to-day management of the business and monitoring the exercise of these powers;
- (m) ensuring that policies, procedures and reporting are in place and consistent with the Company's objectives, and that the Company and its officers act legally, ethically and responsibly in all matters;
- (n) ensuring corporate accountability to the Shareholders, primarily through adopting an effective Shareholder communications strategy, encouraging effective participation at general meetings and, through the Chairman, being the key interface between the Company and its Shareholders;
- (o) overseeing the Company's control and accountability systems and approving and monitoring financial and other reporting;
- (p) making appropriate resources available to senior executives and management in order to achieve the Company's objectives; and
- (q) encouraging a corporate culture that promotes ethical and responsible decision-making, compliance with legal responsibilities and transparency through effective and timely reporting.

#### *Board composition*

The Directors are subject to election by Shareholders. All Directors are subject to re-election by rotation every three years. The Company's Constitution provides that one-third of the Directors (other than the Managing Director) must retire by rotation at each annual general meeting. Those Directors who are retiring may submit themselves for re-election by Shareholders, including any Director appointed to fill a casual vacancy since the date of the previous annual general meeting. The composition of the Board is reviewed at least annually to ensure the balance of skills and experience is appropriate.

#### *Independence of non-executive Directors*

The Board recognises that best practice occurs when the Board comprises a majority of non-executive Directors. The Board continues to strive to meet the Principles of Good Corporate Governance and Best Practice Recommendations published by the ASX or other such principles and guidance as the Board may consider appropriate from time to time, however the Board also recognises that complying with the ASX Corporate Governance Council Recommendation 2.1 "A majority of the Board should be independent directors" is not always

practical given the size of the Company and the industry in which it operates. The Board instead aims to assess the independence of the Company's non-executive Director on an ongoing basis, requiring full disclosure where conflicts of interests arise.

### **Independent professional advice**

The Board has adopted a formal policy on access to independent professional advice which provides that Directors are entitled to seek independent professional advice for the purposes of the proper performance of their duties. The advice is at the Company's expense, subject to the prior approval of the Chairman. Advice so obtained is made available to all Directors.

### **Committees**

Due to the size of the Company, the Board has not formally constituted an Audit Committee. The entire Board currently undertakes the duties of an Audit Committee which include:

- (a) reviewing and reporting to the Board on the annual and half year financial reports, the financial section of quarterly reports and all other financial information published by the Company prior to release to Shareholders and other public forums;
- (b) assisting the Board in reviewing the effectiveness of the Company's internal control environment, covering:
  - (i) effectiveness and efficiency of operations;
  - (ii) reliability of financial reporting;
  - (iii) compliance with applicable laws and regulations; and
  - (iv) monitoring of corporate risk assessment processes;
  - (v) co-ordinating the audit with the external auditor, including reviews of internal control measures;
  - (vi) reviewing and approving any significant non-mandatory accounting policy change;
  - (vii) reviewing the audit plan with the external auditor;
  - (viii) recommending to the Board the appointment, removal and remuneration of the external auditors, and review the terms of their engagement, the scope and quality of the audit and the auditor's independence, and considering, if appropriate, the rotation of audit partners; and
  - (ix) reviewing the level of non-audit services provided by the external auditor and ensuring it does not adversely impact on auditor independence.

The Company's auditor is invited to attend the annual general meeting and the Company supports the principle of the auditor being available to answer questions on the conduct of the audit and the content of the audit report.

Similarly, due to its size, the Board has not formally constituted a Nomination Committee or Remuneration Committee. The whole Board conducts the functions of a Nomination Committee and Remuneration Committee.

### **Remuneration**

Executive Directors and key executives are remunerated by way of a salary or consultancy fees, commensurate with their required level of services. Non-executive Directors receive a fixed monthly fee for their services as non-executive Directors and those non-executive Directors' fees are capped at \$250,000 per annum in aggregate.

### **Risk management**

The Board recognises that risk management and internal compliance and control are key elements of good corporate governance and integral to the Company's objectives of creating and maintaining Shareholder value and the successful implementation of the Company's operations.

The Board as a whole is responsible for overseeing the processes by which risk is considered for both ongoing operations and prospective actions.

Management is responsible for establishing procedures which provide assurance that major business risks are identified, consistently assessed and appropriately addressed.

Not all aspects of risk management can be formalised and the Company places considerable reliance on the skill, experience and judgment of its people to take risk managed decisions within the policy framework, and to communicate openly on all risk related matters.

New risks will be identified by the Board in consultation with management as each new initiative/project is considered and implemented.

Periodically (as deemed necessary by the Board in consultation with management), existing Projects will be reviewed to identify new risks and monitor existing risks to ensure all risks are being effectively managed.

Management evaluates each risk through a process of allocating an appropriate rating of probability (e.g. high, substantial, medium, low or negligible), impact, risk and effectiveness controls. This evaluation process determines whether the current management of each risk is within a predetermined acceptable level or whether action needs to be taken to treat the risk. Management further identifies what monitoring is required i.e. active or periodic and whether review by Board or management is required.

Monitoring the status of each risk and any necessary action plans relating to their treatment takes place on a regular basis by controlled self assessment as well as by management's regular review of risk action plans, with respect to the effectiveness and suitability of each risk action plan.

The overall results of these assessments are presented to the Board at least annually and updated as necessary.

Any action or recommendations by senior management arising out of these review processes are approved by the Board and implemented by management.

## **Ethical standards**

The Board is committed to promoting the practice of high ethical standards.

The Board has adopted a Code of Conduct which details the Company's commitment to ethical and responsible decision making and corporate practices.

The Code of Conduct sets out the Company's principles, practices and standards of personal and corporate behaviour. The Company expects everyone who works for or with the Company to adopt it in their daily business activities. The Code covers matters such as:

- (a) compliance with laws and regulations;
- (b) responsibility to Shareholders and the community;
- (c) confidentiality;
- (d) privacy;
- (e) conflicts of interest; and
- (f) the protection and proper use of the Company's assets.

## **Trading in the Company's securities by Directors and senior executives**

The Board has adopted a policy in relation to dealings in the securities of the Company which applies to all Directors and senior executives. Under the policy, Directors and senior executives are prohibited from trading in the Company's securities whilst in possession of inside information.

At any other time, Directors and senior executives must notify the Chairman (or in the case of the Chairman, the Company Secretary) of any proposed transaction and must obtain clearance for the transaction to proceed.

## **Continuous disclosure**

The Board is committed to the promotion of investor confidence by ensuring that trading in the Company's securities takes place in an efficient, competitive and informed market. In accordance with the continuous disclosure requirements under the ASX Listing Rules, the Company has procedures in place to ensure that all price sensitive information is identified, reviewed by management and disclosed to the ASX in a timely manner and that all information provided to the ASX is immediately available to Shareholders and the market on the Company's website.

## **Communication with Shareholders**

The Board aims to ensure that Shareholders are kept informed of all major developments affecting the Company. Information is communicated to Shareholders through:

- (a) continuous disclosure in the form of public announcements on ASX;
- (b) annual and quarterly reports to Shareholders;

- (c) investor briefings;
- (d) the Chairman's address delivered at the annual general meeting;
- (e) notices of all meetings of Shareholders and explanatory notes of proposed resolutions; and
- (f) whenever there are other significant developments to report, by other means as well, such as by post.

The following policies and procedures have been implemented and are available in full on the Company's website at [www.riedelresources.com.au](http://www.riedelresources.com.au).

- Statement of Board and management functions;
- Code of conduct for Directors and key executives;
- Share trading policy;
- Audit Committee charter;
- Continuous disclosure policy;
- Shareholder communications strategy;
- Risk management policy;
- Remuneration Committee charter;
- Process for performance evaluation of the Board, board committees, individual Directors and key executives; and
- Corporate code of conduct.

The Board will consider on an ongoing basis its Corporate Governance procedures and whether they are sufficient given the Company's nature of operations and size.

In addition, the following internal policies and procedures have been adopted by the Company:

- Risk Management
- Board Representations
- Directors Responsibility
- Criminal Convictions
- Environmental Policy; and
- Indigenous Affairs Policy

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**8. INDEPENDENT GEOLOGIST'S REPORT**

AL MAYNARD & ASSOCIATES Pty Ltd  
**Consulting Geologists**

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

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*Australian & International Exploration & Evaluation of Mineral Properties*

## INDEPENDENT GEOLOGICAL REPORT

FOR AN

INITIAL PUBLIC OFFERING

PREPARED FOR

RIEDEL RESOURCES LIMITED

Authors: Allen J Maynard BAppSc (Geol), MAIG, MAusIMM  
David R. Mounsey BSc (Geol)  
Company; Al Maynard & Associates Pty Ltd  
Date: 13<sup>th</sup> July, 2010  
Revised: 22<sup>nd</sup> October 2010

## Executive Summary

Riedel Resources Limited is currently preparing to apply for listing on the Australian Stock Exchange (ASX) via an Initial Public Offering (I.P.O). ADX Energy Limited (formerly AuDAX Resources Limited) announced on 14/09/2010 that it had decided to divest its gold, copper and nickel projects into this newly incorporated company. ADX intend to complete the spin-off by November 2010.

The company holds a number of mineral tenements within Western Australia, with the intention of conducting exploration, mainly for gold and copper mineralisation. The Company's project areas include Cheriton's East, Marymia, Millrose and Mount Webb (Fig.1). All these areas are considered to have recognised potential for hosting either/or economic gold, copper, nickel, base metals or uranium mineralisation.

### Cheriton's East

The Cheriton's East gold prospect is located 48km south-east of Marvel Loch in the Eastern Goldfields of Western Australia. It is approximately 2km south of the Redwing Deposit which has an estimated Inferred Resource of 1.4Mt at 2.4g/t Au. E77/1223 covers a total area of 58.3km<sup>2</sup> and overlies the southern strike extension of the Redwing gold mineralisation. It is considered to have the potential to host a major low to medium grade gold deposit and possibly also nickel mineralisation.

### Marymia

The Marymia Project Area is located approximately 180km northeast of Meekatharra in the Peak Hill district of Western Australia and lies within the Marymia Dome. The Marymia Project Area is comprised of two large contiguous exploration licences which overlie most of the Baumgarten Greenstone Belt. E52/2394 and E52/2395 occupy a total area of approximately 431.4km<sup>2</sup>.

Exploration drilling has outlined sporadic gold mineralisation hosted in a granophyric dolerite sill. There is potential for 'blind', primary gold mineralisation beneath over-thrust granite in the project area. Much of the ultramafic strike-length in the project area remains untested by modern day exploration techniques.

The Marymia Project Area is along strike from Sandfire Resources' Doolgunna copper-gold project at DeGrussa, which lies approximately 50km WSW of the tenements. The indicated and inferred resource for this high grade volcanic massive sulphide (VMS) mineralisation was upgraded in September 2010 to 10.67Mt at 5.6% Cu; 1.9g/t Au and 15g/t Ag. This is comprised of an Indicated Resource of 8.15 Mt @ 5.8% Cu, 1.8g/t Au and 14g/t Ag and an Inferred Resource of 2.52Mt @ 5.2% Cu, 2.3g/t Au and 15g Ag. The Sipa Resources' Thaduna Copper Project and Lodestar Minerals Ltd's base metals 'Conductor' targets have also recently been identified to the SW of Riedel Resources' leases.

## **Millrose**

The Millrose Project Area is located within the Yandal / Millrose Greenstone Belt, in the Murchison region of the north-eastern Goldfields of Western Australia. It is situated approximately 80km north-east of Wiluna. The Millrose Project Area is comprised of E53/1304 and E53/1305, which have a combined area of 119.8km<sup>2</sup>. An Inferred Resource of 4Mt at 2.4g/t Au for 308,600 oz has been outlined from drilling carried out on E53/1304, prior to and during 1999. No additional field-work has been conducted since 2005. There is considered excellent potential to increase the present inferred resource.

## **Mount Webb**

The Mt Webb Project Area is located in the Lake Mackay region in Western Australia, close to the WA-NT border. These isolated tenements are approximately 1,300km east of Wiluna. The project area is comprised of four tenements, namely E80/4165, E80/4166, E80/4167 and E80/4429 which have a combined area of 568.1km<sup>2</sup>. Each of the “hot” granites within these leases will be evaluated for its uranium, gold and copper potential. The mineralisation is expected to be associated with one of the Iron Oxide Copper Gold (IOCG) subtypes.

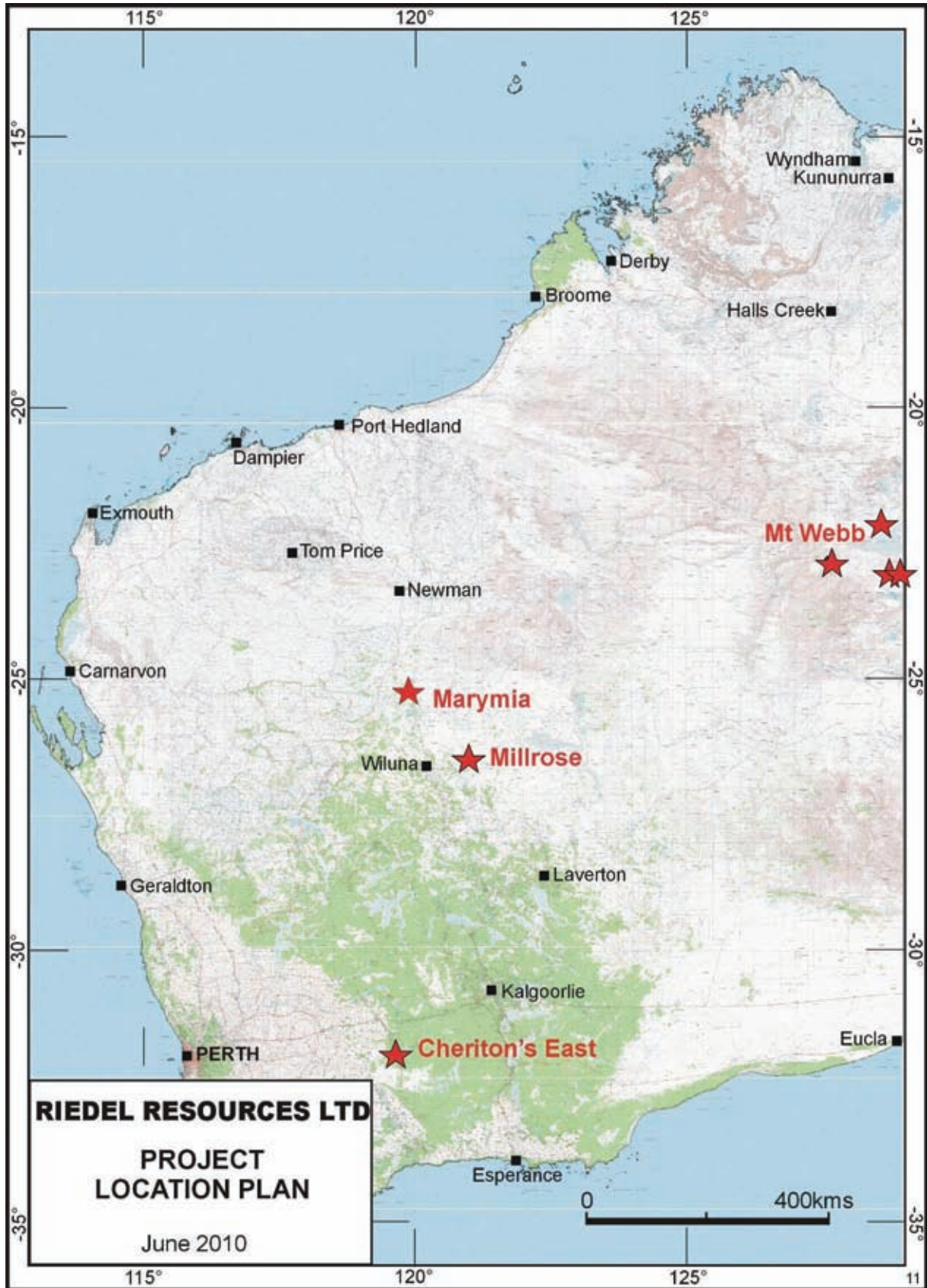


Figure 1: Riedel Resources Project Location Plan

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Riedel Resources Limited,  
2010  
Suite 6, 2nd Floor,  
11 Ventnor Avenue,  
WEST PERTH,  
Western Australia.

22<sup>nd</sup> October,

Dear Sirs,

## **Introduction**

This report has been prepared by AM&A at your request to provide an independent appraisal of the current project areas to be acquired by Riedel Resources Limited in Western Australia. The company's core projects include Cheriton's East, Marymia, Millrose and Mount Webb. It also holds a number of prospective second tier projects in W.A, not included in this appraisal.

The Independent Geological Report set out in this Prospectus has been prepared in accordance with the Code and Guidelines for Assessment and Valuation of Mineral Assets and Mineral Securities for Independent Expert Reports (Valmin Code), the Joint Ore Resources Committee (JORC) Code and Guidelines for reporting on mineral exploration results and ore resources and the rules and guidelines relating to Independent Expert Reports set by the Australian Securities Industry Commission ("ASIC") and the Australian Securities Exchange ("ASX").

This report has been prepared for inclusion in a Prospectus to be issued by Riedel Resources Ltd on or about 3<sup>rd</sup> November, 2010 offering 35m shares at 20c to raise \$7m.

This report has been prepared by Allen J. Maynard.

- Allen J. Maynard is the Principal of AM&A, a qualified geologist, a Member of the Australasian Institute of Mining & Metallurgy ("AusIMM") and a Member of the Australian Institute of Geoscientists ("AIG"). He has had 30 years experience in mineral exploration and evaluation and more than 25 years experience in mineral asset valuation.

Neither the writer nor any of his associates or employees have any material interest either direct, indirect or contingent in Riedel Resources Ltd nor in any of the mineral assets included in this report nor in any other Riedel Resources Ltd asset nor has any such interest existed previously. No commercial relationship has existed between AM&A and Riedel Resources Ltd prior to the appointment to prepare this Report.

AM&A has had no input into the formulation of any of the mineral tenements under review. This geological report has been prepared by AM&A strictly in the role of an independent consulting geologist.

The present status of tenements listed in this report is based on information provided by Riedel Resources Ltd and the report has been prepared on the assumption that the tenements will prove lawfully accessible for evaluation and development. Riedel Resources Ltd has warranted to AM&A that full disclosure has been made of all material information in its possession or knowledge and that such information is complete, accurate and true. None of the information provided by Riedel Resources Ltd has been specified as being confidential and not to be

disclosed in our reports. As recommended by the Valmin Code, Riedel Resources Ltd has indemnified AM&A for any liability that may arise from AM&A's reliance on information provided by Riedel Resources Ltd or not provided by Riedel Resources Ltd.

Fees for the preparation of this report are being charged at normal commercial rates with expenses being reimbursed at cost. Payment of fees and expenses is in no way contingent upon the conclusions of these documents, nor on the outcome of the proposed listing of Riedel Resources Ltd.

Site visits have been made to some of the project areas (Horseshoe Lights) in the recent past for a previous client. Information used in the preparation of this report has been derived from technical information provided by Riedel Resources Ltd and other publicly available data. The writers are generally familiar with the various geological settings and styles of mineralisation and combined with the technical data available are able to make informed comments on the project areas.

For the purpose of Sections 731 to 733 of the Corporations Law, AM&A were involved in the preparation of the Independent Consulting Geologists' Report included in this Prospectus, and have authorised or caused the issue of this part of the Prospectus only. AM&A has given consent in writing to the issue of the Prospectus with this Independent Report included in the form and context it was provided and has not withdrawn that consent before the lodgement of the Prospectus with the Australian Securities and Investments Commission ("ASIC").

We are of the opinion that:

- Riedel Resources Ltd has satisfactory and clearly defined exploration and expenditure programs which are reasonable having regard to the stated objectives of the Company; and
- Sufficient exploration work has taken place in the past two years to justify the budgeted exploration and expenditure program.

Riedel Resources' exploration programs are included in the report and have been phased over two years, but they may be altered in view of results gained which could revise the emphasis of current priorities.

AM&A observes Section 947B of the *Corporations Act 2001 (Cwlth)*. In accordance with *Corporations Regulation 7.6.01(1)(u)* and *Corporations Amendment Regulations 2003 (No. 7) 2003 No. 202*, this Independent Consulting Geologists' Report is not financial product advice but is intended to provide investors with expert opinion on matters relevant to an investment in the Company. Allen J Maynard and AM&A are not operating under an Australian financial services license and the advice in this Independent Consulting Geologists' Report is an opinion on matters other than financial products and does not include advice on a financial product.

Yours faithfully,

(Signed)



Allen J. Maynard

BAppSc(Geol), MAIG, MAusIMM.

## 1.0 Cheriton's East

### 1.1 Introduction

Riedel Resources is proposing to target gold and nickel mineralisation in its Cheriton's East Project Area, south of Marvel Loch in Western Australia. E77/1223 covers a total area of 58.3km<sup>2</sup>. The tenement has minimal outcrop and has only been partly explored previously. The potential of the area to host deep, possibly low to medium grade gold and/or nickel mineralisation is recognised but has never been fully evaluated.

Gold was first discovered in the Parker Range region in 1889 when the first Gold Mining Lease, GML 25, was registered in the Parker Range Mining Centre. Previous exploration on the area of interest has been limited and has focused mainly on the search for nickel and gold.

The ELA is located towards the southern extremity of the Parker Range and lies SE of the Redwing Mine and the Cheriton's Find Bore. The tenement overlies the structurally complex granite-greenstone package that flanks the northern and western perimeter and includes the northwesterly elongated 'ovoid shaped' gneissic Parker Dome of the Southern Cross Greenstone Belt.

### 1.2 Location and Access

The project area is situated approximately 400km east of Perth in the Eastern Goldfields and can be accessed via the Great Eastern Highway. E77/1223 is approximately 75km SSE from Southern Cross. Access to the project Area can be gained via the Forrestania-Southern Cross Road and then via the Marvel Loch – Forrestania Road. The latter traverses the western end of the tenement, providing very good vehicular access (Fig 2).

The Cheriton's East Project Area is centred on approximately 6470227N 754656E, about 48km SE of the small mining town of Marvel Loch, on the south-western flank of the Parker Dome. It can be found on the 1:100,000 Cheriton's Find (2834) Topographic Map Sheet and on the 1:250,000 Southern Cross Geological Map Sheet (SH 50-16).

The project area lies approximately 2km SE of Cheriton's Find Well, Redwing Gold Mine and the historic Cheriton's Find Gold Mine. Limited bush tracks and cleared grid lines provide restricted access within the tenement. These can become impassable during wet weather. The vegetation is mainly dry woodland, with melaleuca scrub and low acacia heath on areas of laterite and sand-plain and salt-bush around saline areas and drainage systems.

The Cheriton's East Project Area is almost entirely located within the Jilbadji Nature Reserve. The presence of this reserve complicates the conduction of exploration within the area. Prior to the commencement of any activity within the project area, authorisation for each specific exploration program is required by CALM in an effort to reduce environmental impact where possible.

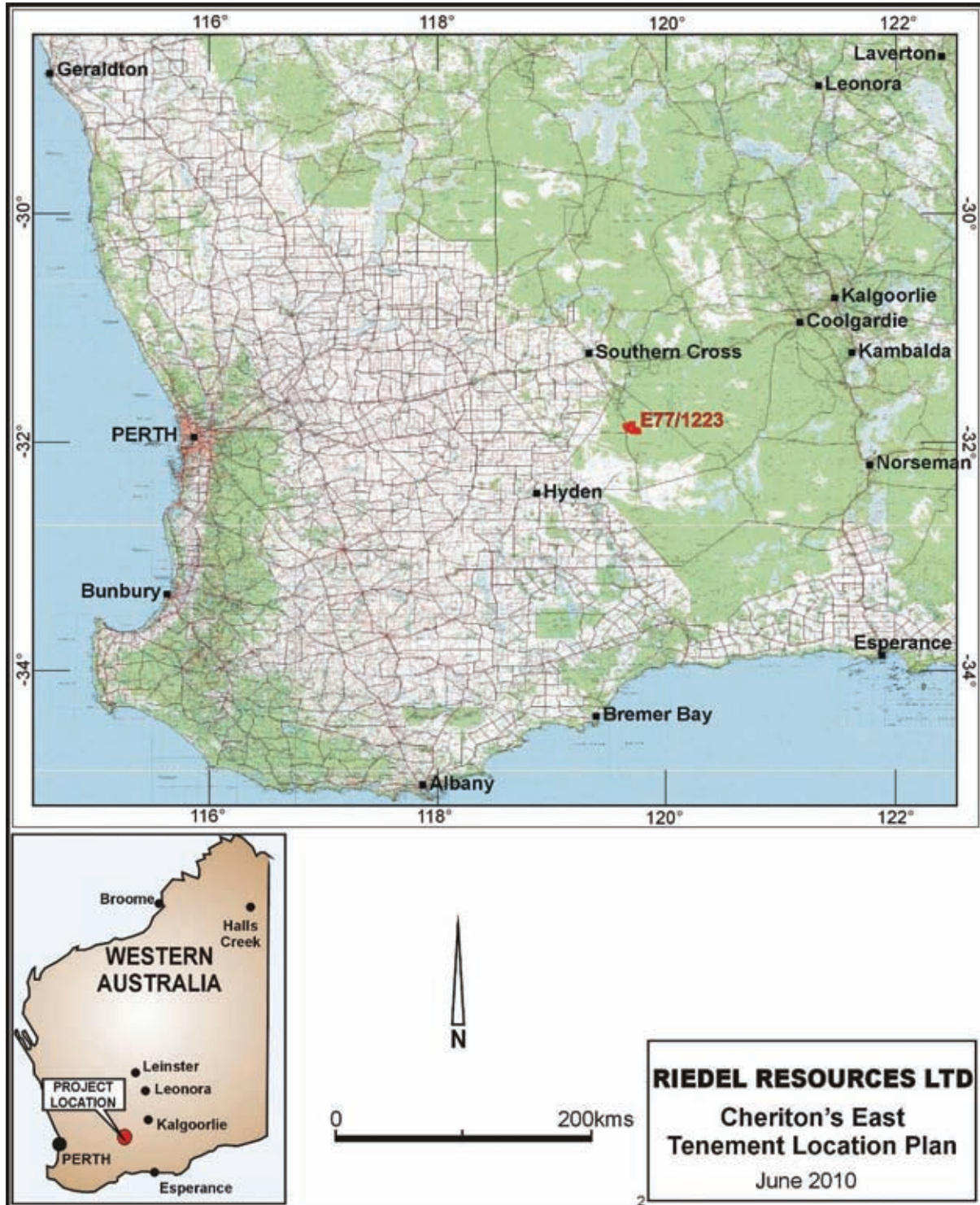


Figure 2: Cheriton's East Regional Location Plan.

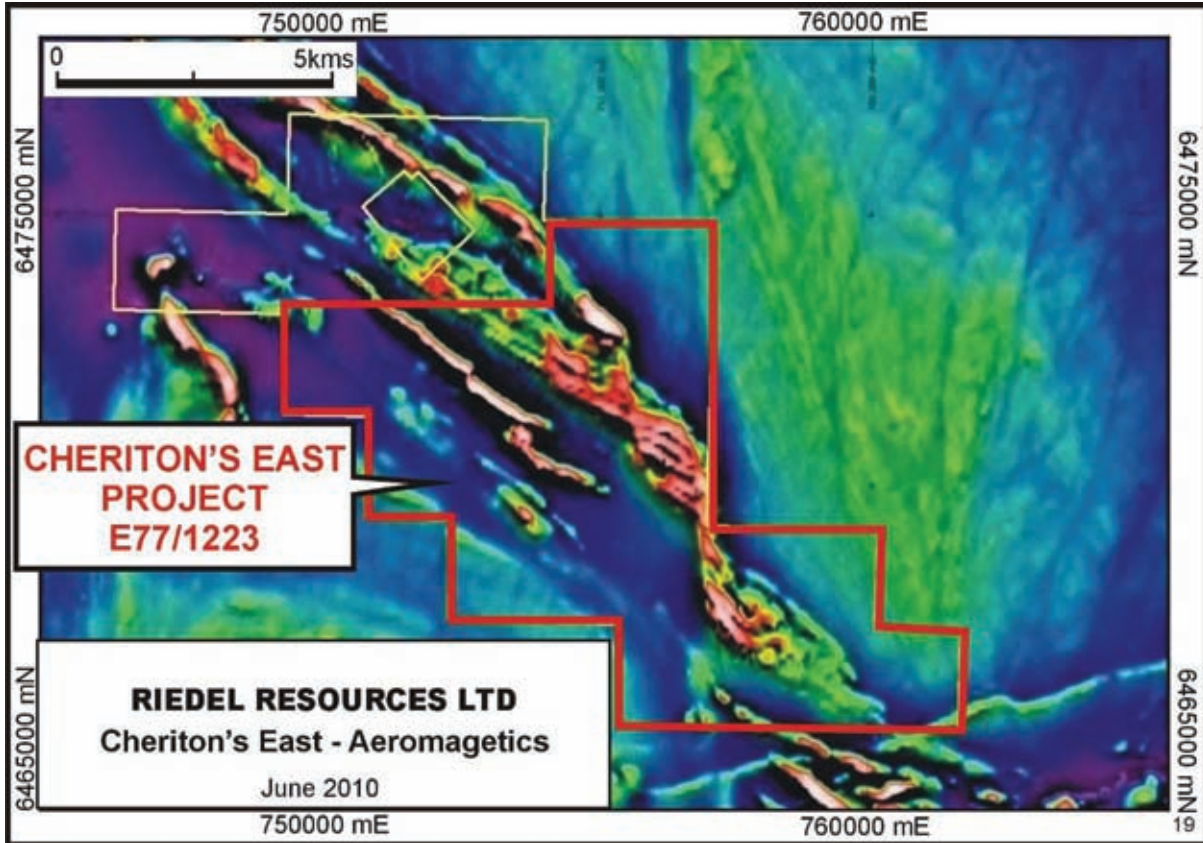


Figure 3: Cheriton’s East Tenement Plan with Aeromagetics.

### 1.3 Tenure

The tenement is held by Oldcity Nominees Pty Ltd in trust for Riedel Resources Ltd and comprises 20 graticular blocks for an area of 58.3km<sup>2</sup> (Figs 3 and 4).

Tenement	Title Holder	Manager	Area (ha)	Granted	Expiry	Equity
E77/1223	Oldcity Nominees Pty Ltd	Riedel Resources Ltd	5,833.4	9.03.10	8.03.15	100%

Table 1: Cheriton’s East Tenement Details Summary.

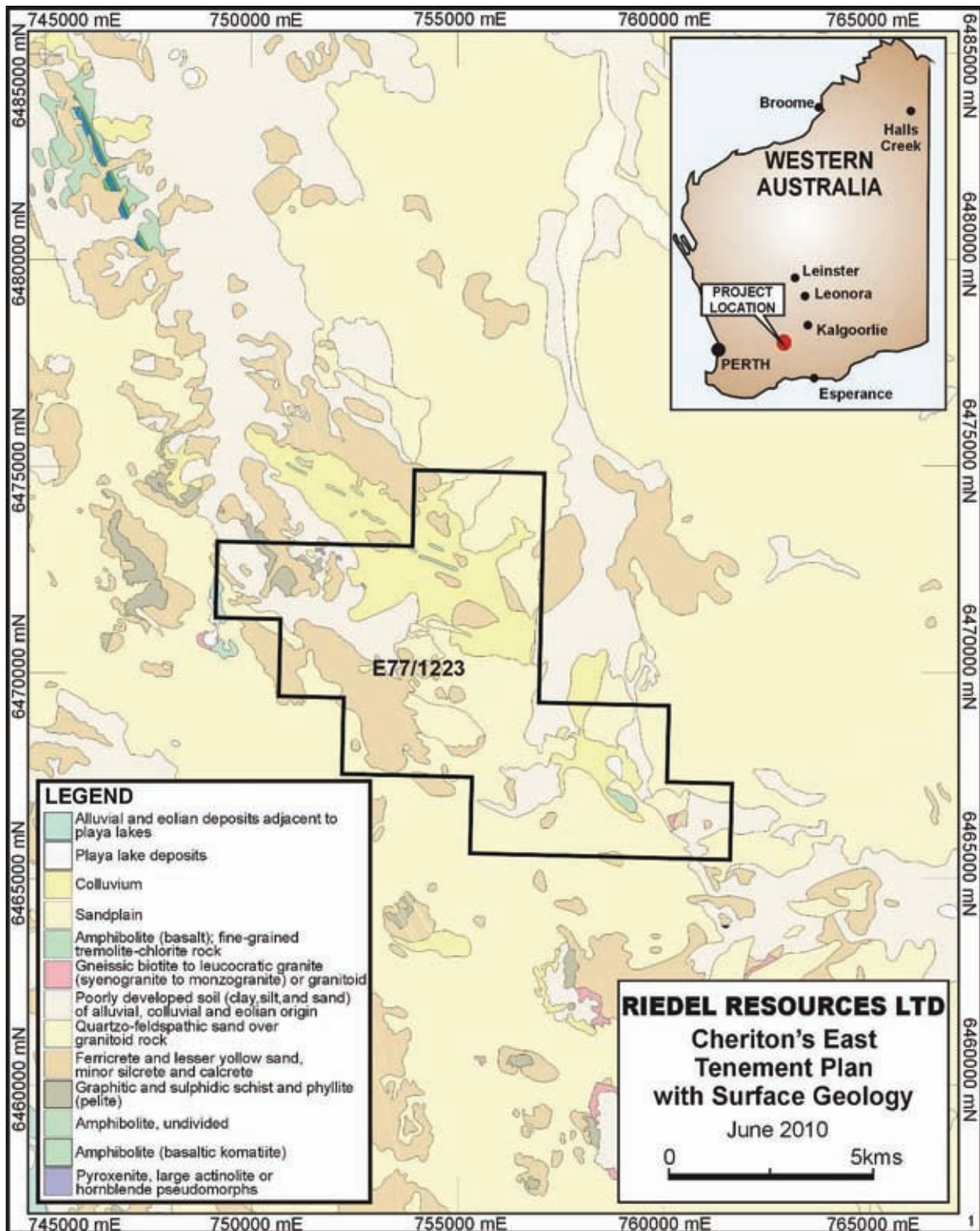


Figure 4: Tenement Plan with Surface Geology.

## 1.4 Geology

### 1.4.1 Regional Geology

The Cheriton's East Project Area is situated in the Southern Cross Province in the south-west corner of the Archaean Yilgarn Craton. It lies within the NNW trending Southern Cross Greenstone Belt which extends along strike for 300km from Mt Jackson in the north, to Hatters Hill in the south.

This NNW-SSE trending belt is a strongly deformed, metamorphosed, synformal remnant of a once-larger greenstone assemblage. It has been re-shaped and attenuated by the emplacement of domal (anti-formal) syntectonic granitoids (Gee, 1995). These granitoid domes include the Parker, Ghooli and Rankin Domes (Gee, 1982; Keats, 1991). Cheriton's East is located on the southern end of the Parker Dome (Fig 5).

Based on the results of previous exploration programs the greenstone belt is interpreted to have been regionally folded into a gently north-plunging syncline with sediments occurring in the fold core above the older mafic, ultramafic and Banded Iron Formation (BIF) units.

The lower-most stratigraphic level of the Archaean greenstone sequence consists of quartz-muscovite schist (probably foliated granite). This unit is overlain by pillowed tholeiitic basalt with interbedded thin jaspilite units, passing upward into komatiite, with related interflow sedimentary units.

This package was subsequently overlain by mafic and ultramafic volcanics. A sedimentary sequence of psammitic and pelitic rocks occurs near the top of this lower sequence. The entire greenstone sequence is intruded by late-stage pegmatites and the belt has been cross-cut by Proterozoic dolerite dykes.

Deformation is attributed to compression between diapirically rising granitoids and dextral transpressional movement. The progressive deformation process has produced upright folds, possible sheath folds, dextral oblique-slip transpressional shears and discrete faults.

Gold mineralisation occurs in all structural elements related to transpressional movement following or during peak metamorphism (Gee, 1995). On a regional scale, sheared lithological contacts are the primary control on the distribution of gold mineralisation. Most of the belt's production has been derived from shear-hosted deposits (Marvel Loch, Yilgarn Star and Frasers) and to a lesser degree from BIF-hosted and quartz vein related deposits (Copperhead, Golden Pig and Bounty).

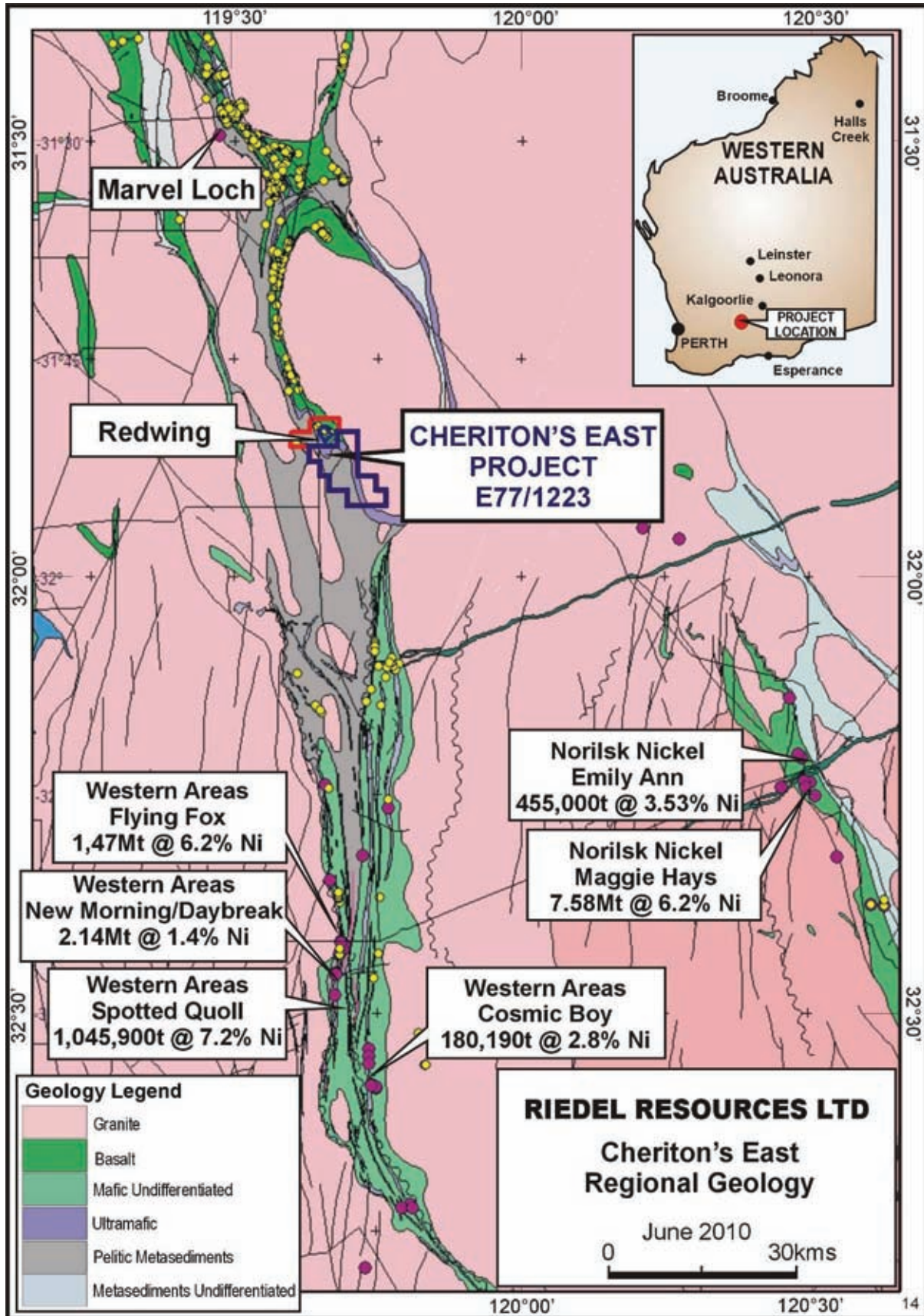


Figure 5: Cheriton's East Regional Geology.

Shear zone-hosted deposits occur near or along lithological contacts within broad, ductile shear zones that are commonly much wider than the zone of mineralisation.

These deposits contain single or multi-sheeted lodes, which parallel the stratigraphy and generally plunge parallel to the mineral lineation which is generally to the south. Mineral deposits are typically adjacent to obliquely striking secondary shear zones. Fold-hinge deposits are less numerous, consisting of thin stockwork veins sub-parallel to the fold hinges (Ridley 1995).

Gold mineralisation is commonly located along contacts where there is a ductility contrast between rock types. Sediment/ultramafic and mafic/ultramafic contacts provide such a contrast, as do the interflow sediments and jaspilites within the mafic/ultramafic sequences. High magnesium ultramafics are also deemed to be highly prospective for nickel and associated base metals mineralisation.

The major gold deposits are in quartz-sulphide lodes within the shear zones and sheared lithological contacts, with variable biotite-carbonate-silica-diopside alteration and varying degrees of gold mineralisation in the altered wall rocks. Stratigraphic and structural controls appear to have combined to allow the formation of epigenetic gold deposits.

The dominant sulphide minerals associated with gold deposits in the district are pyrite and pyrrhotite, with minor arsenopyrite and chalcopyrite; as well as sporadic galena and scheelite. Gold occurs as freely existing particles and as inclusions in pyrite and arsenopyrite.

The metamorphic grade of the Southern Cross Greenstone Belt ranges from Upper Greenschist to Granulite facies. There is evidence of a later retrogressive greenschist-facies event recorded by retrograde tremolite-actinolite, sericite and chlorite in mafic and pelitic rocks (Keats, 1991).

#### **1.4.2 Local Geology**

Exposure on E77/1223 is limited mainly to minor outcrops of Archaean chlorite-tremolite-chlorite ultramafic schist (derived from komatiitic basalts), granitoids, gneisses, pegmatites, pelitic metasediments and dolerite. Sand-plain and laterite surface cover overlies much of the project area. These deposits include Quaternary colluvium, clay and silt playa deposits and gypsiferous sand and silt dune deposits; and Tertiary laterite and sand deposits. Residual landscapes within the project area are characterised by remnant 'islands' of nodular and pisolitic duricrust or loose pisolites and sand (Fig 4).

Bedrock geology is dominated by granitoids, with remnants of folded greenstone belt comprised of amphibolite, meta-pyroxenite and tremolite-chlorite ultramafic schist. Sheared lithological contacts between these basic rock units should constitute prime targets for gold exploration in the project area. The auriferous mineralisation in the Cheriton's Find area is hosted by a finely banded amphibolite, associated with the

dextral and sinistral shear regime that has produced major and minor offsets to the stratigraphy.

The southern extremity of the lease overlies an E-W trending metasediment/greenstone contact on the eastern side of the project area.

This contact swings NW-SE on the western side of the lease. Much of the strike of the stratigraphy (and the mineralisation) is off-set in *en echelon* fashion by strike-slip faulting. Most of these are dextral but some sinistral strike-slip faulting does occur. The aeromagnetics for the project area clearly highlights the greenstone stratigraphy and picks out the major N-S dextral strike-slip fault in the south-east of the tenement (Fig 3).

Resource drilling conducted by Sons of Gwalia Ltd in 2000 on what was the Redwing Prospect, confirmed that the auriferous quartz veins dip shallowly to the west within a WNW striking sequence of para-amphibolites (metasediments), ultramafic, ortho-amphibolites (basalts) and BIF which extend a further 2.5km south on to what is now E77/1223.

The RC drilling showed that the Redwing stratigraphy comprises hanging-wall ultramafics, para-amphibolite hosting the auriferous quartz veins and an ortho-amphibolite footwall. A similar stratigraphy occurs in the project area (Fig 6).

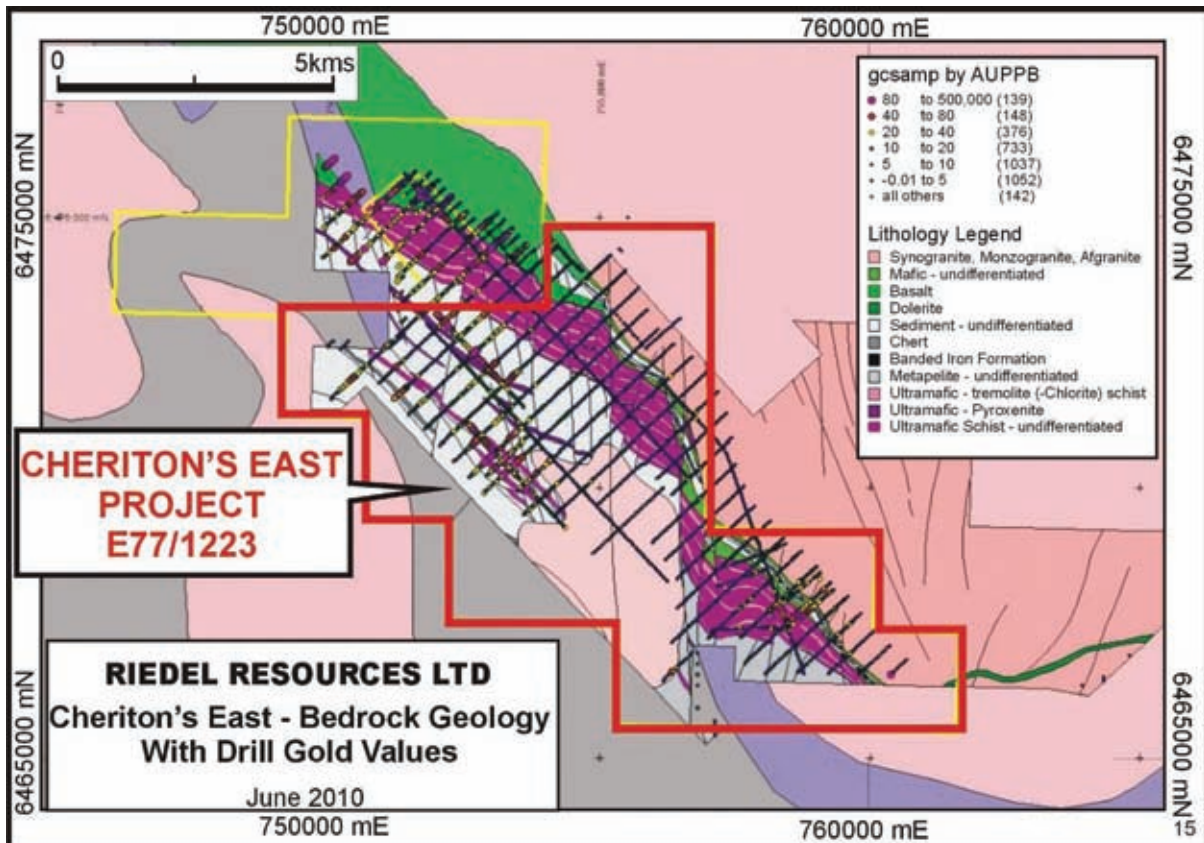


Figure 6: Local Geology with Tenement Plan and Drill Gold Values.

## 1.5 GOLD MINERALISATION IN THE PARKER RANGE REGION

Known gold mineralisation within the greenstone belt on the western edge of the Parker Dome extends southward for over 35km of strike, with numerous small previously discovered gold workings including Gondwana Resources' Buffalo, Centenary and Spring Hill prospects (Fig 5).

Three distinct styles of gold mineralisation have been identified within the greenstone belt:

- a) Centenary-Spring Hill type, Parker Range Banded Iron Formation (BIF)
- b) Mt Caudan type, Sulphide-Rich Felsic Sediments & BIF
- c) McIntosh type (Ultramafic Contacts)

Gold mineralisation within the Project Area is most likely to belong to the McIntosh type.

The Cheriton's Group gold workings are located approximately 2km north of E77/1223 are up to 20m in depth. The workings are hosted by a finely banded amphibolite. Ore zones consist of small, lenticular pod-like quartz veins, generally 0.15-0.3m wide (max.1.2m) and some minor lode material which is concordant with the local regional foliation at 315°- 320°/40-50° SW. Wall-rock alteration includes carbonation and calc-silicate layering.

At Redwing, quartz veins are 1-4m true thickness and contain free gold. The veins have defined alteration haloes calc-silicate, carbonate, garnet and pyrite alteration, similar to those noted in the historic Cheriton's Find workings. R.C drilling by Sons of Gwalia confirmed that mineralisation extends down to 160m vertical depth.

Lithology is the region's primary mineralisation control and almost all the district's gold producers occur on or within the contact of major mafic sequences. The region's notable exception is the British Hills deposit, which is 3km ESE of E77/1223, where gold mineralisation occurs in the upper sedimentary sequence.

All the important gold deposits can be related to a ductility contrast between differing lithologies. They are usually associated with high magnesian, komatiitic and ultramafic amphibolites. Mineralisation can be described as quartz-sulphide lodes in shear zones, with variable biotite-chlorite-carbonate-silica-diopside alteration and varying degrees of gold mineralization in the altered wall-rocks.

The major contrast in ductility between the two sequences has resulted in the focus of folding and faulting along the contact which in turn has influenced the movement of metamorphic fluids and the subsequent formation of gold deposits.

A contrasting range of structural settings are recognized in the Southern Cross Greenstone Belt. The vast majority of gold has been produced from distinctive shear-

zone hosted (Frasers & Yilgarn Star) and folds hinge-hosted (Nevoria) deposits although, unlike other Western Australian greenstone belts, the mafic rocks are not the dominant mineralised host rock.

Gold mineralisation is usually hosted by metavolcanic or BIF units. The shear zone settings are often small-scale and associated with extensional features such as necks of boudinaged BIF, *en echelon* quartz veining and dilational zones related to subtle changes in the shear zone trend and/or extensional crenulation cleavages. Gold deposits within these shear zones are always associated with lithological contacts. Most of the gold mineralisation surrounding the Parker Dome seems to be related to deposits in layer parallel (or slightly oblique) ductile shear zones.

The majority of significant gold mineralisation in the Parker Range area has derived from the Great Victoria & Nevoria Mines. Gold mineralisation commonly occurs in cross-cutting quartz veins and stringers that are usually enveloped by wall-rock alteration that has destroyed the (D<sub>2</sub>) structures. Thus confirming the major gold mineralising event occurred after peak (D<sub>2</sub>) deformation and occurred during (M<sub>3</sub>) metasomatism by late stage granitoids (Bagas 1994).

## 1.6 Previous Exploration

Until Sons of Gwalia (S.O.G) conducted auger soil sampling, RAB and R.C drilling on what is now E77/1223, only the northern and southern extremes of the project area had undergone exploration in the past. The exploration conducted by S.O.G between 1996-2003 comprehensively covered much of what became E77/1223, although the eastern central section of the lease has yet to be test drilled.

Modern day exploration programs initially targeted nickel mineralisation around the historic Cheriton's Find workings, north of the Cheriton's East Project Area. These comprised a ground magnetic survey, soil and pisolite sampling programs and the metallurgical testing of two potential nickel gossans. No further exploration for nickel in the project area has been conducted since 2003.

From 1995-2003 mapping programs and further geochemical surveys were conducted but drilling focused mainly on gold exploration.

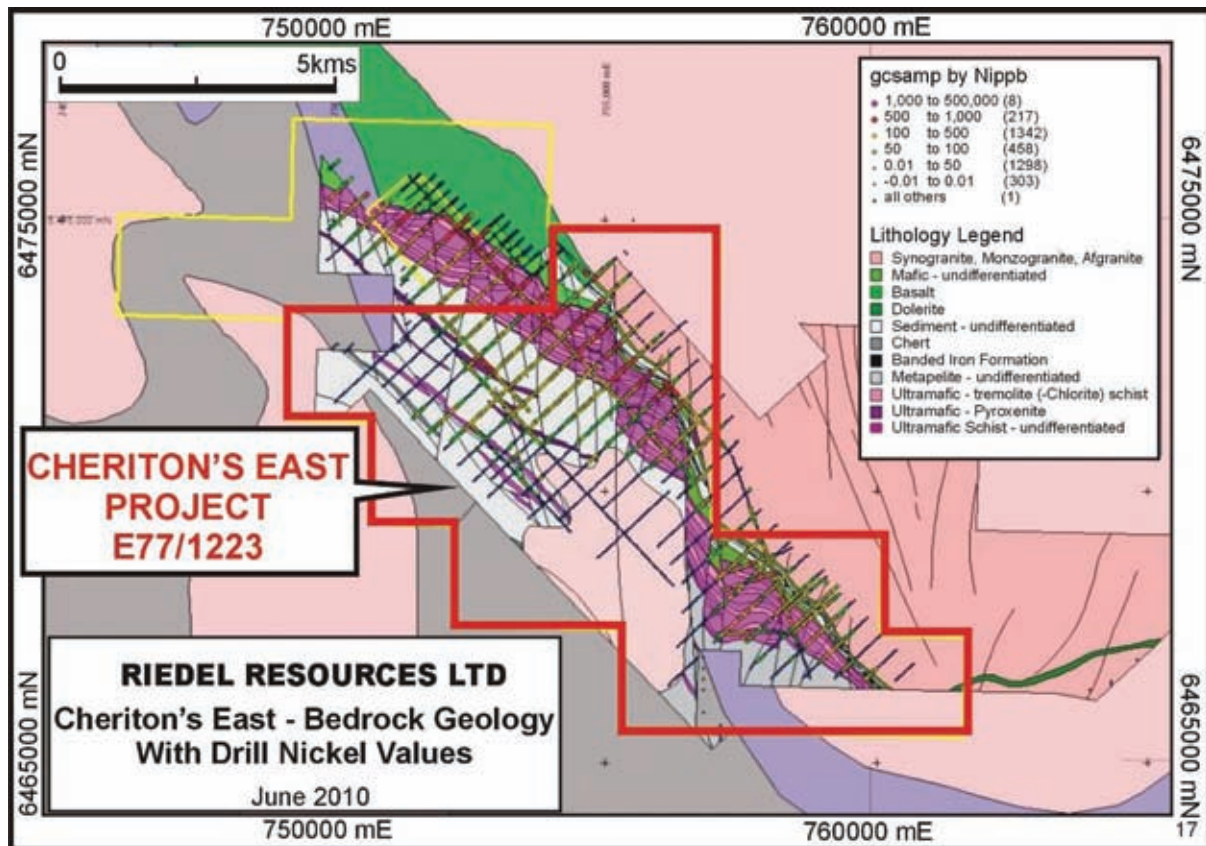


Figure 7: Cheriton's East Local Geology with Drill Nickel Values.

A low grade auriferous lateritic ore-body, which was defined by a soil sampling program, was mined north of E77/1223 around the historic Cheriton's workings in 1993, in a joint venture between Nevoria Mines and AuDAX Resources. Over 200 oz Au were produced from 5,642t at 1.17g/t Au.

Exploration conducted by AuDAX Resources Ltd and Sons Of Gwalia from 1995 onwards concentrated mainly on the definition and delineation of the Cheriton's Find Laterite and Redwing Resource on M77/1078. In March 2005 S.O.G sold its gold mining operations to St Barbara Mining Limited (SBM). Oldcity Nominees Pty Ltd is now the holder of E77/1223.

R.C drilling conducted just south of E77/1223 (on what was part of E77/085) in 2006 by LionOre Australia intersected minor low grade auriferous, sulphidic quartz veins hosted in sheared ultramafics and dolerites. Thus confirming that the mineralisation drilled on E77/1223 by S.O.G is continuing south along strike.

There could well be potential along strike and down-dip of the current mineralisation. Further in-fill (and deeper) drilling is required to delineate additional higher-grade intersections, as existing data indicates these may be sporadic and possibly only represent small shoots within the general shallow-dipping structure.

The grade control problems associated with open pit mining of a gently dipping ore-body would be a disadvantage but the presence of ‘spotty’ coarse gold in the quartz veins can result in the underestimation of grade when the density of exploration drilling is insufficient (e.g Kingfisher Underground Mine, near Gidgee.) With a current gold price around \$1,200 per ounce it would now seem to be an ideal opportunity to exploit this low to medium grade deposit.

<b>Company</b>	<b>Date</b>	<b>Work Conducted</b>
<b>United Nickel Ltd and Belsoo Pty Ltd</b>	<b>1984</b>	Conducted photogeology, gridding, bulk and pit sampling of low grade Tertiary laterites. Gold assays returned for the Cheriton’s South area were low and the results showed marked discrepancies.
<b>Aztec Mining Co. and Forrestania Gold N.L</b>	<b>1993</b>	Compiled geological maps and conducted BLEG sampling. Anomalies were subsequently tested by RAB and R.C drilling. No economic mineralisation was identified.
<b>Forrestania Gold N.L</b>	<b>1999</b>	Conducted soil sampling which defined a supergene gold soil anomaly. Lower than expected results were believed to be due to the residual lateritic profile being buried under sands. Subsequent RAB and R.C drilling conducted by Aztec Mining Co failed to define an economic resource but the trend to the north remains untested. The drilling confirmed that the mineralisation is developed within shear zones along lithological contacts.
<b>Sons Of Gwalia and AuDAX Resources Ltd</b>	<b>1996-2003</b>	Conducted regolith mapping, rock chip sampling, auger soil sampling, RAB and R.C drilling on NE-SW lines. RAB and RC drilling gold anomalies were delineated. Gold assays from the drilling were highly variable, with only a few sporadic high gold values. A Jorc-compliant resource could not be calculated due to insufficient drill data
<b>LionOre Australia</b>	<b>2006</b>	Conducted a N-S soil sampling program on E77/085, which partly overlapped the southern extremity of E77/1223. A total of 293 soil samples were taken for analysis for Ni and Au. No significant results were returned and the ground was dropped.

**Table 2: Cheriton’s East Recent Exploration Summary.**

Although the tenement has had a number of soil sampling programs conducted on it, the lease has never been assessed using the Mobile Metal Ions (MMI) sampling method. In recent years improved geochemical techniques have provided the MMI sampling method, which can be employed to pinpoint likely drill targets beneath duricrust and below any previously identified gold anomalies.

This method has recently been utilized in the Parker Range area with great success by Gondwana Resources to define significant gold and nickel mineralisation. Gondwana has most recently discovered the Tamarin Nickel prospect (between Mt Caudan and Golden Virgin) using the MMI sampling procedure.

An MMI sampling program could reveal if any gold identified is transported or confirm whether there is 'blind', primary gold and possibly nickel mineralisation beneath the sand-plains and laterites.

The MMI soil sampling geochemical technique was developed to assist in the detection of mineralisation at depth. The sophisticated but subtle procedure only strips mobile metal ions from the surface of soil particles which have migrated upwards from the mineralisation below. The MMI technique uses a partial dissolution, without digesting the soil itself to measure the metal ion concentrations in ppb.

These MMI soil surveys can produce sharp responses for anomalies, not only pin-pointing the position of mineral resources, but also indicating the direction of dip of a deposit. Hence this technique is superior to conventional soil sampling, as it does not produce false anomalies and it allows targeted exploration for drilling or geophysics to be conducted on zones identified by this type of sampling at a significant cost-saving as no RAB drilling is required.

Any new targets identified by MMI sampling should be test-drilled, ideally by using R.C drilling. Little targeted, deep exploration drilling has been completed in the project area previously and as a consequence the potential of the lease to host any moderately deep, possibly medium grade gold and/or nickel mineralisation has never been fully evaluated.

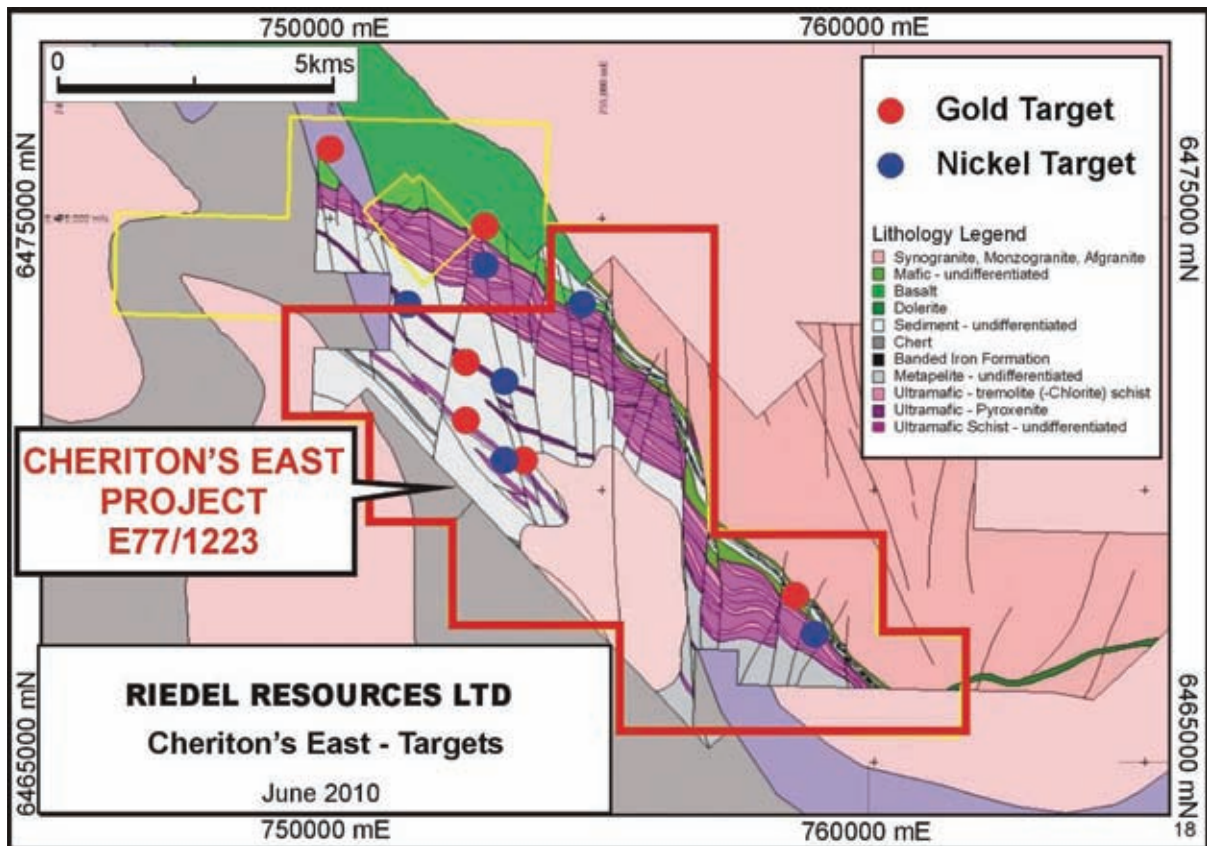


Figure 8: Cheriton's East Exploration Targets.

### 1.7 Exploration Potential

This under-explored tenement is a prime target for the discovery of significant low to medium grade gold mineralisation, as a strike extension of the auriferous quartz veins that were test drilled at Redwing which is approximately 2km north of E77/1223.

Previous drilling for the Redwing Deposit conducted by SOG in 2000 estimated an inferred resource of 1.4 Mt at 2.4g/t Au but indicated restricted strike and dip continuity of the mineralised quartz veins. The mineralisation target is currently only widely drilled and is in the Inferred Resource category and additional drilling is required to confirm the geometry and grade of the gold mineralisation and aim to move it into the Measured and Indicated status before it can be mined (Fig 8).

The Southern Cross-Marvel Loch region exhibits zones of near surface gold depletion related to oxidation of the profile. In the past, some tenements in the Parker Range area have only undergone shallow RAB drilling, which failed to penetrate beyond the depletion zone. As a consequence large areas of prospective ground within the belt have been surrendered prematurely without having been tested at depth.

### 1.8 Proposed Exploration Program

Two essential steps need to be taken prior to the commencement of a new exploration program:

Obtain approvals to operate in the Jilbadji Nature Reserve.

Acquire high resolution magnetic data for the project area.

Proposed Program	Exploration Activity
<b>Nickel</b>	<p>Conduct additional geological mapping and a lithological geochemical sampling program (including a MMI sampling survey) to assist in drill target definition.</p> <p>Conduct ground magnetic and Electromagnetic (EM) surveys. Test drill geophysical and geochemical targets and any previously identified RAB/RC anomalies using RC and Diamond Drilling. Conduct down-hole EM surveys and consider further diamond drilling, if justified by earlier drill results.</p>
<b>Gold</b>	<p>Test drill all identified significant intersections previously delineated by RAB, RC and Diamond Drilling.</p> <p>Conduct a follow-up RAB drilling program to test the gold anomalies previously identified by surface and soil sampling programs or by vacuum drilling and to assess any magnetic or structural targets.</p> <p>Any promising targets to be further assessed by a combination of RC and Diamond Drilling, with the objective of determining if a JORC Compliant Resource can be calculated.</p>

**Table 3: Cheriton’s East Proposed Exploration Program.**

<b><i>Cheritons Project</i></b>		Minimum Subscription		
Item	Year 1	Year 2	Total	
<i>Wages/Salaries/Contractors</i>	\$ 48,000.00	\$ 58,000.00	<b>106,000</b>	
<i>Data Acquisition/Processing</i>	\$ 2,000.00	\$ 108,000.00	<b>110,000</b>	
<i>Geophysical Surveys</i>	\$ 35,000.00	\$ 5,000.00	<b>40,000</b>	
<i>Drilling - Auger/RAB/AC/RC/DD</i>	\$ -	\$ 180,000.00	<b>180,000</b>	
<i>Assays</i>	\$ 8,000.00	\$ 10,000.00	<b>18,000</b>	
<i>Tenement Costs</i>	\$ 4,000.00	\$ 8,000.00	<b>12,000</b>	
<i>Equipment &amp; Consumables</i>	\$ 20,000.00	\$ 5,000.00	<b>25,000</b>	
<i>Logistics &amp; Support</i>	\$ 12,000.00	\$ 8,000.00	<b>20,000</b>	
<i>Heritage/Environment/Rehabilitation</i>	\$ 15,000.00	\$ 10,000.00	<b>25,000</b>	
<b>Total</b>	<b>144,000</b>	<b>392,000</b>	<b>536,000</b>	

**Table 4: Cheriton’s East Exploration Budget**

## 2.0 Marymia

### 2.1 Introduction

The Marymia Project Area is located approximately 180km north-east of Meekatharra in Western Australia and lies within the Marymia Dome. The latter comprises an Archaean basement high, which hosts a complexly folded and faulted greenstone sequence which forms part of the major Proterozoic Capricorn Orogenic Belt.

Previous exploration has consisted of acquisition, processing and interpretation of remote sensing data, geological mapping, soil, lag and rock chip sampling, RAB and limited RC and diamond drilling. The stratigraphy, structure and mineralisation encountered to date are considered encouraging and further work is considered warranted.

A high resolution airborne magnetic and radiometric survey was completed in October 2004 by AuDAX Resources Ltd. Magnetic, radiometric and Advanced Spaceborne Thermal Emission and Reflection Radiometer (Aster) satellite data was processed, imaged and interpreted. Interpretation of the magnetic data defined a number of gold and nickel targets. A number of geochemical targets generated previously still require follow-up exploration.

Although a major gold occurrence has yet to be identified in the Baumgarten Greenstone Belt, there may well be potential for 'blind', primary gold mineralisation beneath over-thrust granite in the project area; as was the case with the world-class Plutonic gold deposit which lies 50km west of the leases.

A Mobile Metal Ion (MMI) sampling program could be utilized to identify deeply buried mineralisation, obscured by flat-lying thrust sequences or hosted by flat-lying stratigraphic units at depth. A targeted exploration program could possibly lead to the discovery of a greenfields deposit in the area. MMI sampling could also be utilized to further assess nickel mineralisation in the project area.

Recent successes in the region by other exploration companies in detecting base metals deposits by using surface electro-magnetic survey (EM) and airborne Versatile Time Domain Electro Magnetic Survey (VTEM), may well indicate that there is potential for sediment-hosted copper mineralisation on both E52/2394 and E52/2395.

### 2.2 Location and Access

The Marymia Project Area is located in the Peak Hill District of the North-eastern Goldfields in the Murchison Region of Western Australia (Fig 9). The tenements are located approximately 965km NNE of Perth, 180km NE of Meekatharra and 130km ENE of the historic Peak Hill mining centre.

The project area is situated on the Ned's Creek and Marymia pastoral leases. Access is via the Great Northern Highway and then eastwards on the track to Thaduna and then via station and fence-line tracks. Alternatively the tenements can be accessed from the Wiluna North Road (which passes to the south-west of the leases) and then via the Ned's Creek Station gravel road and various station tracks.

The leases can be found on the 1:100,000 Marymia Topographic Sheet (2847) and the Peak Hill (SG 50-8) and Nabberu (SG 51-5) 1:250,000 Geological Map Sheets.

The southernmost lease E52/2394 is centred on 798322E 7195380N and E52/2395 is centred on 793541E 7206298N. The former overlies the historic gold mining centres in the NE of the lease at Baumgartens East, Baumgartens South, Baumgartens North, Baumgartens Reward 2 and Yowereena and also the Yowereena Hill Mine at the SW end of E52/2394.

### 2.3 Tenure

The Marymia Project Area is comprised of two major contiguous ELAs, which overlie most of the Baumgarten Greenstone Belt (Fig 9). E52/2394 and E52/2395 occupy a total area of approximately 431.37 km<sup>2</sup>. Galtrad Pty Ltd has retained a 10% (or 5% on nickel and associated metals) free carried interest in both leases.

Tenement	Status	Title Holder	Start	Expiry	Area (ha)	Equity
E52/2394	Granted	Riedel Resources Ltd	16.06.10	15.06.15	2,1715.7	90%
E52/2395	Granted	Riedel Resources Ltd	31.08.10	30.08.15	2,1421.0	90%

**Table 5: Marymia Project Area Tenements Details.**

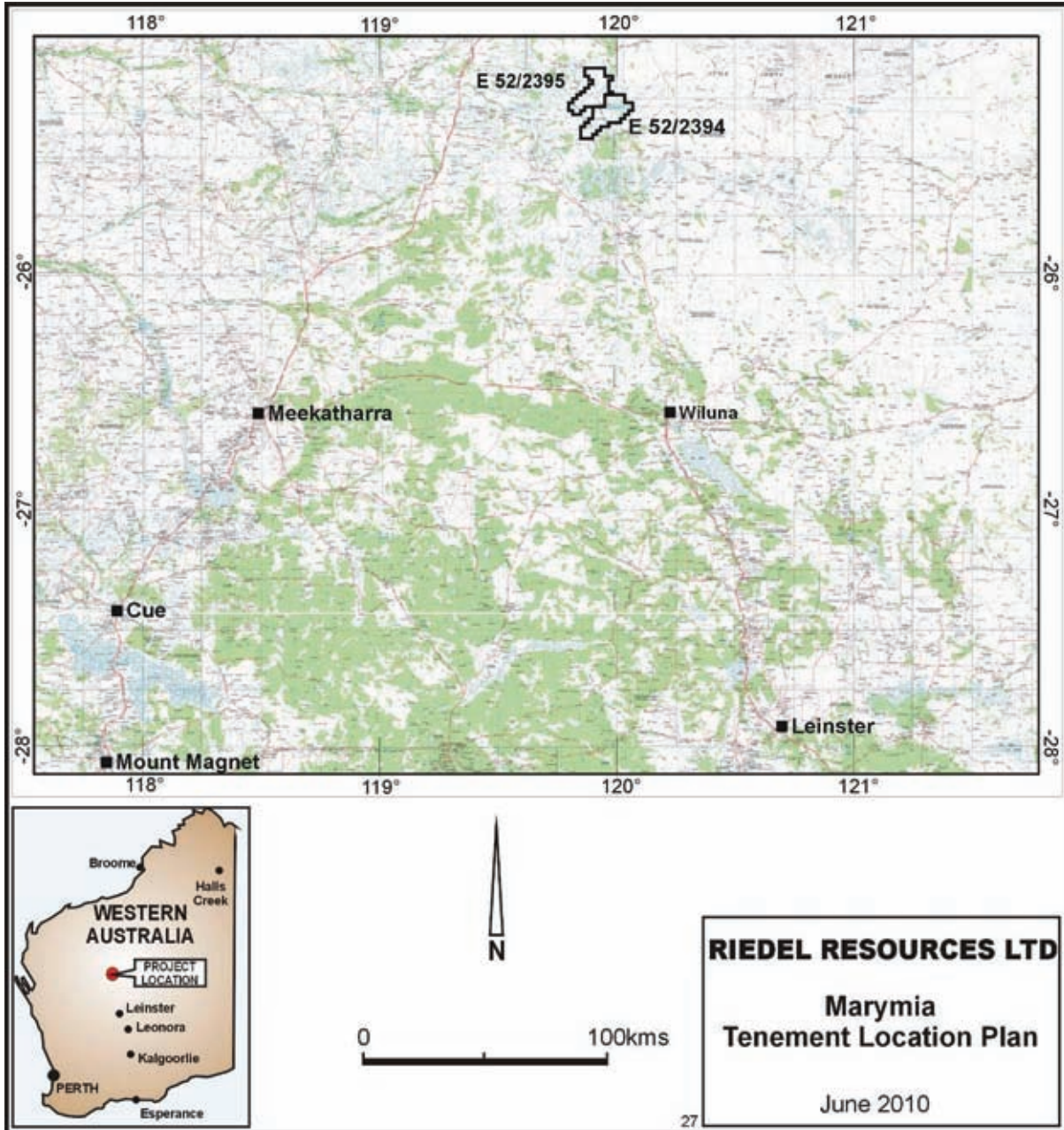


Figure 9: Marymia Project Regional Location Plan.

## 2.4 Geology

### 2.4.1 Regional Geology

The project area overlies the Baumgarten Greenstone Belt which forms the eastern side of the Marymia Dome, within the Marymia Inlier. Similar to the Plutonic Well Greenstone Belt to the west, the area is poorly exposed and extensively intruded by granitoids (Fig10).

The Archaean granite-greenstone rocks of the Marymia Inlier outcrop within Proterozoic rocks forming the Capricorn Orogen. Five major deformation events are recognised in the rocks of the Plutonic Well and Baumgarten Greenstone Belts. The first two events were of late Archaean age and synchronous with major epithermal gold mineralisation occurring in the belts. Palaeoproterozoic extensional faulting was probably related to the early stages of the Capricorn Orogeny. The fourth event records a compressional phase of the Capricorn Orogeny associated with greenschist-facies metamorphism, whereas the last major event involved wrench-faulting associated with minor folding.

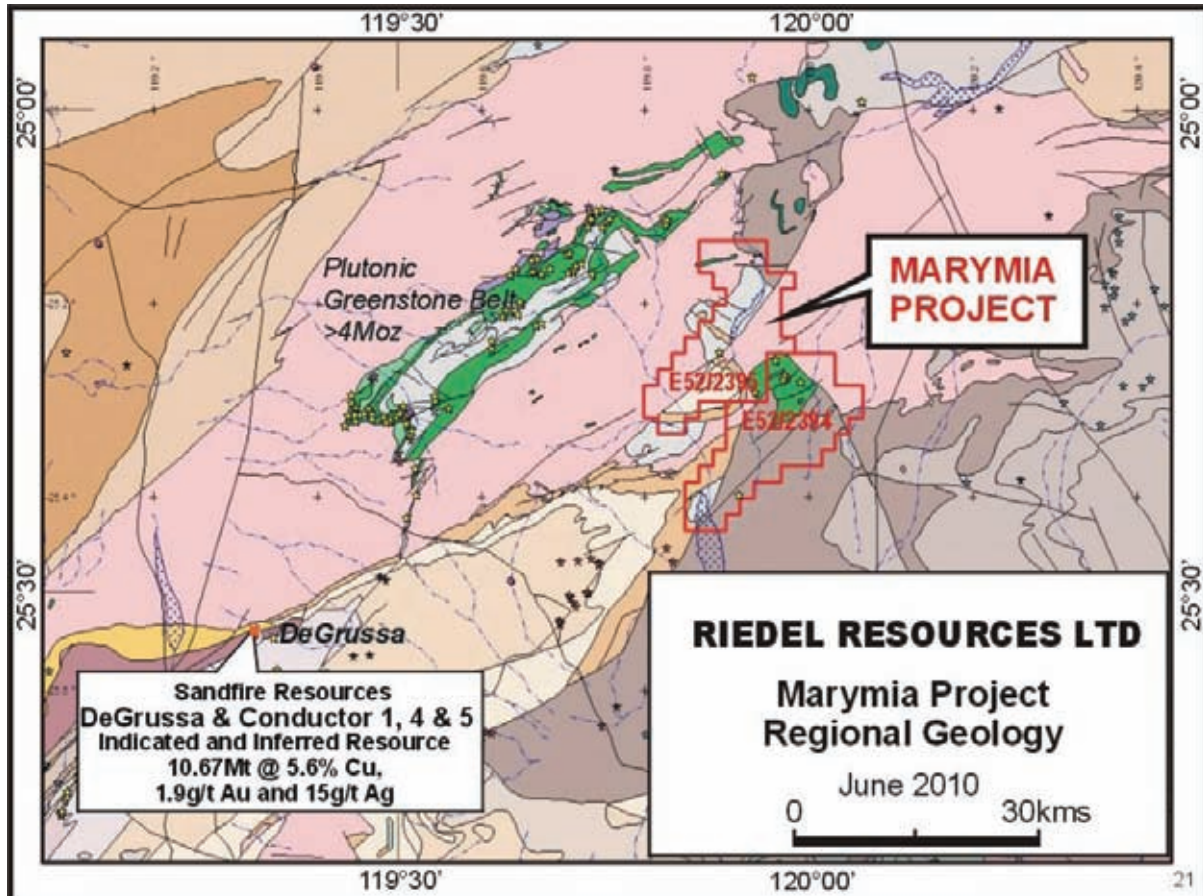
The Archaean tectonic history, rock types and timing of mineralisation strongly suggest that the Marymia Inlier is part of the Yilgarn Craton, and that each of the provinces in the craton experienced the same geological history since 2.72 Ga. The inlier is now interpreted to include two components; one is the north-eastern extension of the Murchison Province (or possibly the Southern Cross Province) and the other is the north-western extension of the Eastern Goldfields Province. The Jenkin Fault, which was active during Proterozoic times, separates these two components.

The Baumgarten Greenstone Belt is broadly antiformal with tholeiitic basalt and ultramafics at its core and is overlain by metasediments. This sequence of strongly folded komatiitic ultramafic rocks has a combined strike-length in excess of 20km.

The Baumgarten Greenstone Belt consists of a northern portion of pelitic schist, BIF, chert, amphibolite, and ultramafic rocks, faulted against a southern portion of peridotite and komatiite overlain by basalt, gabbro, pelite, and quartzite.

Contacts with overlying Proterozoic basins dip north-west and are tectonised 'probable unconformities'. The southern boundary is inverted, with granite thrust over the Proterozoic rocks.

Any epigenetic gold deposits occurring in the project area are expected to be shear or fault-hosted, like those of the Plutonic Well Greenstone Belt. To date, sporadic gold mineralisation intersected by exploration drilling has mainly been in a granophyric dolerite sill.



**Figure 10: Marymia Regional Geology with Project Area Tenements.**

(Refer to executive summary for detailed explanation)

## 2.4.2 Local Geology

Much of the outcrop of the Archaean and Proterozoic lithological sequences in the greenstone belt within the project area is obscured by extensive, unconsolidated Quaternary colluvium, alluvium and aeolian sand and by Tertiary lateritic cover. The tenement areas have very low relief, with a gradual decrease in elevation from the NNW to the SSE. Ill-defined sheet-wash and alluvial channels drain to the SSE into the main drainage.

The bedrock (and surface geology) is dominated by Archaean biotite adamellite (Figs 10 and 11). Other Archaean units partially exposed and present in the bedrock include ultramafic-derived chlorite-tremolite schist, pelitic sedimentary (siliclastic) rocks, including quartzite and B.I.F and metamorphosed tholeiitic basalt (amphibolite).

Palaeoproterozoic units identified in the bedrock geology (and outcropping sporadically) include the Juderina Formation sandstones and siltstones and the Johnson Cairn Formation shale and siltstone of the Glengarry Group. Neoproterozoic sandstones and conglomerates of the Yelma Formation (Earaheedy Group) underlie much of E52/2394.

E52/2394 has only a weak aeromagnetic signature compared to E52/2395 but it does have amphibolite in the northern end of the lease and the sediments are believed to be underlain by basalt and komatiites (Figs 11 and 12).

An extension of the Jenkin Fault trends NE-SW through much of E52/2395 and constitutes a prime target for structurally controlled copper, gold and silver mineralisation. This major lineament is a dextral strike-slip fault and has a displacement of approximately 3km.

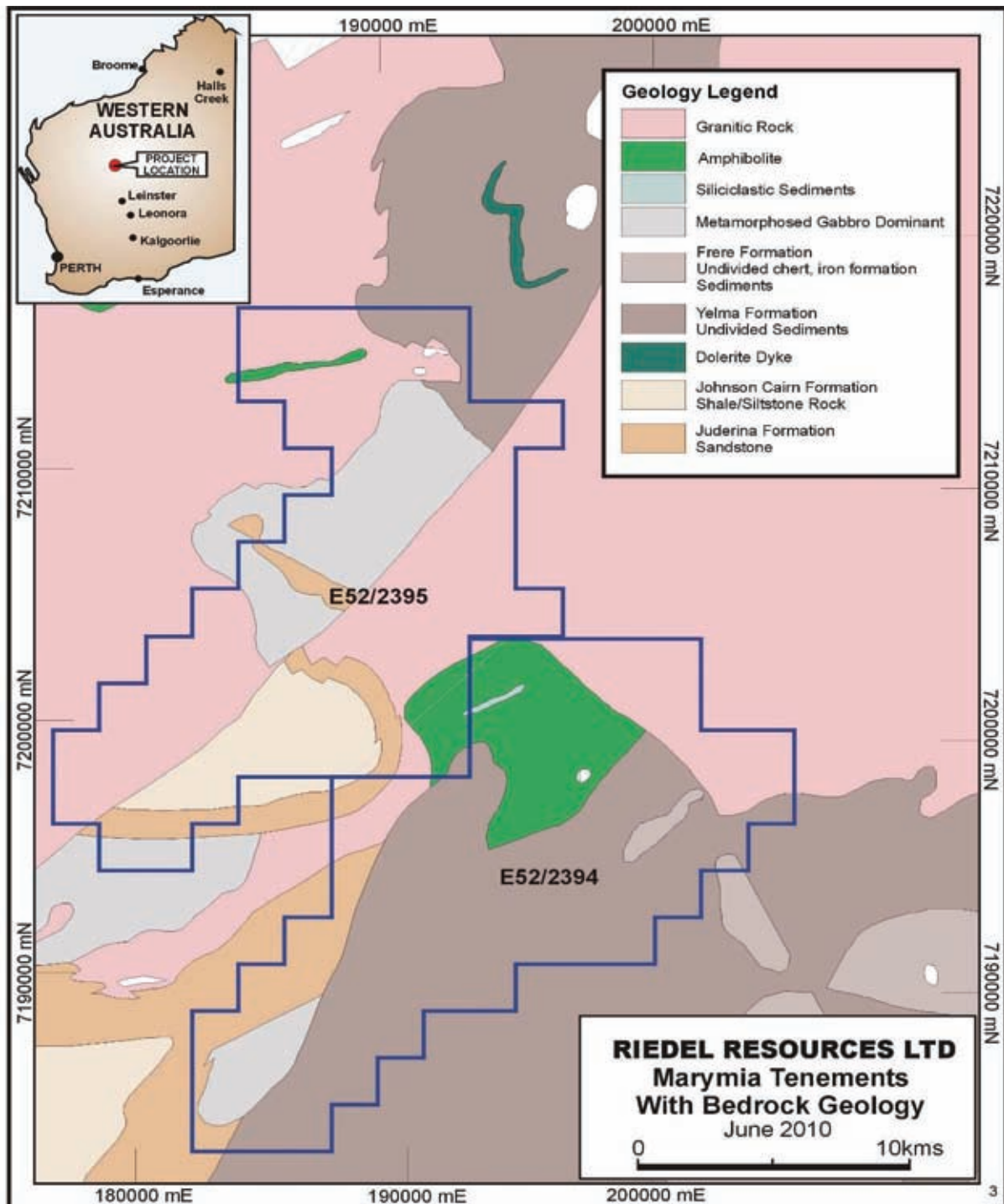


Figure 11: Marymia Project Area with Bedrock Geology.

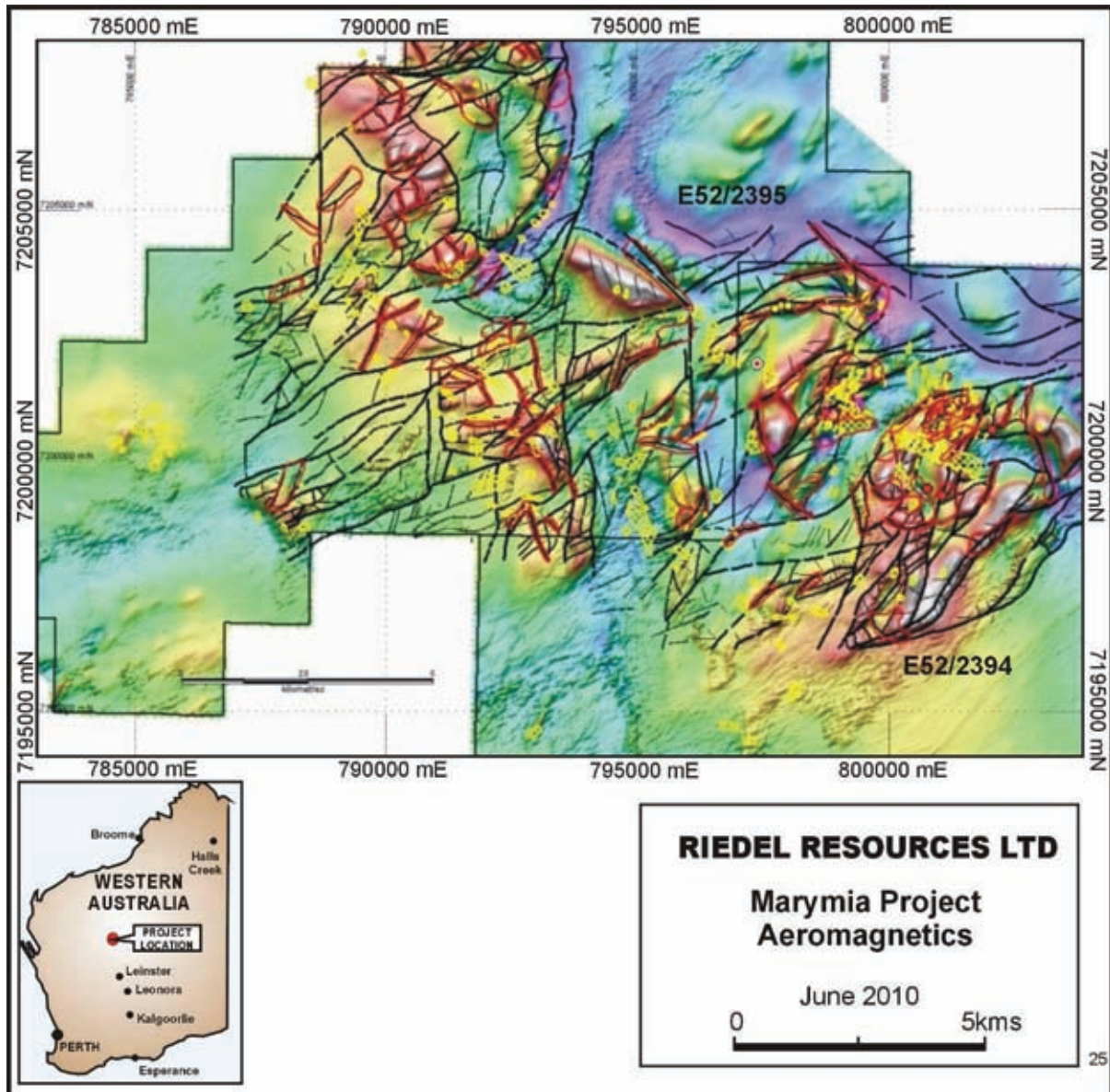


Figure 12: Marymia Project Aeromagnetics and Major Structures.

## 2.5 Previous Exploration

There is minimal evidence of early prospecting in the Plutonic-Marymia area, despite the discovery of gold at Peak Hill in 1892, some 120km SW of Marymia. The small underground workings at Baumgarten were developed in the 1930s but no major gold deposit has been discovered to date in the Baumgarten Greenstone Belt.

Major gold mineralisation in the Marymia area was only discovered in the late 1980s by Great Central Mines, when a RAB drilling program intersected 'blind' gold mineralisation around what became Plutonic Gold Mine. Much of the project area is comprised of barren granite, which is considered non-prospective for gold or base metals.

The lack of outcrop has led to a reliance on remote sensing methods for interpretation purposes. Unfortunately using aeromagnetic data in some parts of the region has had limited success in the past because the greenstone stratigraphy is often obscured beneath deep surface cover and/or over-thrust sheets of granite.

Limited nickel exploration of the Baumgarten Greenstone Belt sequence was carried out in the early 1970's, with several significant surface samples being identified. In 1992-1998 Growth Resources NL/Galtrad Pty Ltd assessed the nickel potential within what has now become the project area using modern exploration models and techniques. This included a helicopter borne magnetic survey of the K13 and K14 anomalies.

In 1992-3 Geochemex completed soil/lag/interface sampling for Galtrad Pty Ltd on E52/592, part of which is now included in E52/2395. They targeted areas considered prospective for Au and evaluated some airborne magnetic targets. Soil and lag were assayed for Au, As, Cu, Fe. Drill interface samples were analysed for Au, As, Cu, Fe & selective samples for Pb, Zn, Ni, Nb, Ag. Their work defined numerous areas of Au, Cu and As anomalism & magnetic targets K5, K6, K8 & K9 being anomalous in Ni.

Much of the ultramafic strike-length in the project area remains untested by modern day exploration techniques. Historical drilling in Area 6 intersected 12m at 0.65% Ni. In the K5 Area 8m at 1.05% Ni was intersected and in Area 7 an intercept of 4m at 1.07% Ni was returned.

Relatively recent gold exploration on the project area is summarised below in Table 6.

Company	Date	Work Conducted
<b>Galtrad Pty Ltd</b>	<b>1993-96</b>	Interpreted aeromagnetic data gathered by Aerodata Holdings in 1992. Conducted soil sampling and used RAB and R.C drilling to test the bedrock beneath the transported regolith. Tested aeromagnetic targets using 57 aircore, 1535 RAB, 51 R.C and 2 diamond drill-holes on what was E52/592 is now covered by E52/2395. On former lease E52/594 they drilled 6 aircore, 87 RAB and 19 R.C drill-holes. Subsequent drilling intersected several deep intercepts of Au mineralisation in a magnetic dolerite. Further re-interpretation of aeromagnetic surveys, additional gridding and RAB drilling failed to delineate any significant Au anomalies. The 20 R.C drill-holes completed only outlined sporadic intercepts of gold mineralisation hosted in a granophyric dolerite sill. Infill drill-holes failed to prove continuity or indicate potentially significant mineralisation.
<b>Cyrus Gold Australia Pty Ltd / Galtrad Pty Ltd</b>	<b>1997</b>	Evaluated the gold mineralisation discovered by Galtrad. Completed 16 R.C drill-holes. No further work was conducted due to the sporadic grades and lack of continuity.
<b>AuDAX Resources Ltd</b>	<b>2004</b>	<p>Previous exploration in the project area by AuDAX Resources in 2004 has included geological mapping, rock-chip, Bleg and lag sampling, gridding, aeromagnetic and radiometric imaging, ground magnetic surveys, RAB and limited R.C and Diamond Drilling. Significant drill intercepts reported by AuDAX Resources included:</p> <p><b>Baumgarten North Prospect</b> 2m@4.3g/t Au from RB405.</p> <p><b>Chardonnay North and South</b> 4m@2.4g/t Au from RB311, 3m@3.87g/t Au from BRC62, 6m@4.17g/t Au, 8m@1.43g/t Au and 4m@1.49g/t Au from BD3.</p> <p><b>Champagne Prospect</b> 4m@6.4g/t Au RB98 and 8m@2.1g/t Au from RB92.</p> <p><b>Area 2</b> 2.1m@2.75g/t Au, 4m@1.02g/t Au and 14.2m@0.55g/t Au</p> <p><b>Southern Mag Prospect</b> 12m@1.99g/t Au and 4m@4.51g/t Au.</p> <p>Rock chip samples taken from various locations within the project area contained traces of visible gold and returned significant assays of 7.74g/t, 16.1g/t and 153.0g/t.</p>

**Table 6: Recent Exploration in the Marymia Project Area.**

## 2.6 Exploration Potential

There is the potential for the presence of a number of different styles of mineralisation in the project area. These include structurally controlled gold and copper-gold, magmatic nickel sulphide and sediment-hosted base metals mineralisation.

Although a major gold occurrence has yet to be identified in the Baumgarten Greenstone Belt, there may well be potential for 'blind', primary gold mineralisation beneath over-thrust granite in the project area; as was the case with the world class Plutonic gold deposit which lies 50km west of the leases. There are significant similarities in the geology of the two areas.

The geology, structure and mineralisation encountered to date are considered encouraging and further work is warranted to further test the identified mineralisation. An MMI sampling program could be utilized to identify deeply buried gold and/or nickel mineralisation, which may be obscured by flat-lying thrust sequences or hosted by flat-lying stratigraphic units at depth. Deep exploration drilling could then be employed to test any targets thus identified.

The project area has had limited exploration for nickel conducted on it since the 1970s. Nevertheless anomalous soil and rock chip assays identified by Geochemex, along with several significant drill intercepts; require further evaluation using modern day techniques. MMI sampling could be utilized as a cost efficient method to assess the largely untested strike-length of the ultramafics in the Marymia Project Area.

Although minimal field-work has been conducted on the project area tenements during the last 10 years, there are nevertheless several drill-ready targets and numerous untested or partially tested drill, surface geochemical, geophysical, structural and magnetic targets which require further evaluation.

There has been considerable renewed interest in the Doolgunna/Marymia region in recent years, since the discovery of the major DeGrussa copper deposit. The Marymia Project Area is along strike from Sandfire Resources' Doolgunna copper-gold project at DeGrussa, which lies approximately 50km WSW of the tenements.

The indicated and inferred resource for this high grade volcanic massive sulphide (VMS) mineralisation was upgraded in September 2010 to 10.67Mt @ 5.6% Cu, 1.9g/t Au and 15g/t Ag, containing 600,000t Cu, 660,000t oz Au and 5.1Moz Ag. This is comprised of an Indicated Resource of 8.15 Mt @ 5.8% Cu, 1.8g/t Au and 14g/t Ag and an Inferred Resource of 2.52Mt @5.2% Cu, 2.3g/t Au and 15g Ag (Fig 10).

The DeGrussa deposit is located within the Jenkin Fault Complex, and appears to be comprised of sub-parallel, south dipping, sheets of massive copper-bearing sulphides beneath an oxidised gold-bearing cap. The VMS mineralisation occurs in a 2km thick volcano-sedimentary sequence at the top of the Palaeoproterozoic Narracoota Volcanics Formation.

The prospective 'corridor' for this mineralisation theoretically intersects the Marymia Project Area. Although there is no known Narracoota Volcanics occurrence on the tenements, there is a substantial area of bedrock sediments belonging to the Johnson Cairn Formation and these are bounded to the NW by the extension of the Jenkin

Fault. Lodestar Minerals Ltd has recently identified several electrical conductors in this unit, which could potentially host major, deeply buried base metals mineralisation. Both surface electro-magnetic survey (EM) and airborne Versatile Time Domain Electro Magnetic Survey (VTEM) methods have been employed by various explorers on near-by leases to identify deeply buried electrical conductors throughout the region.

Lodestar Minerals Ltd recently identified numerous conductors on their Ned's Creek E52/2456 tenement (west of E52/2394) and five of these have been modelled prior to test drilling. Some of these conductor anomalies border the western boundary of E52/2394, indicating that there is possibly a sediment-hosted, conductive base metals target to test along the western margin of E52/2394.

Sipa Resources reported that thirteen high-quality, conductor targets had been identified from a recently completed airborne electromagnetic (VTEM) survey. Previous RAB drilling by Sipa around the Old Rooney deposit returned 14m@3.8% Cu, located on one of their newly identified conductor targets. As well as hosting major copper mineralisation there is the possibility that a SEDEX-class lead-zinc deposit may exist. The style of mineralisation may have been influenced by faulting sub-parallel to the Jenkin Fault, which possibly applied a structural control. A RAB and Aircore drilling program has now been completed and results are awaited.

XRF results reported from initial R.C drilling conducted during June 2010 recorded an intercept of 16m at 3.1%Cu in an 80m wide carbonaceous, sulphidic intersection at their Rooney prospect on E52/1673.

Given the outstanding success of some exploration companies utilizing airborne (VTEM) surveys in the region to explore for DeGrussa style mineralisation, this technique could be employed on both E52/2394 and E52/2395. A VTEM survey should be given priority over other methods in the next stage of exploration, as this technique will easily identify any electrical conductor targets that exist and hence allow sampling and drilling programs to be accurately targeted.

Various data sets have been acquired to assist in the identification of drill targets, these include:

- high resolution magnetics & radiometric data
- drilling data
- surface geochemical data
- remote sensing data – Landsat TM & Aster data

## 2.7 Proposed Exploration Program

A major exploration program should to be conducted to progress the understanding the prospectivity of the tenements.

Proposed Program	Exploration Activity
<b>Nickel</b>	<p>Conduct ground EM surveys to test Nickel targets. Conduct a MMI sampling program to better define drill targets.</p> <p>Carry out further RC and Diamond Drilling to assess surface geochemical anomalies, geophysical anomalies and previous anomalies identified by drilling.</p> <p>Conduct down-hole EM surveys and consider further diamond drilling, if justified by earlier drill results.</p>
<b>Gold</b>	<p>Use RC and Diamond Drilling to test-drill conceptual targets and all significant intersections previously delineated by RAB, RC and Diamond Drilling. A MMI sampling program could assist in the identification of new gold anomalies.</p> <p>Conduct RAB drilling to evaluate soil, surface, vacuum and historical drill intercepts and also test any structural/magnetic targets. Follow-up RC and Diamond Drilling to further evaluate significant intercepts.</p>
<b>Base Metals</b>	<p>Conduct VTEM over the Johnson Cairn Formation and the Jenkin Fault extension to test for base metals.</p> <p>Conduct RAB drilling on the Jenkin Fault for structural and stratigraphic data and also to test for base metal mineralisation. A selective MMI sampling program could assist in the identification of additional base metal targets in prospective areas.</p>

**Table 7: Marymia Proposed Exploration Program.**

<b>Marymia Project</b>		Minimum Subscription	
Item	Year 1	Year 2	Total
<i>Wages/Salaries/Contractors</i>	\$ 300,000.00	\$ 215,000.00	<b>515,000</b>
<i>Data Acquisition/Processing</i>	\$ 249,000.00	\$ 1,000.00	<b>250,000</b>
<i>Geophysical Surveys</i>	\$ 55,000.00	\$ 25,000.00	<b>80,000</b>
<i>Drilling - Auger/RAB/AC/RC/DD</i>	\$ 500,000.00	\$ 437,000.00	<b>937,000</b>
<i>Assays</i>	\$ 20,000.00	\$ 15,000.00	<b>35,000</b>
<i>Tenement Costs</i>	\$ 14,000.00	\$ 2,000.00	<b>16,000</b>
<i>Equipment &amp; Consumables</i>	\$ 20,000.00	\$ 10,000.00	<b>30,000</b>
<i>Logistics &amp; Support</i>	\$ 20,000.00	\$ 20,000.00	<b>40,000</b>
<i>Heritage/Environment/Rehabilitation</i>	\$ 25,000.00	\$ 25,000.00	<b>50,000</b>
<b>Total</b>	<b>1,203,000</b>	<b>750,000</b>	<b>1,953,000</b>

**Table 8: Marymia Exploration Budget**

### 3.0 Millrose Project

#### 3.1 Introduction

The Millrose Project Area is located within the Yandal / Millrose Greenstone Belt, in the Murchison region of the north-eastern Goldfields of Western Australia. It is situated approximately 80km NE of Wiluna and 30km east of Newmont's Nimary-Jundee operations.

The project area is comprised of two major tenements which have a combined area of 119.8km<sup>2</sup>. The tenements overlie Unallocated Crown Land (UCL) on the Millrose and Lake Violet pastoral leases.

Exploration completed on the tenement during the past 9 years has resulted in the discovery and identification of significant gold mineralisation and an inferred resource at the Old Camp Bore (Millrose South) prospect.

Mineralisation is located within a steeply east dipping, N-S striking shear zone, developed within Archaean intermediate to felsic volcanoclastic tuffs and epiclastic sediments.

The project presently has a JORC Code compliant inferred resource of 4Mt at 2.4g/t Au for 309,000 oz (using a 1.0 g/t Au cut off) on E53/1304. Wide-spaced drilling has identified a number of significant intercepts over a strike-length of some 2.6km to the south of the existing inferred resource.

Only sufficient detailed drilling has been completed to enable a preliminary assessment of the mineralisation potential of the northern portion of the Old Camp Bore prospect. This is known as Millrose South. Apart from reviews of the data, no additional field-work has been carried out on the project area since 2005.

Further exploration and resource drilling is needed in the Millrose Project Area in order to clarify the structural control and assess the continuity of the high-grade shoots within the primary ore zone beneath the proposed open cut.

A number of regional prospects, including those in the Roto Bore and Millrose West areas, also require additional evaluation.

### 3.2 Location and Access

The Millrose Project Area is comprised of E53/1304 and E53/1305 and is on the Millrose 1:100,000 Topographical Map Sheet (3045) and the Millrose 1:250,000 Geological Map Sheet (SG 51-09).

The project area is located approximately 1,065km NNE of Perth and 170km north of Leinster (Fig 13). It can be most easily accessed via the Great Northern Highway, then by the Goldfields Highway and finally via the Wiluna-Granite Peak Road.

The Millrose pastoral station lies approximately 20km west of the leases and Granite Peak is situated 20km NNW of E53/1304.

E53/1304 is centred on 296044E, 7084583N and can be accessed via the Lake Violet/Granite Peak Road, which cuts across much of the tenement. E53/1304 overlies the Old Camp Mine and it has two air-strips at its southern end.

E53/1305 can be accessed by the Granite Peak Road and then via various fence-line tracks. It is centred on 297358E, 7068844N.

The area experiences only low rainfall and vegetation is limited to spinifex on the sand-plains and minor areas of thick mulga scrub.

### 3.3 Tenure

The Millrose Project Area is comprised of two large leases, which are elongated north-south and overlie much of what was E53/600 (Fig 14). The northern tenement, E53/1304 is 6453.2 Ha and the southern lease, E53/1305 is 5524.2 ha. The tenements overlie the same stratigraphy but are non-contiguous and are separated by a distance of 1.8km. The Granite Peak Road passes through the gap between the leases, providing easy access to both tenements.

Tenement	Status	100% Title Holder	Area (ha)	Start	Expiry
E53/1304	Granted	Riedel Resources Ltd	6453.2	24.04.09	23.04.14
E53/1305	Granted	Riedel Resources Ltd	5524.2	24.04.09	23.04.14

**Table 9: Millrose Tenement Details Summary.**

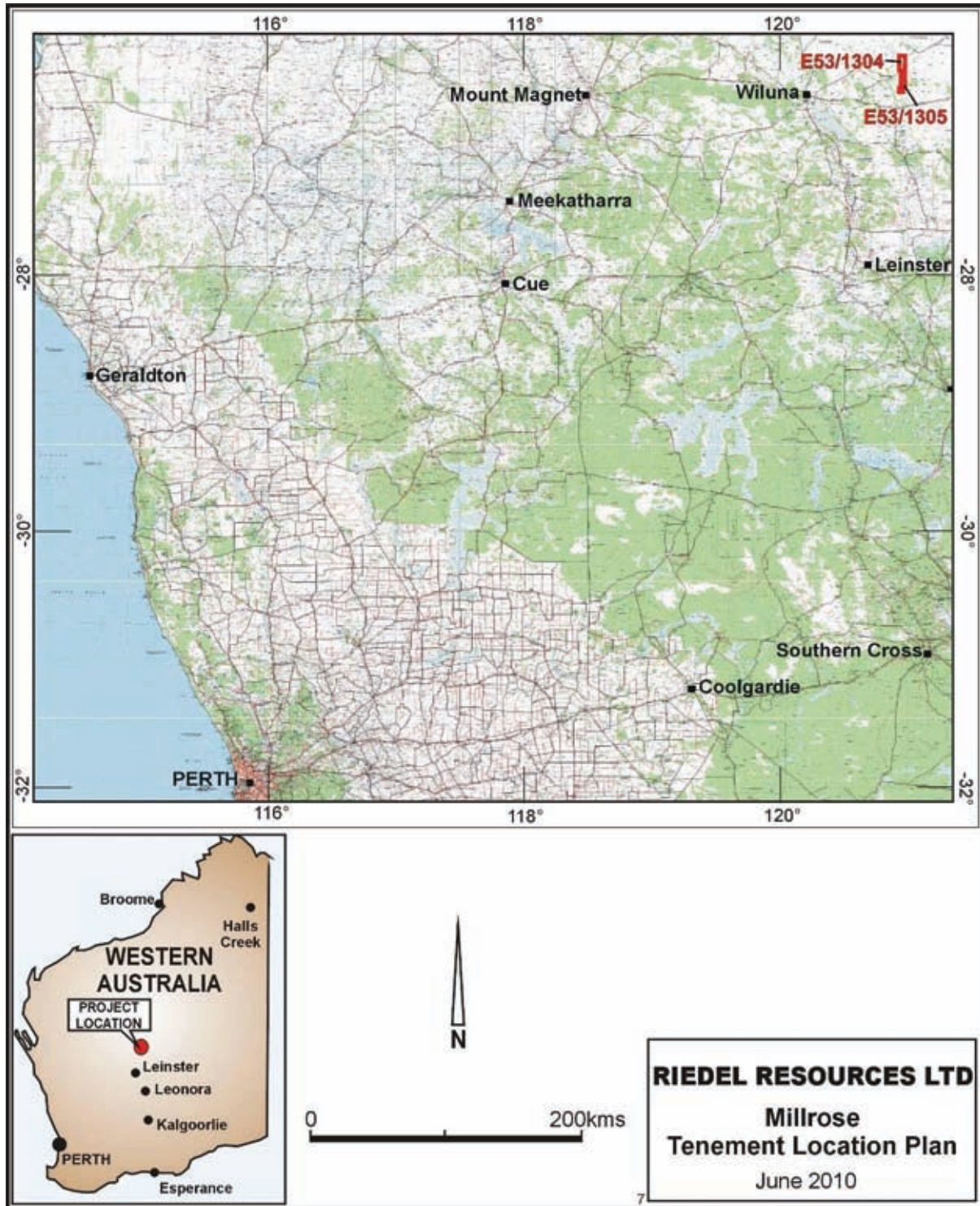


Figure 13: Millrose Project Regional Location Plan.

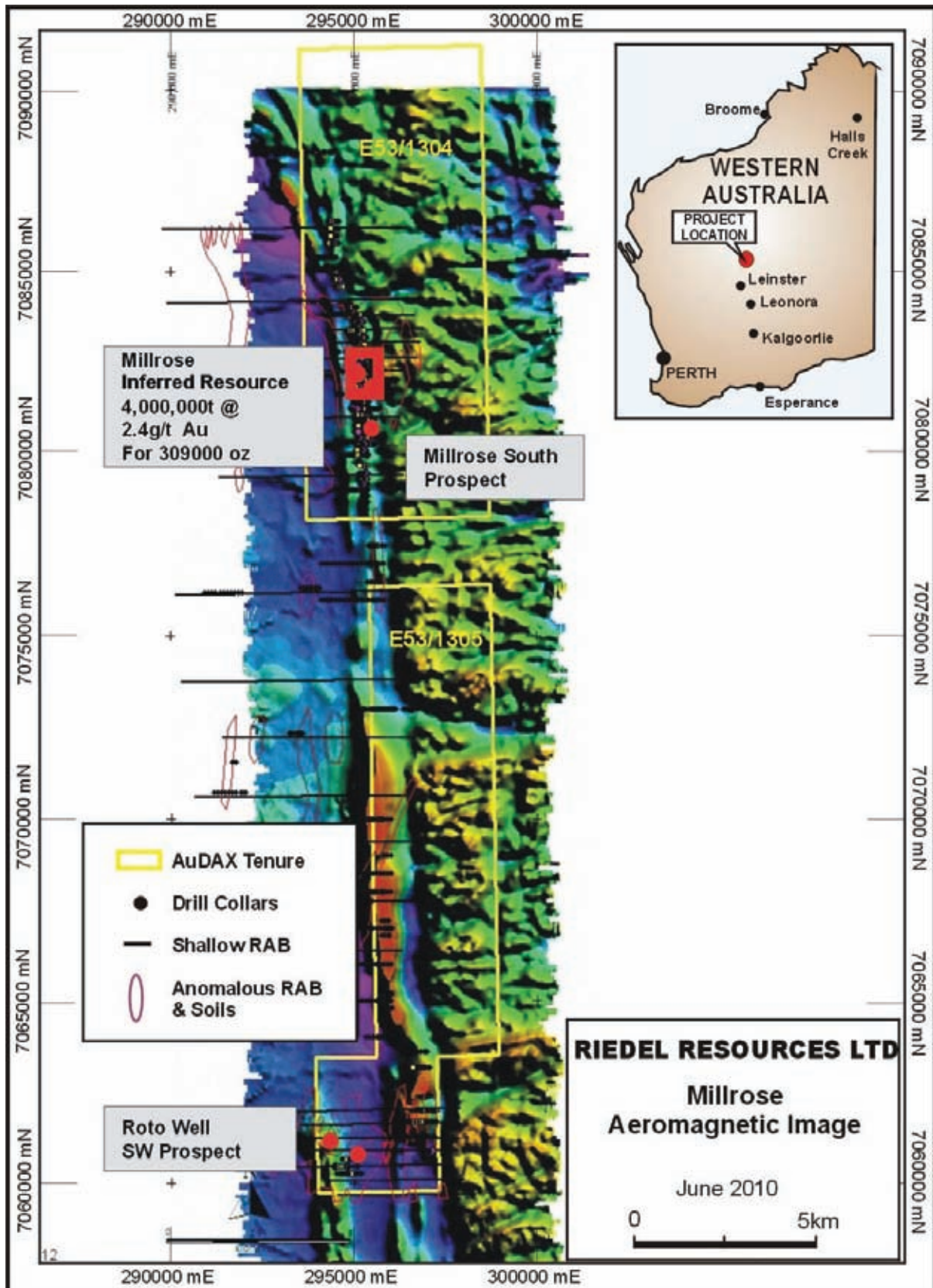


Figure 14: Millrose Project Tenements with Aeromagnetics.

## 3.4 Geology

### 3.4.1 Regional Geology

The tenement is located in the northern Yandal greenstone belt, close to the northern margin of the Archaean Yilgarn Block in the north-eastern Goldfields Province of Western Australia. The northern Yandal greenstone belt comprises two distinct greenstone sequences separated by internal granitoids. The western arm of the greenstone belt is known as the Lake Violet greenstone belt and the eastern arm is known as the Millrose greenstone belt.

The eastern boundary of the Millrose greenstone belt is marked by the Ninnis Fault, from which splays are developed in the southern Yandal greenstone belt. The western halves of the tenements are underlain by greenstone belt lithologies of the eastern (or Millrose) arm of the Yandal Belt, whilst the eastern halves are underlain by granitoids of the Millrose batholith (Fig 15).

The Millrose Fault is located approximately 9km north of Old Camp Bore, immediately north of the northern end of E53/1304. This major E-W trending sinistral strike-slip structure off-sets the northern section of the Millrose greenstone belt by approximately 2km (Fig 15).

The Archaean rocks of the Yandal greenstone belt comprises a lowermost Banded Iron Formation (BIF), extensive basalt and dolerite sills, ultramafic rocks, intermediate to felsic volcanic rocks, and variable clastic sedimentary rocks. Early shear zones trend NNW and form the greenstone belt margins or trend N-S, within the belt. Later brittle cross-faults are critical in gold localization.

All major deposits are hosted by Fe-rich mafic rocks, and mineralisation displays a combination of different orientations and morphologies. Quartz veins are surrounded by broad carbonate alteration with proximal K-mica and Fe-sulphides. The recognition of a critical role for the late brittle structures in localizing gold implicates mid-crustal processes within the greenstone belt for fluid generation, and with the host rock control, supports the model in which fluid was derived by metamorphic devolatilization.

The strata of the Yandal greenstone belt have been dated at 2,700 million years (Ma) old. These were deformed, metamorphosed and intruded by granites at about 2,660 Ma. Recent research suggests that the age of the gold mineralisation may be of a similar age (C.J. Yeats et al, 2001).

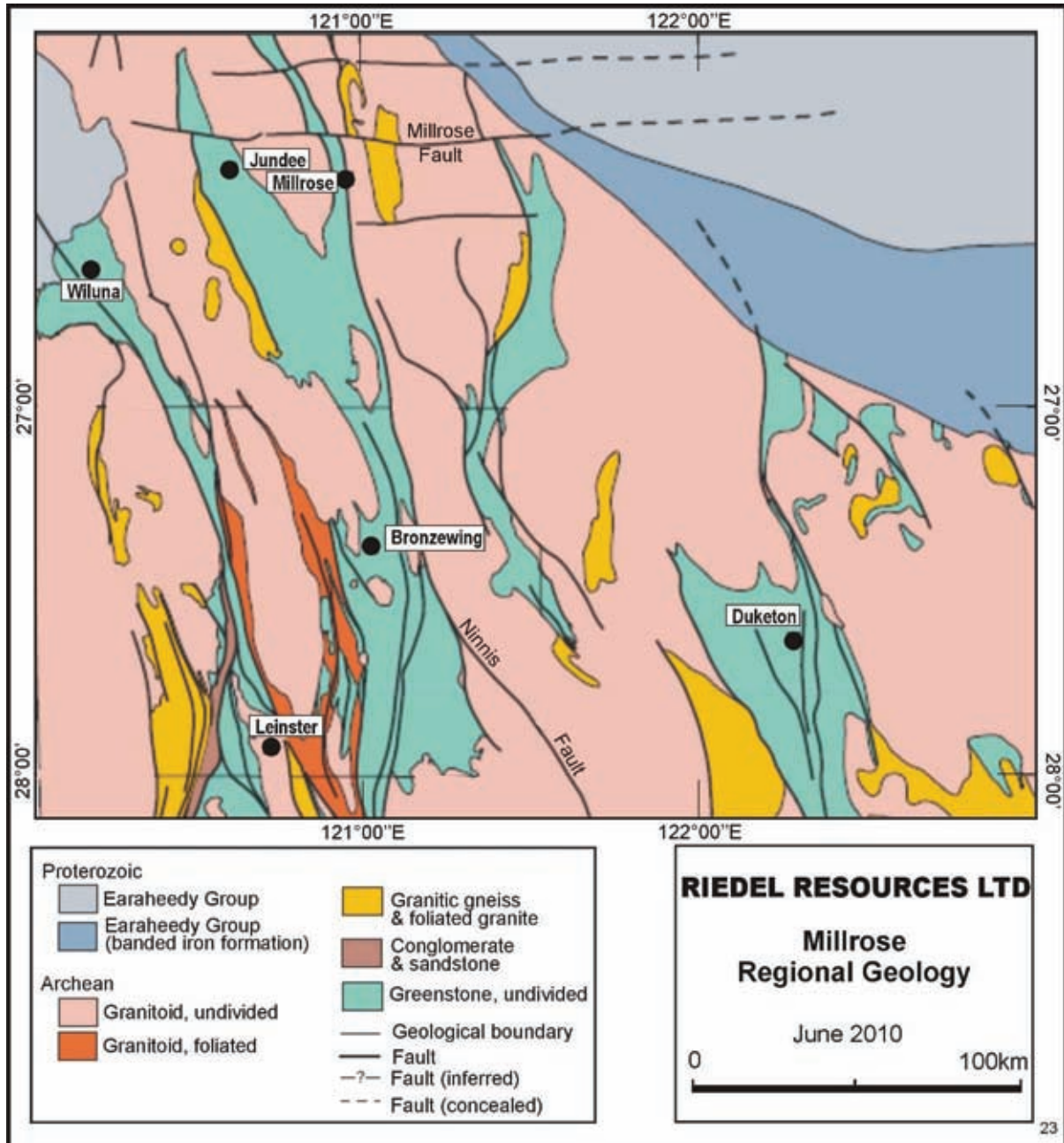


Figure 15: Millrose Project Regional Geology.

### 3.4.2 Local Geology

The majority of the bedrock in the project area is blanketed by a thin veneer of transported material, which in turn overlies a truncated lateritic profile. Outcrop of identifiable Archean lithologies is limited to small areas in the southern part of the project area, where mafic and felsic schists occur with minor sediments.

The rocks of the Millrose Project Area have a deeply weathered profile. A 50-80m deep depletion zone and a 50-70m thick zone of oxidation exist above the ore zones (Fig 17). Low to medium grade supergene mineralisation in the oxide zone has a

true width of approximately 20m for the central ore zone in the mylonitised and silicified volcanoclastics.

The gold mineralisation in the Millrose Project Area is hosted within a steeply east-dipping, north-south striking shear zone, developed within intermediate to felsic volcanoclastic tuffs and epiclastic sediments (Fig 17). It is typically associated with wide zones of intense silica-haematite-pyrite alteration.

Narrow BIF units to the west (and to a lesser extent the east) of the main mineralised zone, provide useful geological marker horizons (Fig 17). These units have been mapped as zones of 'weak magnetic response'. Other minor BIF and ultramafic units are largely responsible for the zone of 'moderate magnetic response' trending N-S through the tuff/sediment sequence.

Two major sinistral strike-slip faults exist towards the northern end of E53/1304. They each offset the tuffs and sediments comprising the central zone of mineralisation westwards by approximately 100m.

The southern end of E53/1304 is cross-cut by three major E-W trending Proterozoic dykes. These post-date both the Millrose greenstones and the Millrose granite.

The first phase of Diamond Drilling conducted at the Millrose Project Area in 1999 by Mines and Resources resulted in a much greater understanding of the geology of the Old Camp Prospect, allowing correlation between sections for the first time. This was due to the recognition of two narrow units of BIF in the sequence. These units provided good marker horizons that could be easily identified in core and traced through the weathered zone by taking magnetic susceptibility readings of RC drill chips. The lithological package dips at 85° towards the east (Moreau, 1999) with a strike of 358°.

A generalized sequence of lithology and alteration was established, detailed below from east to west:

- i) Foliated intermediate/mafic volcanics and volcanoclastics with minor chlorite and carbonate alteration.
- ii) Frequently schistose intermediate/felsic volcanoclastics and tuffs with minor chlorite and moderate sericite alteration.
- iii) Felsic/intermediate tuffs and volcanoclastics with moderate to intense silicification, moderate to intense shearing and mylonite developed in the main shear zone.
- iv) BIFs and felsic tuffs - mylonite often developed marginal to BIFs.
- v) Phyllites and slates - sedimentary and volcanic clastic precursors with minor carbonate alteration and silicification and low to moderate shearing.

Narrow zones of gold mineralisation are occasionally found in zones (i) and (ii). The BIFs are generally not mineralised and no significant mineralisation found to the west of the BIF units. Most fresh rock mineralisation was found in zone (iii).

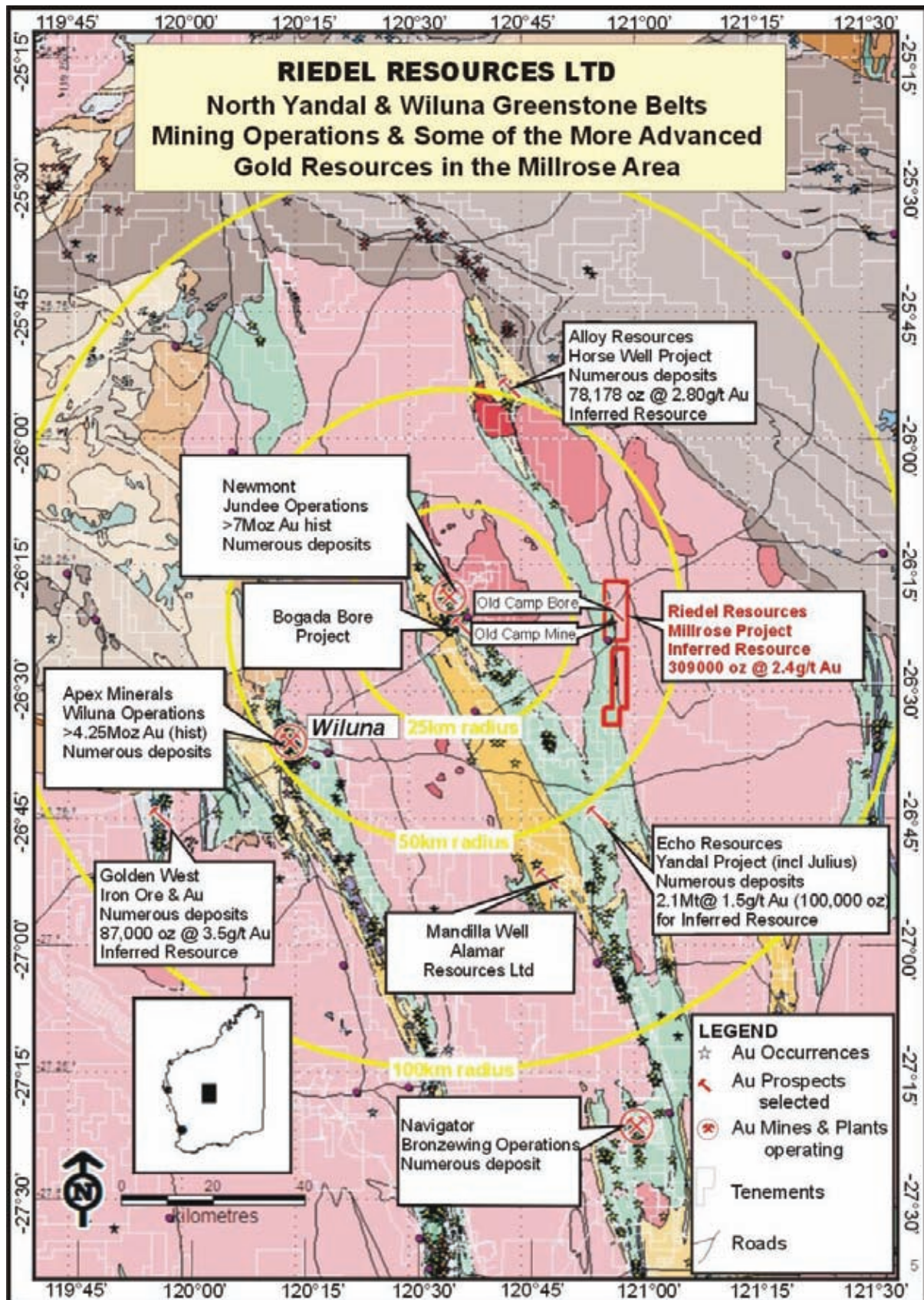


Figure 16: Millrose Project Geology with Regional Gold Mines.

### 3.5 Recent Exploration

Historical drilling is considered to have been mainly ineffective with the majority of the drill-holes failing to adequately test the basement or to penetrate the 'depletion zone'. Limited deeper drilling by Mines and Resources in the late 1990s returned some interesting intercepts in the general Millrose prospect area.

Historical work by Newcrest and BHP in the Millrose West area defined a number of low order gold-in-saprolite anomalies in shallow RAB/AC/RC drilling in the eastern portion of the project area. In many cases drilling failed to penetrate the depletion zone and did not effectively test the basement. Gold and arsenic soil anomalies were defined in the western portion of the tenement by Great Central Mines (GCM). Shallow RAB and vacuum drilling designed to follow up these anomalies once again only partially tested the areas of interest.

AuDAX Resources Ltd conducted much of the significant exploration carried out in the Millrose Project Area. Sufficient detailed drilling has been completed to enable an assessment of the mineralisation potential of the northern portion of the Old Camp Bore prospect. This is known as Millrose South and has an Inferred Mineral Resource Estimate of 4Mt at 2.4g/t Au for 309,000 oz (1 g/t cut off). This resource is categorised as Inferred according to the JORC code because of the lack of QA/QC information on the drilling and sampling and because no mining study has been conducted to determine if this resource can be mined economically.

The inferred resource outlined is split into a North End of 2.5Mt@ 2.5g/t Au and a South End of 1.5Mt@ 2.3g/t Au (Figs 16 and 17).

Wide-spaced drilling has also identified a number of significant intercepts over a strike-length of some 2.6km to the south of the existing inferred resource.

Two traverses drilled 100m to the north and south of the recently discovered North Western Zones (34m at 2.16g/t, including 12m at 5.6g/t Au from 64m, with the drill-hole ending in mineralisation) returned 4m at 1g/t Au from 16m and 12m at 1.12g/t Au from 80m and 4m at 1.08g/t Au from 40m and 4m at 1.33g/t Au from 76m from drill-holes on the northern traverse and 1m at 1.54g/t Au from 76m ending in mineralisation from a drill-hole drilled on the southern traverse.

A traverse drilled 500m to the north of the northernmost part of the Millrose inferred resource, confirmed strike potential and returned a number of anomalous intercepts including 2m at 1.23g/t Au from 92m from a drill-hole which ended in mineralisation.

Two traverses designed to evaluate the potential of a mineralised structure located some 200-300m to the west of the main Millrose mineralised zone returned interesting supergene anomalism. Gold anomalism has now been defined over a strike length of more than 700m on this western structure.

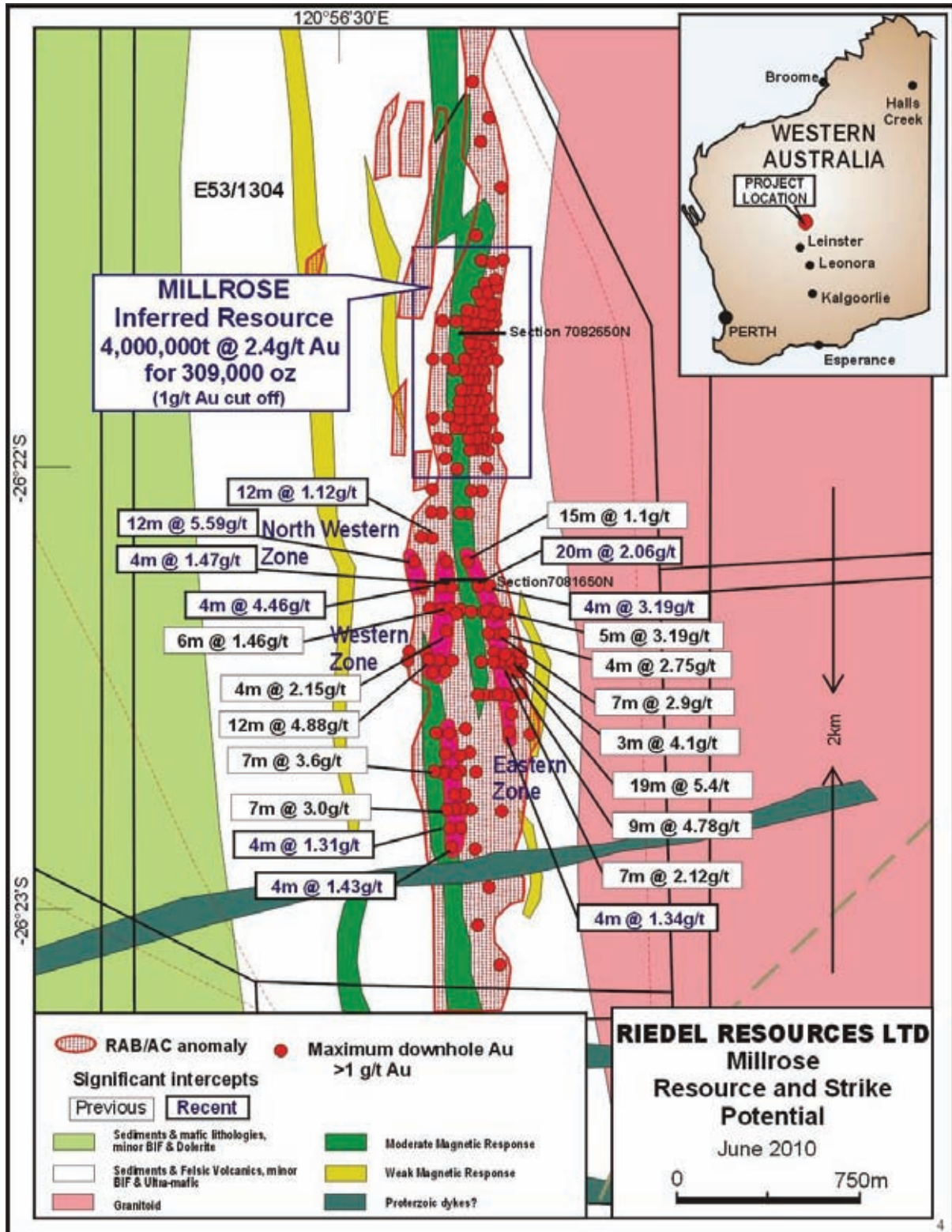


Figure 17: Millrose Project Geology Plan with Resource Drilling on E53/1304.

Three RC drill-holes designed to test the strike and dip potential of the North Western Zone (previous aircore drill intercept of 12m@5.59g/t Au) returned inconsistent gold values. Two drill-holes drilled in the vicinity of the previously reported anomalous aircore hole intersected a deeply weathered profile terminating

in variable, deformed intermediate and felsic lithologies. The zone of gold mineralisation is typically characterised by silica-haematite alteration.

Deeper primary intercepts on this section appear to be thin and of moderate-grade. They include AMILC02 1m at 1.33g/t Au from 112m, 1m at 2.28g/t Au from 118m and 2m at 2.0g/t Au from 134m. In AMILC01 intercepts within oxide and transitional zones appear to reflect significant supergene effects and have returned intercepts of 4m at 8.37g/t Au from 60m and 14m at 1.52g/t Au from 78m.

A single RC drill-hole drilled some 200m north of this section and designed to evaluate strike continuity of this zone was disappointing. Despite intersecting the same lithologies and weak silica-haematite alteration, assay results were anomalous but not highly significant.

The strike and dip potential of the Eastern Zone have been RC drilled 100m and 200m north respectively of previous RC drilling for this zone. Wide zones of intense silica-haematite-pyrite alteration associated with this gold mineralisation were intersected in all three drill-holes.

Broad low grade intercepts of 60m at 0.48g/t Au in AMILAC03, 56m at 0.78g/t Au and 12m at 0.4g/t Au in AMILC04 and 68m at 0.54g/t Au in AMILC06 were returned.

Within these broader low grade haloes a number of thin higher-grade zones are typically present. Results from the drilling are typical of the area and are viewed as encouraging. They have extended the Eastern Zone by a further 200m, for a strike-length now in excess of 700m.

Significant drilling results are summarized on Figs 17, 18 and 19.

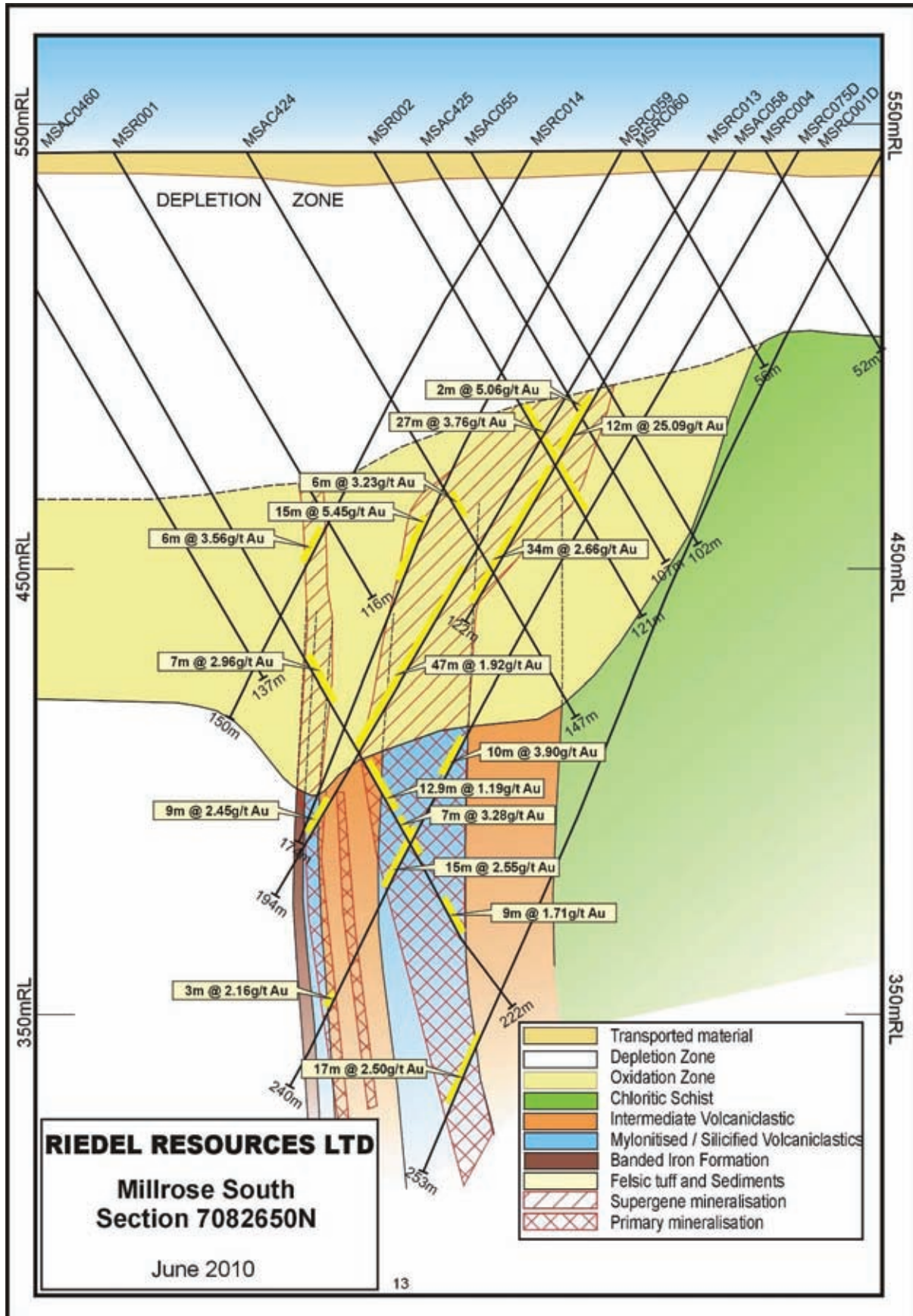


Figure 18: Millrose South Cross Section on 7082650N.

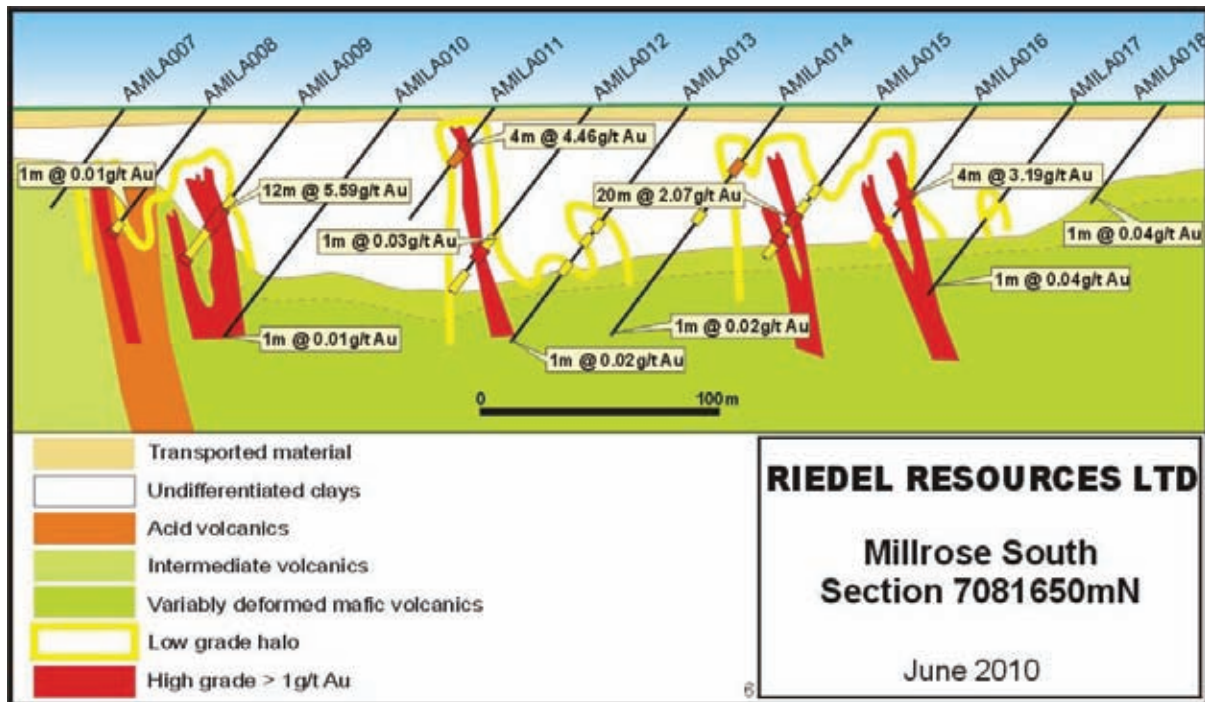


Figure 19: Millrose South Cross Section on 7081650N.

### 3.6 Past Production in the Yandal Belt

Historically, the Millrose area has only produced relatively small amounts of gold compared to large deposits elsewhere in the Yandal belt, such as those at Jundee and Bronzewing. However after a century of virtual neglect, the Yandal belt has emerged as a significant gold-rich province in recent times with production increasing from 1Moz Au in 1990 to over 14Moz Au by 2000.

Exploration success has come from a combination of conceptual geological models, surface prospecting, understanding of the weathering environment and systematic drilling. Gold resources and past production at major deposits include: Bronzewing (3Moz), Jundee (7Moz) and Darlot (3Moz).

### 3.7 Exploration Potential

The Millrose Project Area represents a major, drill-ready target which has the potential to be upgraded to a JORC compliant resource by additional RC and Diamond Drilling.

The plunging ore shoots already defined are open at depth and along strike and have the potential to support a high grade underground mining operation. The relatively simple geometry of the lodes has been confirmed from 3D modelling.

There are a number of sub-parallel high-grade zones within the broader low-grade supergene gold anomaly to the south of the existing resource. Based on this evidence, these high-grade zones present significant targets that have excellent potential to increase the existing inferred resource.

A review of previous data has defined a number of regional targets that require more work. One such area consists of a structural/magnetic target which is associated with a large (3km x 3km) supergene gold anomaly defined by historical wide spaced shallow set depth (typically 17m) RAB drilling.

Further work is needed on the Millrose project in order to clarify structural control and assess continuity in high-grade shoots within the primary mineralisation zone beneath the proposed open cut. This will be done with a view to determining the viability of the area beneath the proposed open cut as an underground operation.

### 3.8 Proposed Exploration Program

Proposed Program	Exploration Activity
<b>Gold</b>	<p>Conduct RC/Diamond Drilling to obtain geotechnical and metallurgical data.</p> <p>Carry out RC/Diamond Drilling to evaluate potential for high grade plunging shoots and underground potential. Conduct RC/Diamond Drilling at Millrose South to convert into a JORC compliant resource.</p> <p>Complete infill RC/Diamond Drilling with the objective to convert indicated and inferred resource into a Measured Category.</p> <p>Carry out RAB/AC/RC drilling to evaluate regional targets, such as Roto Bore (RAB/AC geochemical anomaly) and the conceptual target at Roto Well SW.</p>

**Table 10: Millrose Proposed Exploration Program.**

Item	Year 1	Year 2	Total
<i>Wages/Salaries/Contractors</i>	\$ 115,000.00	\$ 265,000.00	<b>380,000</b>
<i>Data Acquisition/Processing</i>	\$ -	\$ -	<b>0</b>
<i>Geophysical Surveys</i>	\$ -	\$ -	<b>0</b>
<i>Drilling - Auger/RAB/AC/RC/DD</i>	\$ 110,000.00	\$ 510,000.00	<b>620,000</b>
<i>Assays</i>	\$ 25,000.00	\$ 45,000.00	<b>70,000</b>
<i>Tenement Costs</i>	\$ 6,000.00	\$ 6,000.00	<b>12,000</b>
<i>Equipment &amp; Consumables</i>	\$ 1,000.00	\$ 52,000.00	<b>53,000</b>
<i>Logistics &amp; Support</i>	\$ 13,000.00	\$ 22,000.00	<b>35,000</b>
<i>Heritage/Environment/Rehabilitation</i>	\$ 4,000.00	\$ 6,000.00	<b>10,000</b>
<b>Total</b>	<b>274,000</b>	<b>906,000</b>	<b>1,180,000</b>

**Table 11: Millrose Exploration Budget**

## 4.0 Mt Webb Project

### 4.1 Introduction

The Mt Webb Project Area consists of four tenements, which have a combined area of 568km<sup>2</sup>. They are located in the Lake Mackay region in Western Australia, close to the WA-NT border (Fig 20). These leases are approximately 2,250km NE of Perth and 1,300km east of Wiluna.

Geologically, the area is on the western margin of the Arunta Block and is centred on the Mt Webb Proterozoic granite intrusion. The Mt Webb granite and its co-magmatic felsic volcanics in the Pollock Hills Formation has many similarities to other Australian Proterozoic regions where hydrothermal Cu-Au deposits have been linked to magmatic sources (e.g. Williams Batholith - Eastern Succession Mt Isa and Hiltaba Suite - Gawler Craton).

The Australian Geological Survey Organisation (AGSO) has estimated an age of 1640Ma for the intrusion and has also identified extensive magmatic alteration (sodic-calcic and sericitic) and brecciation.

The tenements in the project area all constitute model-based greenfields exploration targets. They present an opportunity to apply standard reconnaissance exploration techniques to test well established iron-oxide-copper-gold (IOCG) exploration models in an area that has geology of a favourable age; which is often associated with uranium deposits.

Previous exploration in the Mt Webb region has been limited, partly due to poor outcrop, isolation and a perception that the Arunta Inlier is too highly metamorphosed to host significant deposits. Although the area remains under-explored (with only limited exploration having been completed since 1997, mainly by Aurora Gold and BHP in the Kiwirrkurra area); encouraging results are indicating that the area has unrealised potential.

More recent exploration conducted in the Mt Webb region by Ashburton Minerals, Meteoric Resources Ltd and Toro Energy has used geophysical targets and geochemical anomalies with reasonable success (Table 13 and Fig 25).

Widespread copper mineralisation has been identified at Ashburton's Pokali Prospect and R.C drilling has returned encouraging copper values.

Meteoric has identified a 7km long gold anomaly at its Lake Mackay Project on E80/3820. Meteoric has also identified six strong IOCG targets in favourable geological settings.

Toro Energy have identified anomalous uranium mineralisation at its Theseus Prospect using air-core drilling, despite surface sampling failing to detect any obvious bedrock uranium anomalies. Toro Energy has reported that the highly anomalous uranium is associated with oxidised and reduced interbedded sands and clays. These units will be further tested using mud rotary drilling, which is specifically designed for the prevailing unconsolidated wet sand conditions.

Radiometric data has identified a significant anomaly in Lake Mackay. It is probable that the source of secondary uranium in the lake sediments is sourced from the "hot" granites on the leases now managed by Riedel Resources Ltd.

Uranium is commonly associated with one of the structurally controlled Iron Oxide Copper Gold (IOCG) subtypes. The company could evaluate the uranium potential of all its Mt Webb tenements, as well as exploring for gold and copper. In particular, coincident magnetic and gravity anomalies will be targeted, since they frequently overlie IOCG deposits.

Most of Australia's uranium resources occur as four styles of mineralisation; these are unconformity related, breccia complex, sandstone uranium deposits and surficial (calcrete) deposits. The Mt Webb area is considered highly prospective for a variety of styles of uranium mineralisation. These including: palaeochannel sand hosted; sandstone hydrocarbon-associated; calcrete hosted, structurally-enhanced redox ('roll-front') type deposits and iron-oxide copper gold uranium ("IOCGU").

The nuclear power industry is currently only providing a fraction of the world's energy supply and uranium production is falling short of present day demand. As the world's population continues to grow rapidly and fossil fuels become increasingly depleted the urgency to identify new potential uranium sources becomes vitally important if an energy crisis is to be avoided.

## 4.2 Location and Access

The Mt Webb Project Area is located on the Webb 1:250 000 (SF 52-10) and Macdonald 1:250 000 (SF 52-14) Geological Map Sheets. The project area is approximately 700km WNW of Alice Springs and 100km SW of Kintore, in the Gibson Desert of Western Australia. All the tenements are close to, or on the Western Australia/Northern Territory border (Fig 20).

The most northerly tenement, E80/4165 is east of the western edge of the Tanami Desert and north of the western side of the large, dry-lake named Lake Mackay. The area is situated 40km SW of the Alec Ross Range and is centred approximately on 451544E, 7550704N.

E80/4166 is the most westerly of the tenements and it covers the eastern side of the Pollock Hills area. It lies roughly 50km WNW of Mt Webb in the Angas Hills and is centred approximately on 361073E, 7474792N. It is located WSW of Lake Mackay.

A Bouguer gravity high anomaly overlies E80/4167, which is located east of Dovers Hills and west of Buck Hills. It abuts with E80/4429 to form a large contiguous project area, south of Lake Mackay. It is centred approximately on 483535E 7444098N.

E80/4429 is the most easterly of the tenements and its SW corner overlies the Buck Hills area. Mt Tietkens is immediately south of the SW corner of the lease. The lease is centred on 495184E 7443433N.

The area can be reached from Alice Springs via the Kintore Road and the Desert Road and then by tracks of variable quality. The Desert Road passes through the southern edge of E80/4167 and it also crosses through the southern end of the eastern half of E80/4429.

The main access to the various sites is by the Kiwirrkurra Road, which leads to the Kiwirrkurra Aboriginal Community. The project area is sparsely populated and the area forms part of the Central Australia Aboriginal Reserve, which is within the jurisdiction of the Ngaanyatjarra Land Council.

The terrain encompassing the tenement blocks is predominantly a flat, undulating sand-plain separated by scattered low hills and ridges. The area is semi-arid and has only sparse vegetation, which consists mainly of spinifex, low scrub and small trees. The region experiences very low rainfall and drainage is essentially subsurface.

A major field of E-W trending longitudinal sand dunes of varying lengths and ranging from 5m-15m in height, overlies much of the three southernmost tenements. This constitutes a major impediment to cross-country travel within sections of exploration licences E80/4166, E80/4167 and E80/4429.

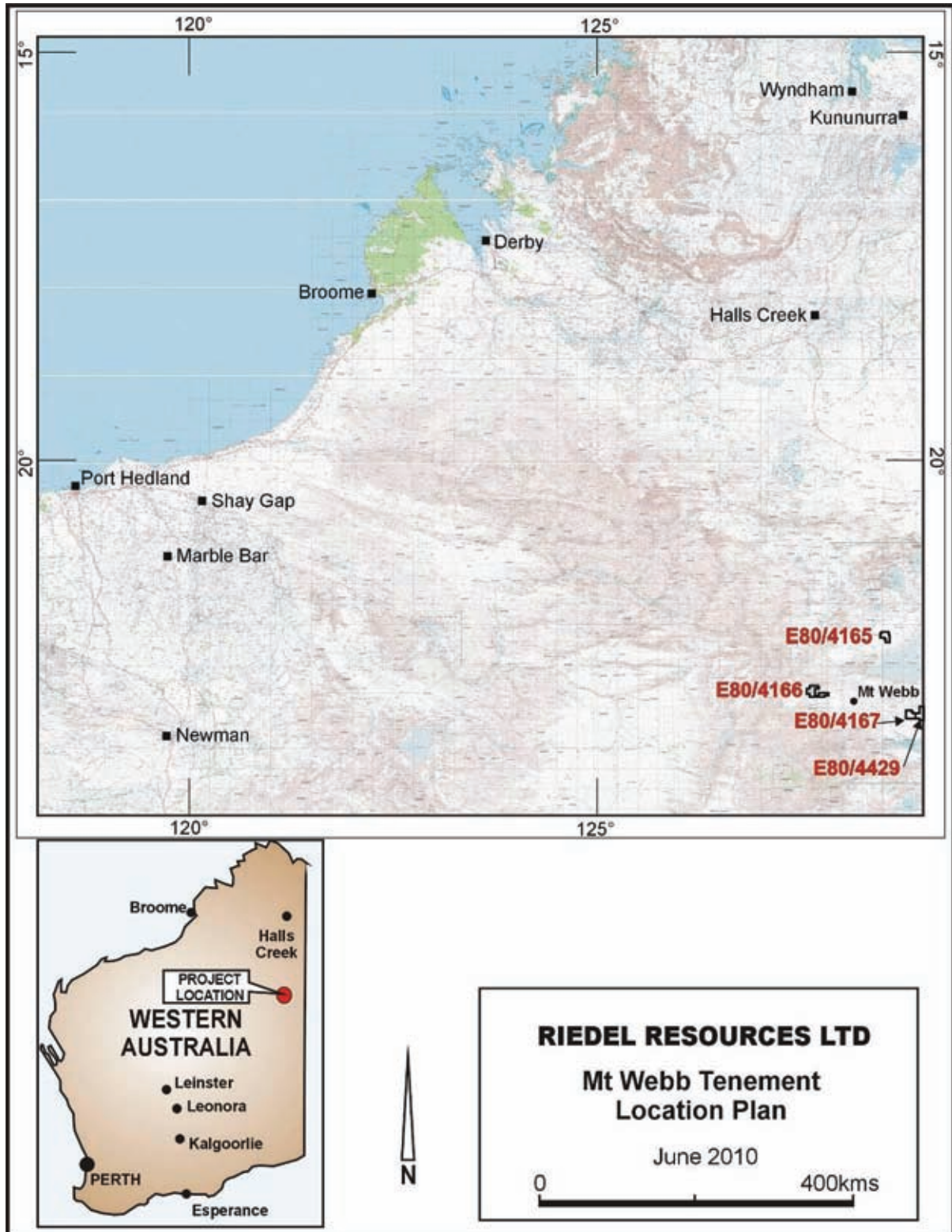


Figure 20: Mt Webb Project Regional Location Plan.

### 4.3 Tenure

The Mt Webb Project Area is comprised of four large tenements (Figs 20 and 21). Oldcity Nominees Pty Ltd is the holder (now held in trust for RRL) for E80/4165, E80/4166 and E80/4167 and AuDAX Minerals Pty Ltd recently applied for E80/4429 which adjoins the eastern side of E80/4167.

The leases comprise a combined total of 180 graticular blocks, totalling 56,809 hectares.

Tenement	Status	Title Holder	Area	Start	Expiry	Equity
E 80/4165	Granted	Oldcity Nominees Pty Ltd	35BL	15/06/09	14/06/14	100%
E 80/4166	Granted	Oldcity Nominees Pty Ltd	66BL	15/06/09	14/06/14	100%
E 80/4167	Granted	Oldcity Nominees Pty Ltd	37BL	15/06/09	14/06/14	100%
E 80/4429	Application	AuDAX Minerals Pty Ltd	42BL	24/03/10	Pending	100%

**Table 12: Mt Webb Tenement Details Summary.**

### 4.4 Geology

#### 4.4.1 Regional Geology

The Mt Webb Project Area is situated at the western margin of the Proterozoic Arunta Block of Central Australia. The latter is comprised of a complex suite of Palaeoproterozoic to early Mesoproterozoic, metamorphosed and deformed igneous and sedimentary rocks, which form part of the 200,000 km<sup>2</sup> Arunta Inlier.

The block is divided into three major stratigraphic units based on facies assemblages and lithological correlation. Initial field investigations within the Mt Webb region were insufficient to differentiate between the three main stratigraphic units and as a consequence these units were referred to as the Arunta Metamorphic.

The Arunta Block is also divided up into three tectonic provinces; the northern metamorphics and the associated granite intrusions. The block is believed to be floored by continental crust and formed as a result intra-plate rifting. The project area occurs at the western extent of the northern and southern Tectonic provinces.

The WNW trending Mt Webb Fault Zone runs through the Riedel Resources' southernmost ground. The granite associated with this shear zone is recrystallised with weak foliation.

A major mineralised 'structural corridor' named the Central Australian Suture (CAS) or Desert Bore Thrust is situated approximately 7km to the north of this fault zone.

Both the fault zone and this major shear zone parallel the Trans-Tanami Fault, which is associated with deposits of the Tanami Goldfields. The Tanami and The Granites Goldmines have produced in excess of 15Moz Au. The Mt Webb Fault Zone appears

to be the main structural control for both gold and IOCG mineralisation in the Mt Webb area.

The dominant outcropping lithologies within the project area are the Mt Webb Granite (monzogranite), volcanics and associated sediments of the Pollock Hills Formation and a basement sequence of metasediments, metavolcanics and gneiss of the Arunta metamorphic (Fig 21).

The Mt Webb Granite is part of a batholith and its co-magmatic felsic volcanics (in the Pollock Hills Formation) form the Mt Webb Suite. This has many similarities to rocks other Australian Proterozoic regions where hydrothermal Cu-Au deposits have been linked to magmatic sources (1640Ma for intrusives), for example the Williams Batholith - Eastern Succession Mt Isa and Hiltaba Suite in the Gawler Craton of South Australia. These rocks overlap important global Proterozoic mineralisation epochs, particularly for the period of uranium mineralisation around 1640Ma.

The Arunta Metamorphics occur in the eastern half of the project area (on E80/4166) and consist of schists, quartzite, mafic and acid volcanics and gneiss. These rocks have a strong steeply dipping foliation trending west to northwest, however, northeast of Buck Hills a northwest trend is dominant. Quartz veining is common and in places is rich in magnetite.

A porphyritic acid volcanic sequence of high magnetic susceptibility is confined to the east of the Mantati area and is possibly the youngest representative of the Arunta metamorphic in the project area.

The Arunta metamorphic are intruded by the Palaeoproterozoic Mt Webb Granite. The Mt Webb Granite is a fractionated granite system and ranges from a leucocratic quartz-rich granite to mesocratic biotite or hornblende-rich granite. The Mt Webb Suite granites show not only evidence of fractionation but also of brecciation, late-stage fluids and hydrothermal alteration. The granites have probably been emplaced at shallow levels and hence epithermal or vein-style mineralisation is a possibility.

The radiogenic Mt Webb Granite is considered to have reasonable 'greenfields' potential for copper, gold and uranium mineralisation.

Alteration in the Mt Webb Granite occurs in the form of sericite, epidote and albite. This alteration appears to be related to areas of high strain/faulting in some places. The fabric of the granite varies from non-foliated to strongly foliated, trending NNW.

Relatively recent work by AGSO has returned an age of 1,640Ma for this fractionated, I-type intrusion and has also identified extensive magmatic alteration (sodic-calcic and sericitic) and brecciation. I-type granite (or igneous protolith) granite is generally formed by the melting of high grade metamorphic rocks or another granite.

Fractionation is the process whereby minerals which crystallize early on as magma cools, settle out within an intrusion before the rest of the magma solidifies. They are thus effectively removed from environment in which they formed. This is considered highly significant, as fractionated granites are generally found to be more prospective for mineralisation.

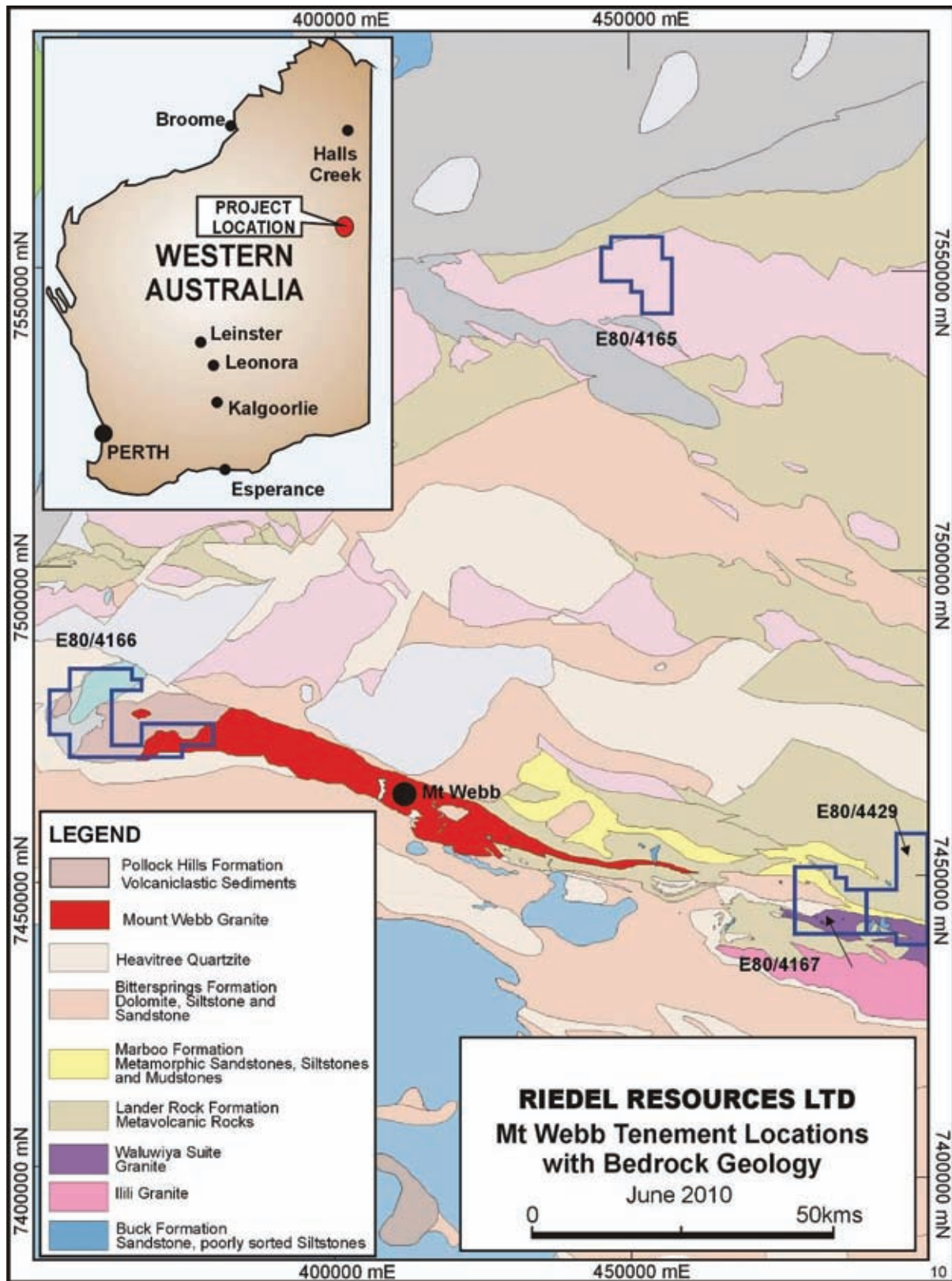


Figure 21: Mt Webb Regional Geology Plan with Tenements

#### 4.4.2 Local Geology

Exposure in much of the project area is extremely limited due to the presence of major Cainozoic superficial sediments. Extensive aeolian sand-plains and/or sand dunes obscure most of the outcrop.

On the northernmost E80/4165, outcrop is limited to only what was originally mapped as the Mt Webb Granite and was later renamed Rapide Granite (Fig 22). Lateritic capping is associated with the scattered outcrops of this Proterozoic granite. The surface cover is dominated by Quaternary surface deposits, including aeolian sands, alluvium, silt, gravel, vein quartz rubble, evaporites and calcrete.

The bedrock geology of E80/4165 is dominated by the Rapide Granite, which is now included in the Carrington Granite Suite and is estimated to be 1779 Ma. This garnet-bearing biotite granite is mostly porphyritic with tabular feldspars and has a weak foliation (A. Budd, 2001). This unit has not been fractionated and hence is not considered as prospective for significant mineralisation, when compared to the Mt Webb Granite occurring in the southern leases of the project area. A narrow strip of the Lander Rock Formation metasedimentary siliciclastic psammite forms an E-W trending contact with the granite along the northern boundary of the lease.

Outcrop in the three southernmost tenements is largely obscured by a major field of E-W trending longitudinal sand dunes of varying lengths and ranging from 5-15 m in height.

On E80/4166 much of the eastern section is underlain by Mt Webb Granite and Pollock Hills Formation volcanoclastic sediments (Fig 23). On the western side of the lease the Pollock Hills Formation units are unconformably overlain by the red sandstone of the Kiwirrkurra Formation. This in turn is unconformably overlain by the Heavitree Quartzite, which can reach thicknesses of almost 500m in the Pollock Hills area; and then by the sediments of the Permian Hazlett Beds.

The coincident aeromagnetic and gravity anomalies on E80/4167 and (to a lesser extent) on E80/4429 overlie the WNW trending Waluwiya Suite Granite (Figs 24 and 25). Metavolcanic rocks of the Lander Rock Formation dominate the northern sections of these easternmost leases. Ashburton Minerals has reported that the uranium mineralisation intersected at Pokali (on E80/3327) occurs as disseminated to blebby chalcopyrite, with the higher grades associated with increased pervasive silicification. The host rocks are a series of metamorphosed sediments and high-Mg volcanics present as a variety of schistose rocks belonging to the Lander Rock Formation.

On E80/4429 the metasediments of the Marboo Formation occur between the Lander Rock Formation and the Waluwiya Suite Granite. Relatively small areas of Heavitree Quartzite occur to the south of the Waluwiya Suite Granite on both E80/4429 and E80/4167.

On E80/4167 a belt of the Mt Webb Granite occurs north of the Waluwiya Suite Granite. The former is unconformably overlain in part by both the gently dipping sediments of the Bittersprings Formation and the Neoproterozoic Heavitree Quartzite.

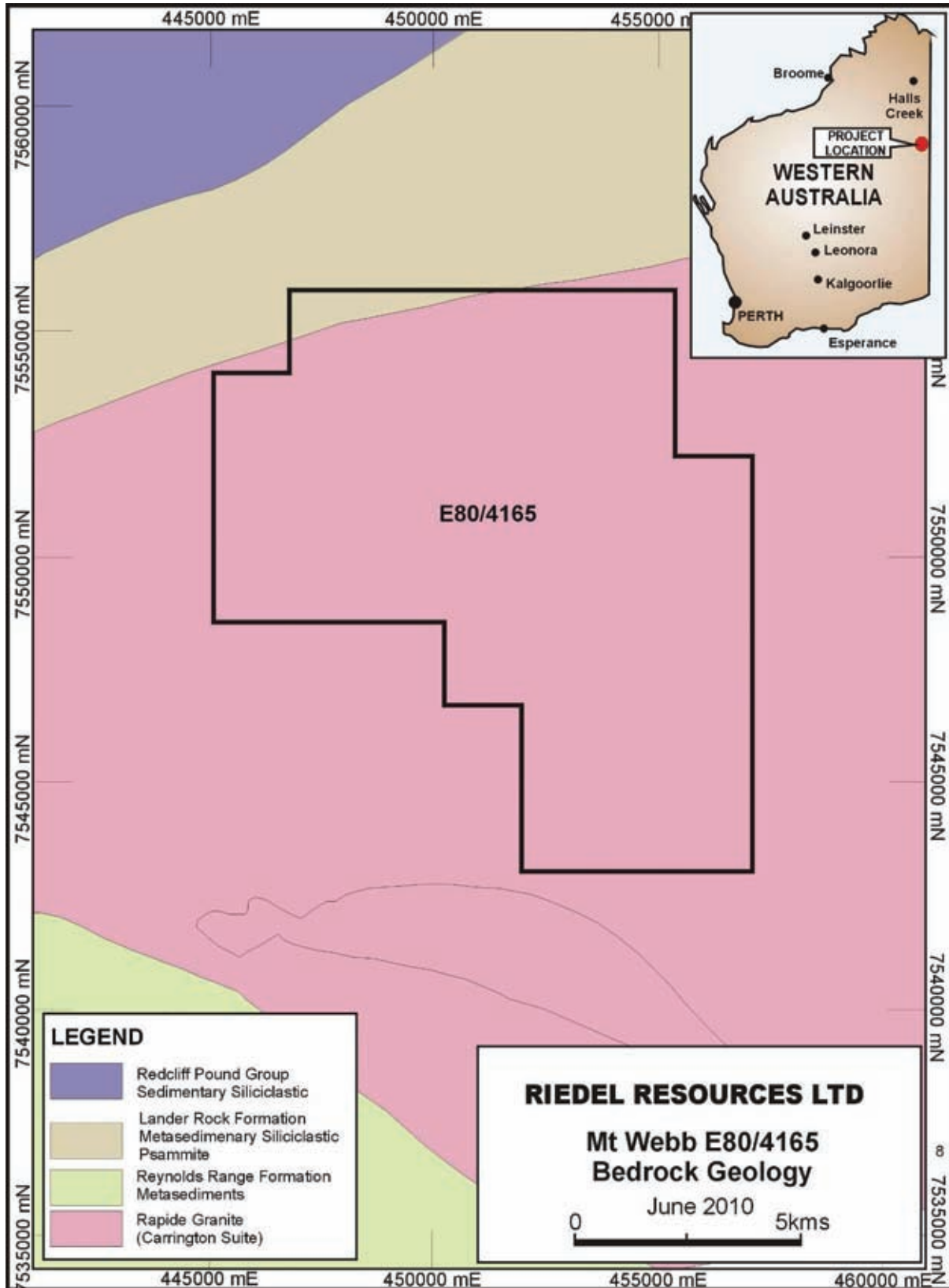


Figure 22: E80/4165 Tenement with Bedrock Geology.

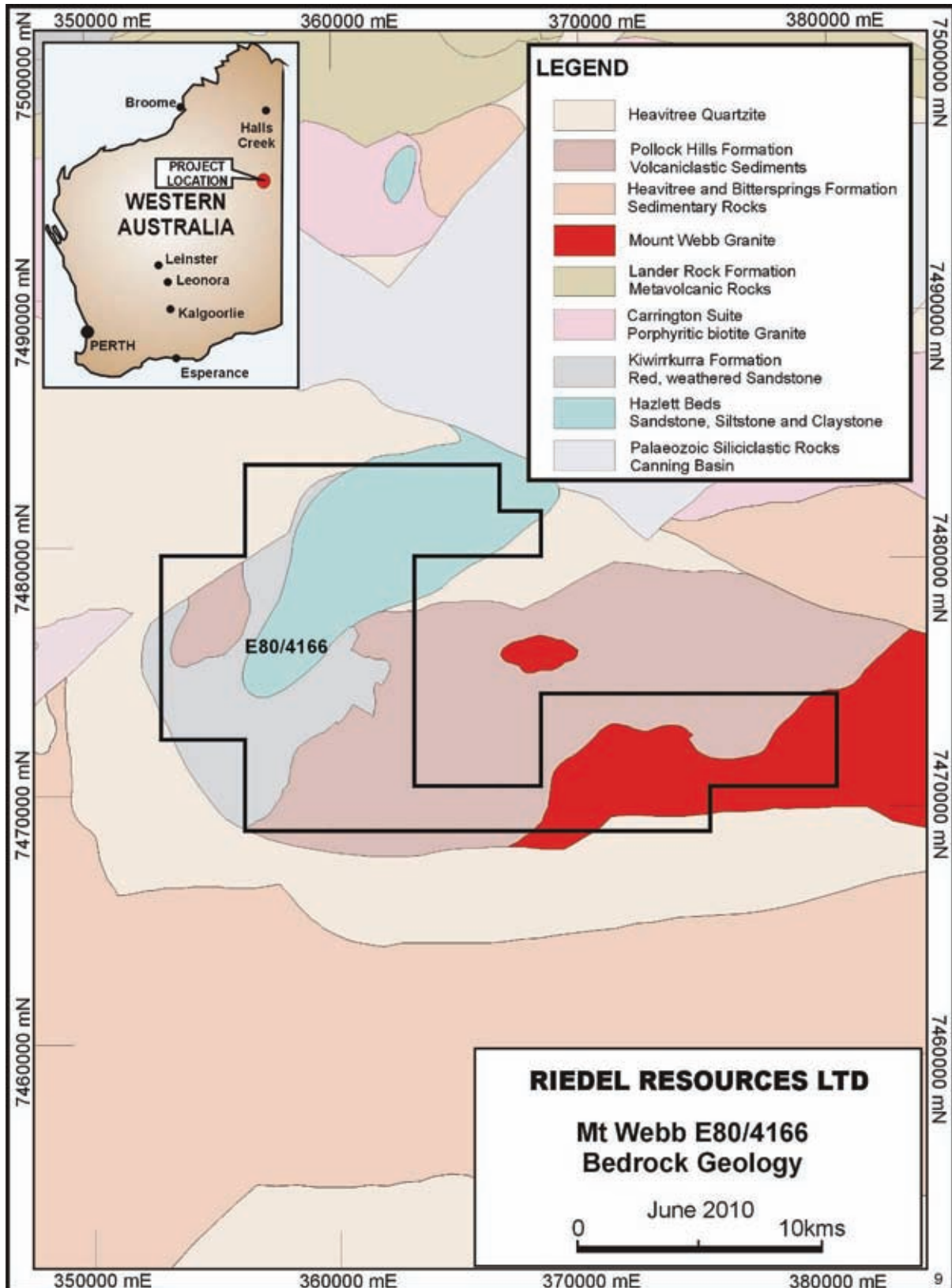


Figure 23: E80/4166 Tenement with Bedrock Geology.

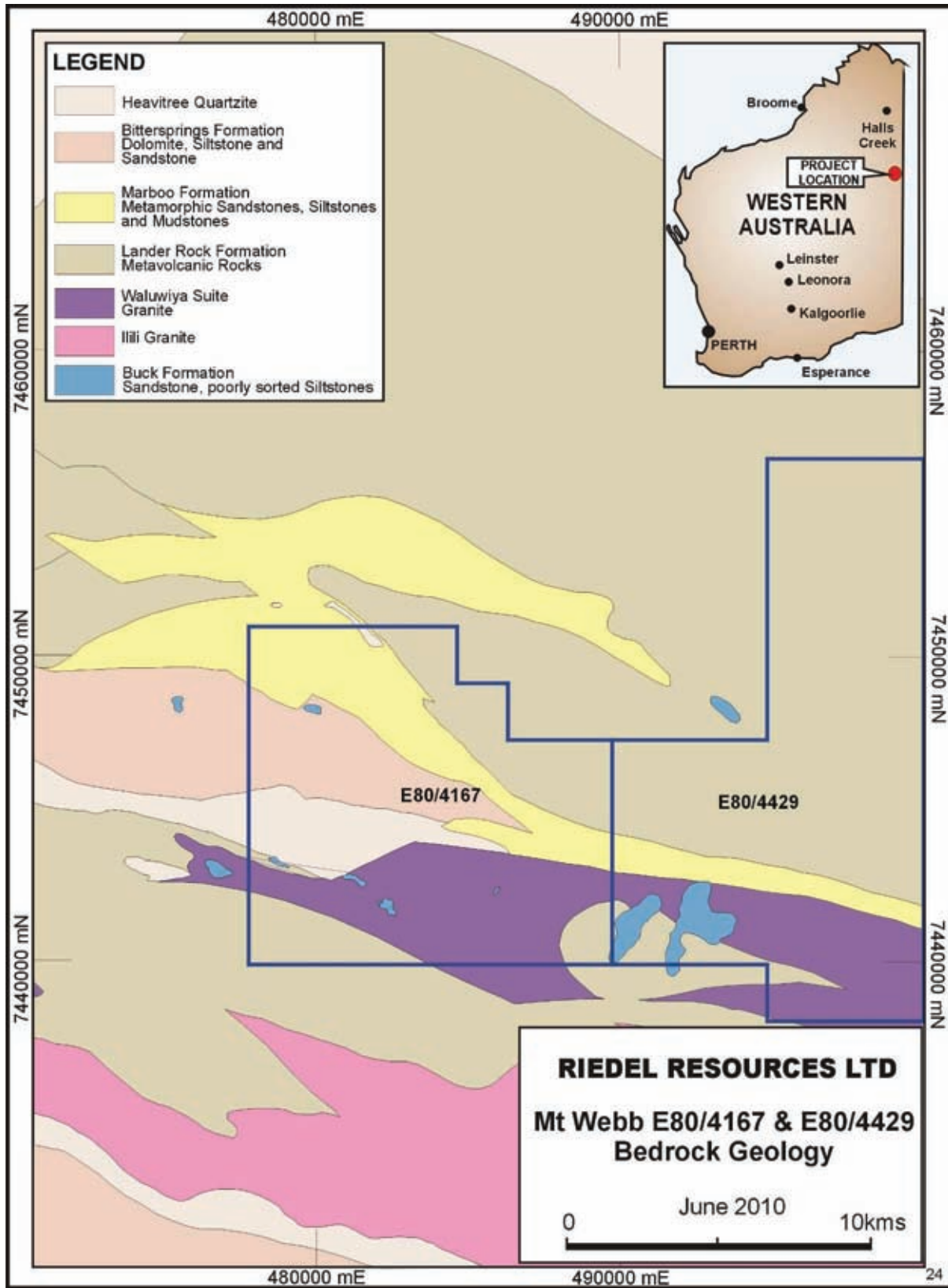


Figure 24: E80/4167 and E80/4429 with Bedrock Geology.

#### 4.5 Previous Exploration

The leases comprising the project area have had very little or no exploration conducted on them in the past. Nevertheless the areas of interest overlie major magnetic and gravity anomalies and hence have good potential for IOCG mineralisation.

Company	Date	Work Conducted
<b>Aurora Gold Ltd</b>	<b>1990s</b>	Conducted exploration at their Pokali, Mantati, Black Hill & Uamari Prospects. Limited work in the general area returned encouraging results including semi-continuous rock-chip sampling returning 9.1%Cu, 3g/t Ag, and 0.38g/t Au over a true width of 4m and 0.3% Cu and 8g/t Ag over a true width of 10m.
<b>WMC</b>	<b>1990s</b>	Conducted no field-work due to access issues.
<b>BHP</b>	<b>1990s</b>	Identified Kiwirrkurra, Pokali Hills, Mantati & North Dovers Prospects. North Dovers: completed one RC drill-hole, which failed to reach the target a magnetic/gravity (12mgal) anomaly and partially coincident EM conductor. Gravity and magnetic feature appears to be below oxidised top. Aircore drilling returned anomalies. .
<b>Ashburton Minerals</b>	<b>2008-9 2010</b>	Initial R.C drilling conducted on their Pokali Prospect returned intersections of 48m @ 0.36% Cu from 24m in PKC007 and 18m @ 0.57% Cu from 76m in PKC008. R.C drilling conducted in May 2010 identified a new wide zone of copper mineralisation on E80/3327. PKC 024 returned 246m@ 0.22%Cu, inc 2m@ 2.47%Cu from 36m and 12m@ 1.1% Cu from 168m, PKC017 returned 299m@0.10% Cu from surface and PKC023 returned 32m@0.46% Cu from 74m, inc 10m@0.95% Cu.
<b>Meteoric Resources NL</b>	<b>2008-9</b>	Identified geochemical and geophysical anomalies, including Radiator (313ppm Cu) & East anomaly (423ppm Cu). Also identified several IOCG targets, with gravity and magnetic anomalies overlying geochemical anomalies. Identified a 7km long gold anomaly in the vicinity of Mt Webb.
<b>Toro Energy</b>	<b>2009 2010</b>	Used Aircore Drilling to test for Uranium at their Theseus Uranium Prospect. Completed multi-channel radiometric, magnetic and digital terrain data survey. Further aircore drilling will be completed by the end of September and assays are awaited. Follow-up mud rotary drilling is planned.

**Table 13: Previous Exploration in the Mt Webb Region.**

#### 4.6 Exploration Potential

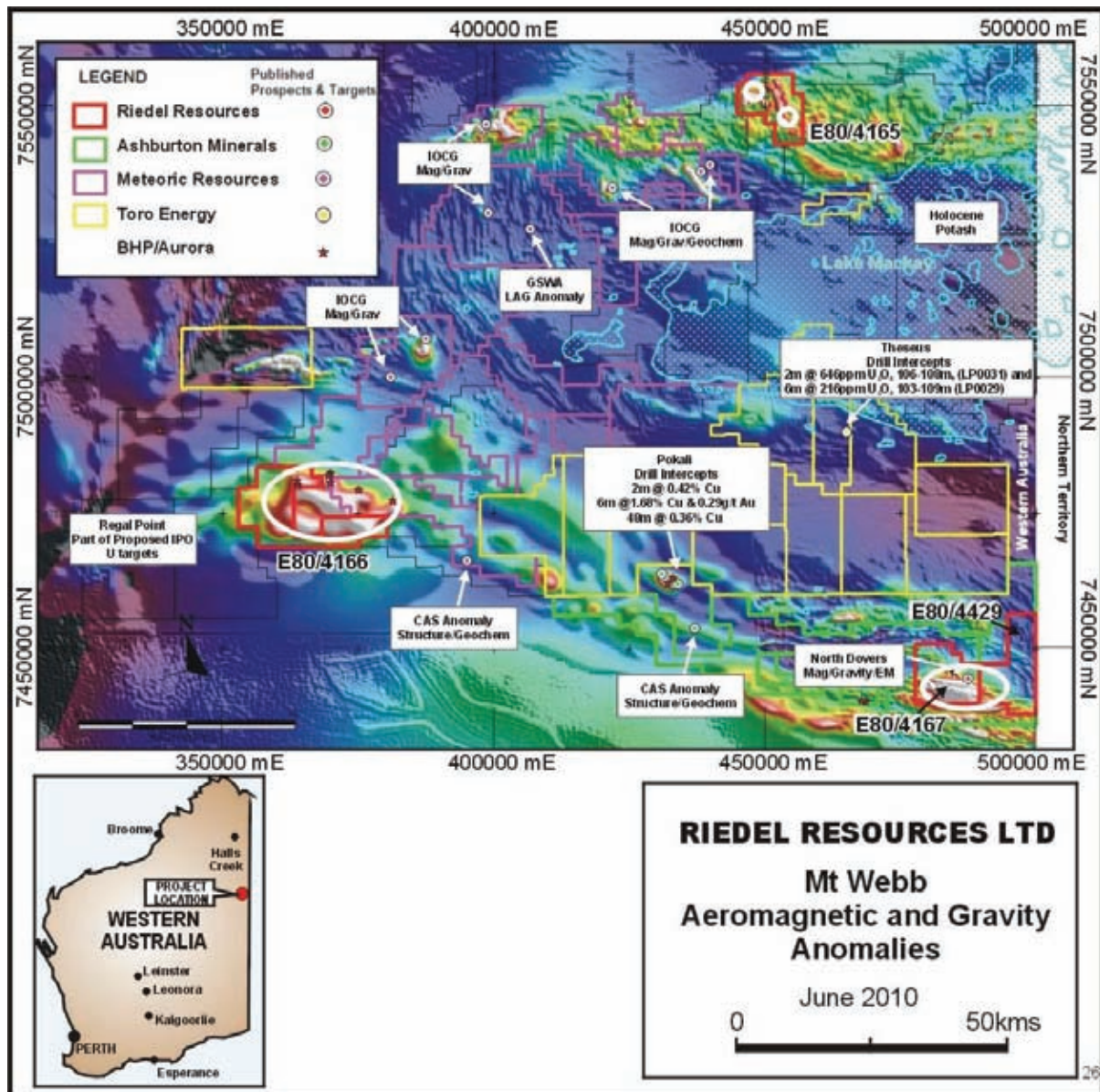
The difficulty in accessing the isolated Mt Webb region in the past has led to the under-exploration of the area. However in recent years a variety of companies have had exploration success in the region. These include Aurora Gold, BHP, Meteoric Resources, Ashburton Minerals and Toro Energy.

A number of factors suggest that the Mt Webb Project Area has an excellent chance of hosting structurally controlled IOCGU style mineralisation, such as that at Olympic Dam. These include:

- The granites in the Mt Webb region show all the important characteristics of granites associated with Au-Cu mineralisation elsewhere in the Proterozoic.
- The age of the Mt Webb Granite is 1,640 Ma.
- The Mt Webb Shear Zone was active during the emplacement of the granite, promoting the development of breccia bodies and for the focusing of hydrothermal fluids.
- Mineralisation is most likely to be associated with the Arunta metamorphic rocks, either within shear zones or as replacement of favourable lithological units. There is also a possibility of mineralisation occurring within the Mt Webb Granite.
- Rifted backarc setting, similar to IOCG deposits occurring in the Andes.
- Co-existing bi-modal volcanics and intrusives.
- I-Type fractionated and oxidised granitoids.
- Enriched in uranium.
- Sodic-calcic and sericitic and local haematitic alteration.

The Rapide Granite on E80/4165 (Fig 22) has not been fractionated and as a result it is not considered as prospective for significant mineralisation, when compared to the rocks of the Mt Webb Granite suite which occur in the southern leases of the project area.

Much of the eastern section of E80/4166 is underlain by Mt Webb Granite and Pollock Hills Formation volcanoclastic sediments (Fig 23). The IOCG alteration identified on E80/4166 requires further investigation, despite the weak values returned from drill samples. The nine RC drill-holes completed by BHP were widely spaced and did not fairly evaluate the mineralisation associated with the IOCG style alteration.



The coincident aeromagnetic and Bouguer gravity anomalies at North Dovers on E80/4167 should be a priority target for deeper drilling (Figs 24 and 25). The encouraging copper and gold values from drilling conducted by BHP could well be indicating that much richer IOCGU mineralisation occurs at depth. The structure appears to continue on to E80/4429, which has never been test drilled.

#### 4.7 Proposed Exploration Program

Riedel Resources propose to utilise standard exploration techniques, (including geochemistry, geophysics and drilling) to investigate outcropping and near surface mineralisation and other previously identified targets. The company intend to take the opportunity to utilise relatively recent world class research and improved understanding of these systems to discover IOCGU mineralisation in the Mt Webb region.

Proposed Program	Exploration Activity
<b>Uranium, Gold and Copper</b>	<p>To compile, collate &amp; interpret historical data, including ASTER, Landsat TM and aerial photos.</p> <p>Remodel geophysics data and define drill targets. Negotiate Native Title access agreement for the northernmost lease (E80/4165).</p> <p>Conduct geological and regolith mapping.</p> <p>Carry out surface geochemical surveys, including: LAG, auger, soil (MMI) and rock chip; in combination with general reconnaissance.</p> <p>Conduct ground geophysical surveys, including: gravity, magnetics, IP &amp; EM; (if the data cannot be readily purchased) for processing and interpretation.</p> <p>Carry out RC/Diamond Drilling of existing gravity/magnetic/EM targets.</p> <p>Conduct RAB/AC/RC and Diamond Drilling of any new geophysical, geochemical or geological targets.</p>

**Table 14: Mt Webb Proposed Exploration Program**

<b>Mt Webb Project</b>		Minimum Subscription		
Item	Year 1	Year 2	Total	
<i>Wages/Salaries/Contractors</i>	\$ 115,000.00	\$ 150,000.00	<b>265,000</b>	
<i>Data Acquisition/Processing</i>	\$ 299,000.00	\$ 1,000.00	<b>300,000</b>	
<i>Geophysical Surveys</i>	\$ 45,000.00	\$ 35,000.00	<b>80,000</b>	
<i>Drilling - Auger/RAB/AC/RC/DD</i>	\$ 100,000.00	\$ 140,000.00	<b>240,000</b>	
<i>Assays</i>	\$ 15,000.00	\$ 20,000.00	<b>35,000</b>	
<i>Tenement Costs</i>	\$ 35,000.00	\$ (1,000.00)	<b>34,000</b>	
<i>Equipment &amp; Consumables</i>	\$ 30,000.00	\$ 15,000.00	<b>45,000</b>	
<i>Logistics &amp; Support</i>	\$ 30,000.00	\$ 20,000.00	<b>50,000</b>	
<i>Heritage/Environment/Rehabilitation</i>	\$ 25,000.00	\$ 20,000.00	<b>45,000</b>	
<b>Total</b>	<b>694,000</b>	<b>400,000</b>	<b>1,094,000</b>	

**Table 15: Mt Webb Exploration Budget**

## Other Exploration Budgets

<b>Other Projects</b>			
Item	Minimum Subscription		
	Year 1	Year 2	Total
<i>Wages/Salaries/Contractors</i>	\$ 5,000.00	\$ 5,000.00	<b>10,000</b>
<i>Data Acquisition/Processing</i>	\$ 1,000.00	\$ -	<b>1,000</b>
<i>Geophysical Surveys</i>	\$ -	\$ -	<b>0</b>
<i>Drilling - Auger/RAB/AC/RC/DD</i>	\$ -	\$ -	<b>0</b>
<i>Assays</i>	\$ 5,000.00	\$ 5,000.00	<b>10,000</b>
<i>Tenement Costs</i>	\$ 10,000.00	\$ 5,000.00	<b>15,000</b>
<i>Equipment &amp; Consumables</i>	\$ 2,500.00	\$ 2,500.00	<b>5,000</b>
<i>Logistics &amp; Support</i>	\$ 1,500.00	\$ 3,500.00	<b>5,000</b>
<i>Heritage/Environment/Rehabilitation</i>	\$ -	\$ -	<b>0</b>
<b>Total</b>	<b>25,000</b>	<b>21,000</b>	<b>46,000</b>

**Table 16: Other Projects Budget**

<b>Totals</b>			
Item	Minimum Subscription		
	Year 1	Year 2	Total
<i>Wages/Salaries/Contractors</i>	\$ 583,000.00	\$ 693,000.00	<b>1,276,000</b>
<i>Data Acquisition/Processing</i>	\$ 551,000.00	\$ 110,000.00	<b>661,000</b>
<i>Geophysical Surveys</i>	\$ 135,000.00	\$ 65,000.00	<b>200,000</b>
<i>Drilling - Auger/RAB/AC/RC/DD</i>	\$ 710,000.00	\$ 1,267,000.00	<b>1,977,000</b>
<i>Assays</i>	\$ 73,000.00	\$ 95,000.00	<b>168,000</b>
<i>Tenement Costs</i>	\$ 69,000.00	\$ 20,000.00	<b>89,000</b>
<i>Equipment &amp; Consumables</i>	\$ 73,500.00	\$ 84,500.00	<b>158,000</b>
<i>Logistics &amp; Support</i>	\$ 76,500.00	\$ 73,500.00	<b>150,000</b>
<i>Heritage/Environment/Rehabilitation</i>	\$ 69,000.00	\$ 61,000.00	<b>130,000</b>
<b>Total</b>	<b>2,340,000</b>	<b>2,469,000</b>	<b>4,809,000</b>

**Table 17: Total Budget**

Projects	Year 1	Year 2	Total
Millrose	274,000	906,000	1,180,000
Mt Webb	694,000	400,000	1,094,000
Mary Mia	1,203,000	750,000	1,953,000
Cheritons	144,000	392,000	536,000
Other Projects	25,000	21,000	46,000
<b>Totals</b>	<b>2,340,000</b>	<b>2,469,000</b>	<b>4,809,000</b>

Table 18: Breakdown of Project Budgets

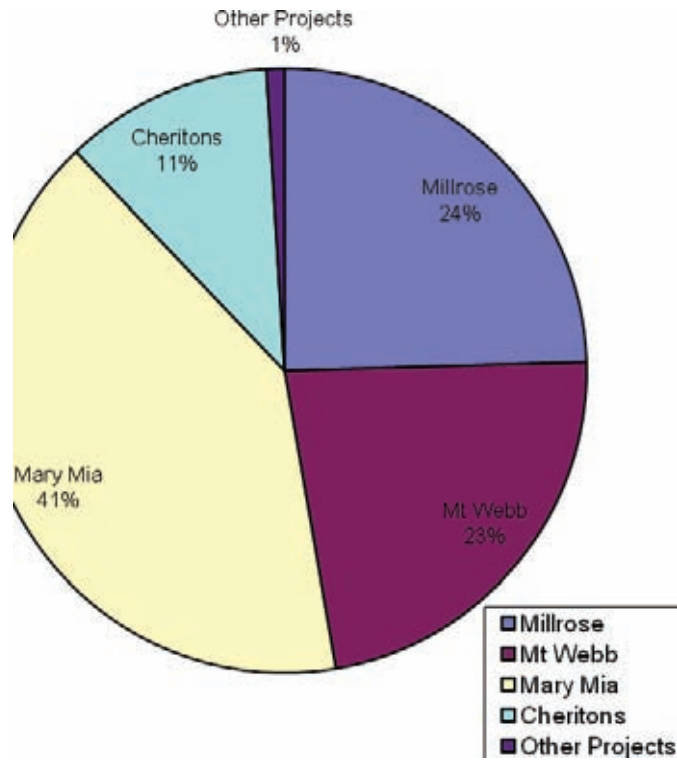


Figure 26: Pie Chart of Projects Budget

For Graphs

<b>Project Generation</b>	<b>25000</b>	<b>25000</b>	<b>50,000</b>
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Category	Year 1	Year 2	Total
<i>Wages/Salaries/Contractors</i>	583,000	693,000	<b>1,276,000</b>
<i>Data Acquisition/Processing</i>	551,000	110,000	<b>661,000</b>
<i>Geophysical Surveys</i>	135,000	65,000	<b>200,000</b>
<i>Drilling - Auger/RAB/AC/RC/DD</i>	710,000	1,267,000	<b>1,977,000</b>
<i>Assays</i>	73,000	95,000	<b>168,000</b>
<i>Tenement Costs</i>	69,000	20,000	<b>89,000</b>
<i>Equipment &amp; Consumables</i>	73,500	84,500	<b>158,000</b>
<i>Logistics &amp; Support</i>	76,500	73,500	<b>150,000</b>
<i>Heritage/Environment/Rehabilitation</i>	69,000	61,000	<b>130,000</b>
<b>Totals</b>	<b>2,340,000</b>	<b>2,469,000</b>	<b>4,809,000</b>

Table 19: Category Breakdown Budget

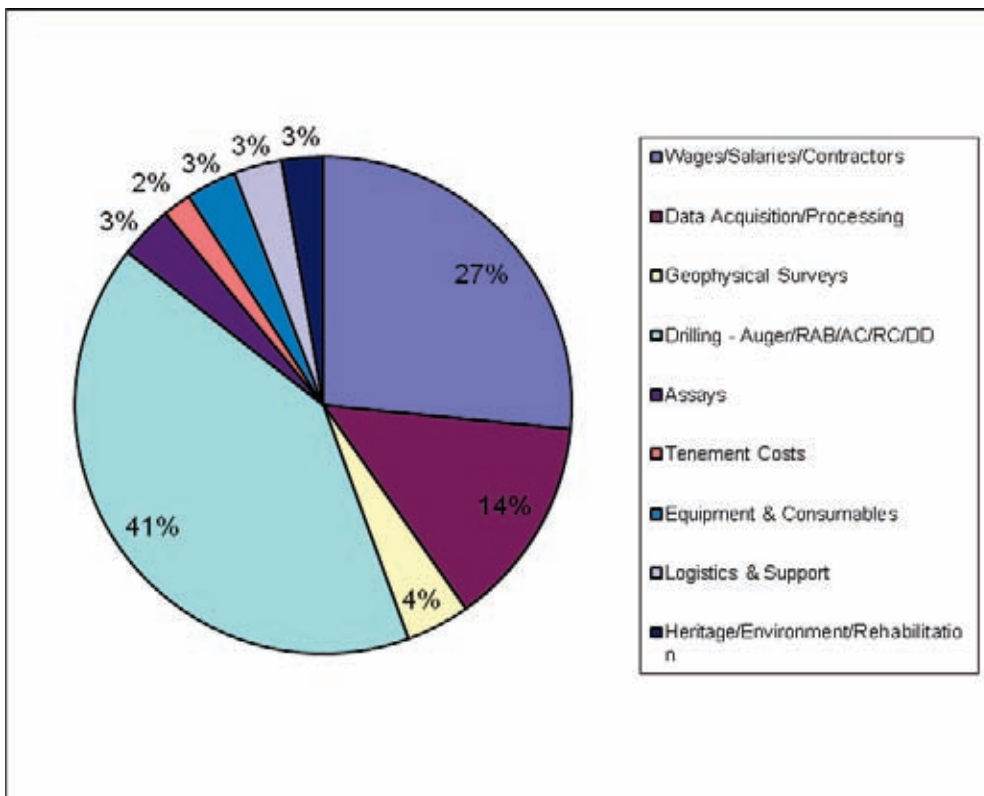


Figure 27: Pie Chart of Category Breakdown Budget

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Webb Region, Central Australia and implications for Cu-Au Mineralisation

## 6.0 Glossary of Technical Terms and Abbreviations

<b>Acid Rock</b>	A loose term applied to igneous rocks in which high silica minerals dominate (Synonymous with "felsic")
<b>Adamellite</b>	A type of granite which contains equal proportions of plagioclase and orthoclase feldspar and less quartz than the average granite.
<b>Aerial photography</b>	The taking of photographs, acquired from aircraft used for surveying or geological purposes.
<b>Aeromagnetic Survey</b>	A survey made from the air for the purpose of recording magnetic characteristics of rocks.
<b>Alluvium</b>	Gravel and other sediment found along rivers and creeks.
<b>Alteration</b>	A process whereby rocks or minerals have been changed
<b>Alteration Zone</b>	Zone within which rock - forming minerals have been chemically changed.
<b>Anomaly</b>	A value that is higher or lower than the expected.
<b>Anomalous</b>	Outlining a zone of potential exploration interest but not necessarily of economic significance
<b>Archaean</b>	The oldest rocks of the Precambrian Era, prior to 2500 million years.
<b>Auriferous</b>	Gold bearing
<b>Banded Iron Formation</b>	A chemical sedimentary rock composed of silica and iron oxide rich layers. Abbreviated to <b>BIF</b>
<b>Basalt</b>	A fine grained volcanic rock composed primarily of plagioclase feldspar and mafic minerals.
<b>Basement</b>	A term usually synonymous with Archaean and Proterozoic terrain.
<b>Batholith</b>	A very large, (usually granitic) intrusion
<b>Bedrock</b>	Any solid rock underlying unconsolidated material
<b>Block</b>	Structural area of the continental landmass.
<b>Breccia</b>	Rock consisting of angular fragments in a finer grained matrix, distinct from conglomerate
<b>Cainozoic</b>	The division of geological time from 65 million years ago to the present.
<b>Colluvium</b>	Is loose and incoherent deposits usually at the foot of a slope.
<b>Complex</b>	An assemblage of rocks or minerals intricately mixed or folded together
<b>Craton</b>	A relatively immobile part of the earth, generally of large size. Synonymous with shield area
<b>Crystalline</b>	A description of the texture of a rock, where interlocking crystals form when magma cools to become solid rock
<b>Dyke</b>	A tabular intrusive body of igneous rock that cuts across bedding at a high angle.
<b>EM Survey</b>	Electro-magnetic survey to measure physical properties of the earth.
<b>En echelon</b>	Geological features which are overlapping or in a staggered arrangement.
<b>Epithermal</b>	Deposit formed in and along cracks and fissures in rocks by deposition at

	shallow depths of ascending hot solutions.
<b>Evaporites</b>	Sedimentary rocks which are deposited from aqueous solution, as a result of evaporation.
<b>Extrusive</b>	Magmatic material poured out or ejected at the earth's surface.
<b>Fault</b>	A fracture in rocks on which there has been movement on one of the sides relative to the other, parallel to the fracture.
<b>Fault splay</b>	A series of minor faults at the extremities of a major fault or a secondary shear or fault divergent from the principal structure
<b>Felsic</b>	Descriptive of an igneous rock which is predominantly of light coloured minerals (antonym: of mafic).
<b>Ferruginous</b>	Containing iron.
<b>Fold</b>	A bend in the rock strata or planar structure.
<b>Foliation</b>	The laminated structure resulting from the parallel arrangement of different minerals.
<b>Footwall</b>	Rocks underlying deposits of mineralisation.
<b>Ga</b>	A major period of geological time: billion years before present day. The 'G' stands for giga.
<b>Geochemical survey</b>	The systematic study of the variation of chemical elements in rocks and soil.
<b>Geophysical</b>	A systematic study of the variation of physical properties in <b>survey</b> rocks and soils.
<b>Gneiss</b>	A metamorphic rock with compositional banding of light and dark minerals; often of granitic composition.
<b>Gossan</b>	Rock composed of hydrated oxides of iron, forming a superficial cap over sulphides.
<b>Grade</b>	The average quality of ore or metal in a specified quantity of rock.
<b>Granite</b>	A coarse-grained igneous rock consisting essentially of quartz, with more alkali feldspar than plagioclase.
<b>Granitoid</b>	A general field term for coarse grained rocks containing quartz and feldspars.
<b>Granophyre</b>	A microgranite, a fine-grained variety of granite
<b>Greenschist</b>	A term used to describe metamorphic rocks that have been recrystallised at geologically low temperatures.
<b>Greenschist Facies</b>	A low level of metamorphism characterised by the development of green colouration in basic igneous rocks.
<b>Greenstone Belt</b>	Elongate belts in Precambrian terrain characterised by major zone of altered or metamorphosed basic igneous rocks.
<b>Hanging-wall</b>	Rocks overlying deposits of mineralisation.
<b>Haematite</b>	The common oxide of iron, Fe <sub>2</sub> O <sub>3</sub> .
<b>Hydrothermal</b>	The mineralising process associated with igneous activity which involves heated or superheated water which has usually originated from a vent above or below the Earth's surface.
<b>Igneous</b>	A rock formed by the solidification of magma from a molten state
<b>Indicated Resource</b>	A resource sampled by drillholes, underground openings, or other sampling procedures at locations too

	widely spaced to confirm the continuity of a resource but where geoscientific data is known with a reasonable level of reliability.
<b>Induced Polarisation (IP)</b>	Surface electrical method of geophysical surveying.
<b>Inferred Resource</b>	A resource inferred from geoscientific evidence, drill-holes, underground openings or other sampling procedures where lack of data is such that continuity cannot be predicted with confidence and where geoscientific data may not be known with a reasonable level of reliability.
<b>Inlier</b>	A limited area of older rocks completely surrounded by younger rocks, as a result of faulting, erosion or folding.
<b>Intercept</b>	The length of rock or mineralisation traversed by a drillhole.
<b>Intermediate</b>	Igneous rocks whose composition is intermediate between acid and mafic rocks.
<b>Intrusive</b>	Rock formed from magma which has been injected into the earth's crust and has solidified before reaching the surface.
<b>JORC Joint Ore Reserves Committee:</b>	Australasian Code for Reporting of Identified Resources and Ore Reserves.
<b>Komatiite (Komatiitic)</b>	A mafic to ultra-mafic igneous rock, with high Mg content
<b>Lag</b>	A residual accumulation of coarser material, from which finer particles have been removed.
<b>Lag sampling</b>	Another name for soil sampling (qv).
<b>Landsat</b>	An unmanned satellite designed to provide multi-spectral of the Earth's surface.
<b>Laterite</b>	A red, residual soil, cemented in place, containing iron and aluminium oxides but leached of quartz.
<b>Lava</b>	Molten rock (magma) from a volcano or a fissure
<b>Lode</b>	A mineral deposit of potentially valuable material or minerals between definite boundaries.
<b>Ma</b>	An abbreviation for million years ago
<b>Mafic</b>	A loosely used group name for silicate minerals that are rich in iron and magnesium, and for rocks in which these minerals are abundant.
<b>Magnetic Survey</b>	The systematic collection of readings of the earth's magnetic field.
<b>Magnetic Susceptibility</b>	The ratio of induced magnetism to the strength of the magnetic field causing it.
<b>Magma</b>	Naturally occurring mobile (generally fluid) rock material generated within the Earth and capable of intrusion or extrusion.
<b>Magmatic Nickel Sulphide</b>	Komatiite-hosted deposits which occur as either sulphide-rich deposits at basal contacts of komatiite flow units or as large sulphide-poor disseminated extrusive bodies of olivine cumulate formed within major lava flows
<b>Measured Resource</b>	A resource intersected by drillholes, underground openings or other sampling procedures at locations which are spaced closely enough to confirm continuity and where geoscientific data are reliably known.
<b>Mesoproterozoic</b>	The division of geological time from 1,600-1000 Ma.
<b>Metamorphism</b>	The mineralogical, structural and chemical changes induced within

	solid rocks through the actions of heat, pressure or the introduction of new chemicals. Rocks so altered are prefixed "meta" as in "metabasalt".
<b>Metasediment</b>	Sedimentary rocks that have been recrystallised by metamorphism
<b>Mineral Resource</b>	A tonnage or volume of rock or mineralisation of economic value
<b>Mineralisation</b>	In economic geology, the presence of valuable elements in a body of rock.
<b>MMI</b>	The Mobile Metal Ion method is a geochemical soil sampling technique developed to assist in the detection of mineralisation at depth. The procedure only strips mobile metal ions from the surface of soil particles which have migrated upwards from the mineralisation below. The technique uses a partial dissolution, without digesting the soil itself, to measure the metal ion concentrations in ppb.
<b>Mobile Belt</b>	A portion of the earth's crust that is more mobile, as shown by folds, faults etc, than the adjacent stable blocks.
<b>Monzogranite</b>	A biotite/plagioclase rich granite that is characteristically felsic and contains ilmenite, sphene, apatite and zircon as accessory minerals.
<b>Ore</b>	A mixture of minerals, host rock and waste material which is expected to be mineable at a profit.
<b>Ore-body</b>	A continuous, well defined mass of ore.
<b>Orogenic</b>	Belts of various rock types, forming long parallel strips as a result of major deformation caused by mountain building movements.
<b>Outcrop</b>	The surface expression of a rock layer (verb: to crop out).
<b>Palaeochannel</b>	The remnants of a surface drainage system that was active in the geological past
<b>Palaeoproterozoic</b>	A period of geological time from 2,500-1,600 Ma
<b>Pelitic</b>	A term denoting a deep water sediment, e.g chert or shale
<b>Permian</b>	A division of geological time from 280 to 225 million years ago
<b>Porphyritic</b>	A term describing igneous rocks containing relatively large crystals set in a finer grained groundmass (called a porphyry qv).
<b>Porphyry</b>	A rock with conspicuous crystals in a fine-grained ground mass
<b>Primary Mineralisation</b>	Is mineralisation which has not been affected by near surface oxidising processes
<b>Proterozoic</b>	The geological age after Archaean, approximately 570 to 2400 million years ago.
<b>Proved Reserve</b>	An ore reserve stated in terms of mineable tonnes and grade in which the corresponding identified Mineral Resource has been defined in three directions by excavation or drilling (including minor extensions beyond actual openings and drillholes), and where the geological factors that limit the ore-body are known with sufficient confidence that the Mineral Resource is categorised as Measured.
<b>Quartz</b>	A common rock forming mineral composed of silicon dioxide-SiO <sub>2</sub> .

<b>Quartz Arenite</b>	A variety of sandstone composed primarily of quartz.
<b>Quartzite</b>	A metamorphic rock composed almost entirely of quartz.
<b>Quaternary</b>	A division of geological time ranging between 1.8 million years to the present
<b>Radiometric Survey</b>	The collection of data to define the distribution of ambient radiation which may be indicative of the presence of radioactive minerals
<b>RAB</b>	Rotary Air Blast (as related to drilling) A drilling technique in which the sample is returned to the surface outside the rod string by compressed air.
<b>RC</b>	Reverse Circulation (as relating to drilling). A pneumatic drilling technique in which dry cuttings are recovered through the drill rods thus minimising sample losses and contamination.
<b>Recent</b>	Geological age from about 20,000 years ago to present, (Synonym: Holocene).
<b>Reconnaissance</b>	A general examination or survey of a region with reference to its main features, usually as a preliminary to a more detailed survey.
<b>Regolith</b>	The mantle of loose, incoherent rock material, regardless of its origin; that usually forms the land surface and rests on bedrock
<b>Reserve</b>	In-situ mineral occurrence which has had mining parameters applied to it, from which valuable or useful minerals may be recovered
<b>Resource</b>	In-situ mineral occurrence from which valuable or useful minerals may be recovered, but from which only a broad knowledge of the geological character of the deposit is based on relatively few samples or measurements.
<b>Roll Front Deposit</b>	Are uranium deposits generally hosted within permeable and porous sandstones or conglomerates. The mechanism for deposit formation is dissolution of uranium generally from uraniumiferous granite and the transport of this soluble uranium into the permeable host unit in an adjoining sedimentary basin. When the fluids change redox state, generally in contact with carbon-rich organic matter, uranium precipitates to form a 'front'.
<b>Schist</b>	A type of metamorphic rock with a foliated or laminated texture
<b>Schistose</b>	Descriptive of a fabric of a foliated metamorphic rock
<b>SEDEX</b>	A sedimentary exhalative deposit is an ore deposit which is interpreted to have been formed by the release of ore-bearing hydrothermal fluids into the ocean, resulting in the precipitation of stratiform ore.
<b>Sericite</b>	A golden-brown to silver, fine grained, potassium rich variety of mica.
<b>Shale</b>	Laminated sediment in which the constituent particles are predominantly clay sized (smaller than 0.0039mm in diameter)
<b>Shear (Zone)</b>	Zone in which shearing has occurred on a large scale so that the rock is crushed and brecciated
<b>Shoot</b>	A body of ore (usually elongate in shape) extending upwards or downwards in a vein
<b>Silica</b>	Silicon dioxide, SiO <sub>2</sub> (c.f QUARTZ)
<b>Silicified</b>	Containing a high proportion of silicon dioxide
<b>Sill</b>	A sheet like body of igneous rock that is conformable with the intruded layers of rock

<b>Soil sampling</b>	Systematic collection of soil samples at a series of different locations, in order to study the distribution of soil geochemical values and so identify geochemical anomalies
<b>Strike-Slip Faulting</b>	Faults parallel to the strike of the rock strata
<b>Suite</b>	A collection of rocks of a single kind
<b>Supergene Enrichment</b>	Descriptive of a mineral deposit or enrichment formed near the Earth's surface, generally by descending groundwater.
<b>Surficial</b>	Superficial, characteristic of, pertaining to, formed on, situated at or occurring on the Earth's surface
<b>Thrust</b>	A low-angle reverse fault.
<b>Tuff (Tuffaceous)</b>	A pyroclastic rock of cemented volcanic ash.
<b>Ultrabasic</b>	Igneous rocks with very high magnesium and iron content, with less than 45% silicon dioxide
<b>Ultramafic</b>	Synonymous with ultrabasic
<b>Unconformable</b>	Descriptive of rocks on either side of an unconformity
<b>Unconformity</b>	Lack of parallelism between rock strata in sequential contact, caused by a break (hiatus) in sedimentation
<b>Uraniferous</b>	Containing uranium minerals. Primary uranium minerals include uraninite, pitchblende and davidite. Carnotite and torbernite are examples of secondary uranium minerals
<b>Vein</b>	A narrow, intrusive mineral body.
<b>VHMS/ VMS</b>	Volcanic-hosted massive sulphide (VHMS) deposits are created by volcanic-associated hydrothermal events in submarine environments.
<b>VTEM</b>	A Versatile Time Domain Electro Magnetic Survey is a geophysical technique used in the detection of deeply buried sediment-hosted, base metals deposits.

### CHEMICAL SYMBOLS

Ag	Silver
As	Arsenic
Au	Gold
Bi	Bismuth
Ca	Calcium
Ce	Cerium
Co	Cobalt
Cr	Chromium
Cu	Copper
F	Fluorine
Fe	Iron
Mg	Magnesium
Mn	Manganese
Mo	Molybdenum
Ni	Nickel
Pb	Lead
Pd	Palladium
Pt	Platinum
Sn	Tin
U	Uranium

W Tungsten  
Zn Zinc

### **ABBREVIATIONS**

g gram  
kg kilogram  
km kilometre  
km<sup>2</sup> square kilometre  
m metre  
m<sup>2</sup> square metre  
m<sup>3</sup> cubic metre  
mm millimetre  
t tonne  
oz troy ounce, equivalent to 31.103477g.

### **UNITS OF CONCENTRATION**

ppb parts per billion  
ppm parts per million

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**9. INVESTIGATING ACCOUNTANT'S REPORT**

21 October 2010

The Directors  
Riedel Resources Limited  
Suite 6, Level 2  
11 Venter Avenue  
West Perth, WA 6000

Dear Directors,

**INDEPENDENT ACCOUNTANT REPORT ON HISTORICAL AND PRO FORMA FINANCIAL INFORMATION**

**1. Introduction**

This Independent Accountant Report has been prepared at your request to report on certain historical and pro forma financial information in respect of Riedel Resources Limited (“the Company”). The report has been prepared for inclusion in a prospectus (“the Prospectus”) to be dated on or about 3 November 2010 relating to the proposed issue by the Company of 35,000,000 ordinary shares to be issued at a price of 20 cents per share to raise \$7,000,000 before issue costs.

**2. Basis of Preparation**

This Independent Accountant Report (“the report”) has been prepared to provide investors with information on the historical performance and position of the Company. The historical and pro forma financial information is presented in an abbreviated form and does not include all of the disclosures required by the Australian Accounting Standards applicable to annual financial reports in accordance with the Corporations Act 2001. The financial information has been prepared in accordance with the Australian Equivalents to International Financial Reporting Standards (AIFRS).

This report does not address the rights attaching to the securities to be issued in accordance with the Prospectus, nor the risks associated with investment. Mack & Co has not been requested to consider the Prospectus for the Company, the securities on offer and related invoicing issues, nor the merits and risks associated with becoming a shareholder and accordingly, have not done so, nor purport to do so. Mack & Co accordingly takes no responsibility for these matters or for any matter or omission in the Prospectus, other than responsibility for this report.

We disclaim any assumption of responsibility for any reliance on this report or on the historical financial information or the forecasts to which it relates for any purpose other than for the purpose for which it was prepared.

### **3. Background**

Riedel Resources Limited was incorporated as a public company on 9 April 2010. Since incorporation, its principal activities comprise the negotiation to secure interests in a number of exploration tenements and the preparatory work towards its proposed listing on the Australian Securities Exchange (ASX).

On and up to the date of this report, the Company has issued the following shares and options:

- Issue of 100 fully paid ordinary shares at \$1 per share on incorporation.
- Issue of 6,500,000 fully paid ordinary shares at \$0.10 cents per share.
- Grant of 8,000,000 unlisted options, exercisable at \$0.30, and expiring on or before 30 June 2014.

### **4. Scope**

We have been asked to prepare this report on the financial information listed below. Our report only covers the sections of the Prospectus noted in this report. We have been requested to conduct a review of the following information:

- 4.1. The income statement of Riedel Resources Limited for the period ended 30 September 2010.
- 4.2. The balance sheet of Riedel Resources Limited as at 30 September 2010.
- 4.3. The statement of cash flows of Riedel Resources Limited for the period ended 30 September 2010.
- 4.4. The pro forma balance sheet of Riedel Resources Limited as at 30 September 2010 adjusted to include the financial effects of the transactions set out in Note 2 to Appendix 1 of this report.
- 4.5. Applicable notes to the above statements.

All of the financial information referred to above has not been audited. The directors of Riedel Resources Limited are responsible for the preparation and presentation of the historical and pro forma financial information including the determination of the pro forma transactions.

Our review has been conducted in accordance with applicable Australian Auditing Standards for review engagements and was limited to inquiries and discussions with the directors of Riedel Resources Limited, reading of directors minutes and relevant contracts, review of publicly available information and review of work papers, accounting records and other documents.

Our review also determined whether the pro forma transactions formed a reasonable basis for the preparation of the pro forma balance sheet.

These review procedures do not provide all the evidence that would be required for an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit on the historical financial information and the pro forma balance sheet and accordingly we do not express an audit opinion on the historical financial information and the pro forma balance sheet set out in Appendix 1.

## 5. Review Opinion

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that:

- (a) the historical financial information contained in Appendix 1 does not present fairly the historical position of the Company as at 30 September 2010 and its historical performance and cash flows for the period ended 30 September 2010 in accordance with, in all material respects, the recognition and measurement principles prescribed in the International Financial Reporting Standards (IFRS) and other mandatory professional requirements, and the accounting policies adopted by the Company; and
- (b) the pro forma balance sheet as at 30 September 2010 as set out in Appendix 1, assuming the pro forma assumptions had taken place on 30 September 2010, is not presented fairly in accordance with the recognition and measurement principles prescribed in IFRS and other mandatory professional reporting requirements, and the accounting policies adopted by the Company.

## 6. Subsequent Events

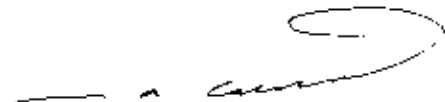
To the best of our knowledge and based on the work we have performed as described in the scope section above there have been no material transactions or events subsequent to 30 September 2010 which would require comment on, or adjustment to the financial information referred to above or that would cause the information referred to above to be misleading.

## 7. Disclosure

At the date of this report Mack & Co does not have any pecuniary interest in Riedel Resources Limited that would reasonably be regarded as being capable of affecting its ability to give an unbiased opinion in this matter. Mack & Co provides audit services to Riedel Resources Limited and will receive a professional fee for the preparation of this report.

Mack & Co consents to the inclusion of this report (including Appendix 1) in the Prospectus in the form and context in which it is included. At the date of this report this consent has not been withdrawn.

Yours sincerely



NICHOLAS CALDER  
PARTNER

**INDEPENDENT ACCOUNTANT REPORT**

**APPENDIX 1**

**INCOME STATEMENT  
FOR THE PERIOD TO 30 SEPTEMBER 2010**

	<b>Actual Unaudited 30 September 2010 \$</b>
Interest revenue	714
Expenses from ordinary activities	<u>(87)</u>
Profit from ordinary activities before income tax expense	627
Income tax expense relating to ordinary activities	<u>-</u>
Profit from ordinary activities after related income tax expense	<u><u>627</u></u>

To be read in conjunction with the notes to the unaudited financial statements

# INDEPENDENT ACCOUNTANT REPORT

## APPENDIX 1

### BALANCE SHEET AS AT 30 SEPTEMBER 2010

	Note	Actual Unaudited 30 September 2010 \$	Pro forma Unaudited 30 September 2010 \$
CURRENT ASSETS			
Cash and cash equivalents	3	650,982	6,458,982
Trade and other receivables		470	470
TOTAL CURRENT ASSETS		<u>651,452</u>	<u>6,459,452</u>
NON CURRENT ASSETS			
Exploration, evaluation and development costs	4	-	5,000,000
TOTAL NON CURRENT ASSETS		<u>-</u>	<u>5,000,000</u>
TOTAL ASSETS		<u>651,452</u>	<u>11,459,452</u>
CURRENT LIABILITIES			
Trade and other payables		5,500	5,500
TOTAL LIABILITIES		<u>5,500</u>	<u>5,500</u>
NET ASSETS		<u>645,952</u>	<u>11,453,952</u>
EQUITY			
Issued capital	5	650,100	11,711,100
Options reserve	6	-	-
Accumulated losses		(4,148)	(257,148)
TOTAL EQUITY		<u>645,952</u>	<u>11,453,952</u>

To be read in conjunction with the notes to the unaudited financial statements

# INDEPENDENT ACCOUNTANT REPORT

## APPENDIX 1

### STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD TO 30 SEPTEMBER 2010

	<b>Issued Capital</b>	<b>Option Reserve</b>	<b>Accumulated Losses</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>ACTUAL UNAUDITED</b>				
Opening balance 1 July 2010	650,100	-	(4,775)	645,325
Issue of fully paid ordinary shares	-	-	-	-
Issue of options	-	-	-	-
Net profit	-	-	627	627
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 30 September 2010	<u>650,100</u>	<u>-</u>	<u>(4,148)</u>	<u>645,952</u>
<b>PRO FORMA UNAUDITED</b>				
Opening balance 1 July 2010	650,100	-	(4,775)	645,325
Issue of shares from capital raising	7,000,000	-	-	7,000,000
Issue of shares from acquisition	5,000,000	-	-	5,000,000
Issue of shares to Bruce Franzen	120,000	-	-	120,000
Issue of options	-	-	-	-
Less capital raising costs	(1,059,000)	-	-	(1,059,000)
Net profit/(loss)	-	-	(252,373)	(252,373)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 30 September 2010	<u>11,711,100</u>	<u>-</u>	<u>(257,148)</u>	<u>11,453,952</u>

To be read in conjunction with the notes to the unaudited financial statements

**INDEPENDENT ACCOUNTANT REPORT**

**APPENDIX 1**

**STATEMENT OF CASHFLOWS  
FOR THE PERIOD TO 30 SEPTEMBER 2010**

	<b>Actual Unaudited 30 September 2010 \$</b>
Cash flows from operating activities	714
Payments to suppliers and employees	<u>(88)</u>
Cash flow used in operating activities	<u>628</u>
Cash flows from investing activities	-
Payment for tenement, exploration and evaluation costs	<u>-</u>
Cash flows used in investing activities	<u>-</u>
Cash flows from financing activities	-
Proceeds from seed capital	650,000
Repayments of share applications	<u>(115,000)</u>
Cash flow from financing activities	<u>535,000</u>
Net increase in cash and cash equivalents	535,628
Cash and cash equivalents at start of period	<u>115,354</u>
Cash and cash equivalents at end of period	<u>650,982</u>

To be read in conjunction with the notes to the unaudited financial statements

## INDEPENDENT ACCOUNTANT REPORT

### NOTES TO THE UNAUDITED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2010

#### 1. FINANCIAL REPORTING FRAMEWORK

##### **Basis of preparation of pro forma financial information**

The pro forma financial information of Riedel Resources Limited has been prepared in accordance with the recognition and measurement, but not all of the disclosure requirements of applicable Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

##### **Significant Accounting Policies**

##### **(a) Exploration, evaluation and development**

###### **Exploration and evaluation expenditure**

Exploration and evaluation expenditure, including tenement acquisition costs are stated at cost and are accumulated in respect of each identifiable area of interest. These costs are carried forward only if they relate to an area of interest for which rights of tenure are current and in respect of which:

- such costs are expected to be recouped through successful development and exploitation of the area of interest or, alternatively, by its sale; or
- exploration and evaluation activities in the area have not, at balance date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation, to the area are continuing.

Accumulated costs in relation to an abandoned area are written off to the income statement in the year in which the decision to abandon the area is made.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

The recoverability of the carrying amount of the exploration and development assets are dependent on the successful development and commercial exploitation or alternatively sale of the respective areas of interest.

##### **(b) Income tax**

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of the assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except where the deferred income tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of transaction, affects neither the accounting profit nor taxable profit or loss.

## INDEPENDENT ACCOUNTANT REPORT

### NOTES TO THE UNAUDITED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2010

#### 1. FINANCIAL REPORTING FRAMEWORK (continued)

##### (b) Income tax continued

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax assets and unused tax losses can be utilised except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates of (and tax laws) that have been enacted or substantially enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

##### (c) Cash and cash equivalents

Cash in the balance sheet comprise cash at bank.

For the purposes of the cash flow statements, cash and cash equivalents consist of cash and cash equivalents as defined above.

##### (d) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office ("ATO"). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated with the amount of GST included.

##### (e) Impairment

At each reporting date, the company assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of the recoverable amount.

Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

## INDEPENDENT ACCOUNTANT REPORT

### NOTES TO THE UNAUDITED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2010

#### 1. FINANCIAL REPORTING FRAMEWORK (continued)

##### (e) Impairment continued

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for each individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset or group of assets being assessed.

##### (f) Payables

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Company. Trade accounts are normally settled within 60 days.

Payables to related parties are initially recognised at fair value and subsequently measured at amortised cost.

##### (g) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and revenue can be reliably measured.

##### (h) Issued capital

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

#### 2. PROFORMA TRANSACTIONS

Pro forma Unaudited figures represent Actual Unaudited 30 September 2010 figures adjusted to reflect:-

- (a) The effect of the proposed issue of 35,000,000 fully paid ordinary shares at an issue price of 20 cents per share to raise \$7,000,000.
- (b) The payment by loan from ADX Energy Limited of an estimated \$500,000 for capital raising costs.
- (c) The payment of \$120,000 of capital raising costs by issuing 600,000 shares at 20 cents per share to Bruce Frazen.
- (d) Additional costs of capital raising of \$439,000 to a total of \$1,059,000.
- (e) Repayment of loan of an estimated \$500,000 to ADX Energy Limited used for capital raising costs.
- (f) Acquisition of AuDAX Minerals Pty Ltd by issue of 25,000,000 shares at 20 cents per share and \$253,000 being for stamp duty payable on acquisition.

## INDEPENDENT ACCOUNTANT REPORT

### NOTES TO THE UNAUDITED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2010

	Note	Actual Unaudited 30 September 2010 \$	Pro forma Unaudited 30 September 2010 \$
<b>3. CASH AND CASH EQUIVALENTS</b>			
Cash at bank		650,882	6,458,882
Petty cash		100	100
		650,982	6,458,982

***Reconciliation of cash (Pro forma Unaudited 30 September 2010)***

Balance at the beginning of the period			650,982
Additional cash from capital raising from listing on the ASX	2(a)		7,000,000
Payment of additional capital raising costs	2(d)		(439,000)
Repayment of loan for capital raising costs	2(e)		(500,000)
Costs associated with acquisition of AuDAX Minerals Pty Ltd	2(f)		(253,000)
<b>Balance at the end of the period</b>			<b>6,458,982</b>

**4. EXPLORATION, EVALUATION AND DEVELOPMENT COSTS**

Exploration and evaluation expenditure – at cost		-	5,000,000
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***Reconciliation of tenements (Pro forma Unaudited 30 September 2010)***

Balance at the beginning of the period			-
Acquisition of AuDAX Minerals Pty Ltd for issue of shares	2(f)		5,253,000
Expensing of costs associated with acquisition	2(f)		(253,000)
<b>Balance at the end of the period</b>			<b>5,000,000</b>

**5. ISSUED CAPITAL**

Balance at the beginning of the period		650,100	650,100
Issue of 35,000,000 shares to raise \$7,000,000	2(a)	-	7,000,000
Payment of \$500,000 of capital raising costs by loan	2(b)	-	(500,000)
Payment of \$120,000 for issue of shares to Bruce Franzen	2(c)	-	(120,000)
Issue of \$120,000 worth of ordinary shares to Bruce Franzen	2(c)	-	120,000
Additional costs of capital raising	2(d)	-	(439,000)
Acquisition of AuDAX Minerals Pty Ltd	2(f)	-	5,000,000
Issued capital		650,100	11,711,100

## INDEPENDENT ACCOUNTANT REPORT

### NOTES TO THE UNAUDITED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2010

Note	Actual Unaudited 30 September 2010 \$	Pro forma Unaudited 30 September 2010 \$
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#### 6. RESERVE

Issue of 8,000,000 options on 29 September 2010

	-	-
	-	-

(i) **8,000,000 Options on 29 September 2010**

Valuation date:	11 October 2010
Issue date:	29 September 2010
Exercise price:	30 cents each
Expiry date:	30 June 2014
Life of options	3.75 years
Risk free interest rate:	4.88%
Volatility:	80%

The independent valuation by BDO Kendalls is derived after applying a discount of 0% to the Black Scholes theoretical valuation to reflect the unlisted status and the risk of Riedel not listing or delaying the listing until 2011.

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**10. SOLICITOR'S REPORT ON TENEMENTS**

12 November 2010

The Board of Directors  
Riedel Resources Limited  
Suite 6, Level 2  
11 Ventnor Avenue  
WEST PERTH WA 6005

Dear Sirs

## **SOLICITOR'S REPORT ON TENEMENTS**

This Report is prepared for inclusion in a prospectus to be dated on or about 12 November 2010 for the issue of 35 million Shares in the capital of Riedel Resources Limited ACN 143 042 022 (**Company**) at an issue price of \$0.20 per Share to raise up to \$7 million.

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### **1. SCOPE**

We have been requested to report on certain mining tenements in which the Company has the right to acquire an interest (**Tenements**).

The Tenements are located in Western Australia. Details of the Tenements are set out in Part I of the Schedule, which forms part of this Report.

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### **2. SEARCHES**

For the purposes of this Report, we have:

- (a) obtained searches of the Tenements from the registers maintained by the Western Australian Department of Mines and Petroleum (**DMP**). These searches were conducted on 29 September 2010. Key details on the status of the Tenements are set out in Part I of the Schedule;
- (b) obtained extracts of registered native title claims and native title determinations that apply to the Tenements, as determined by the National Native Title Tribunal (**NNTT**). This material was obtained on 6 October 2010. Details of native title claims and determinations are set out in Section 7 of this Report and Part II of the Schedule;
- (c) undertaken searches of the online register of Aboriginal heritage sites maintained by the Western Australian Department of Indigenous Affairs

(DIA) to ascertain if any Aboriginal sites or objects have been registered in the vicinity of the Tenements. These searches were conducted on 7 October 2010. Details of registered Aboriginal sites and objects are set out in Section 6 of this Report; and

- (d) reviewed all material agreements relating to the Tenements provided to us or registered as dealings against the Tenements as at the date of the DMP searches and have summarised the material terms (details of which are set out in Section 12 of the Prospectus).

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### 3. OPINION

As a result of our searches and enquiries, but subject to the assumptions and qualifications set out in this Report, we are of the view that, as at the date of the relevant searches:

- (a) **(Company's interest)**: this Report provides an accurate statement as to the Company's interest in the Tenements;
- (b) **(Good standing)**: this Report provides an accurate statement as to the validity and good standing of the Tenements; and
- (c) **(Third party interests)**: this Report provides an accurate statement as to third party interests, including encumbrances, in relation to the Tenements.

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### 4. EXECUTIVE SUMMARY

Subject to the qualifications and assumptions in this Report, we consider the following to be material issues in relation to the Tenements as at the date of our searches:

- (a) **(Title)**: As detailed in the summaries of the material contracts affecting the Tenements<sup>1</sup>, the Company has entered into a Share Sale Agreement with ADX Energy Ltd (**ADX**) pursuant to which ADX agrees to sell all of the issued capital of AuDAX Minerals Pty Ltd (**ADXM**) to the Company (**Share Sale Agreement**)<sup>2</sup>. Upon completion of the Share Sale Agreement, ADXM will become the Company's wholly owned subsidiary.

Pursuant to the OldCity Nominees Pty Ltd (**OldCity Nominees**) Tenement Sale Agreement and the ADX Tenement Sale Agreement<sup>3</sup>, ADXM is entitled to acquire ADX's and OldCity Nominees' right, title and interest in the Tenements<sup>4</sup>. As at the date of this Report, the process of transferring the Tenements to ADXM is ongoing. Accordingly, ADXM's interest in the Tenements has not yet been registered and is not reflected in Part I of the Schedule to this Report. There is a risk that the transfers may not be registered either at all or for an extended period; however we note that ADXM has lodged caveats to protect its interest in the granted Tenements in the interim period, other than the West Yandal Tenements in respect of which it does not have a caveatable interest.

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<sup>1</sup> Refer to Section 12 of the Prospectus.

<sup>2</sup> Refer to Section 12.1 of the Prospectus.

<sup>3</sup> Refer to Sections 12.2 and 12.3 of the Prospectus for further details of the Tenement Sale Agreements.

<sup>4</sup> ADX's and OldCity Nominees' interests in the Tenements are detailed in the Tenement Schedule forming part of this Report.

- (b) **(Applications for Tenements):** The following tenement applications are yet to be granted: E45/2761, E45/2763, E45/2764, E80/4429 and M77/1078.
- (c) **(Under Expenditure):**
- (i) The 2010 minimum expenditure commitment had not been met for E53/1305 (Millrose Project) (exemption refused); and
  - (ii) The 2010 minimum expenditure commitment had not been met for M31/145 and M31/157 (Porphyry Project), E80/4165, E80/4166 and E80/4167 (Mt Webb Project) and M36/670 (Bronzewing South Project) (exemption pending in respect of each).

There is a risk that E53/1305 may be liable for forfeiture for under expenditure because the exemption application was refused (in this regard, we note that ADX has lodged an application for non-forfeiture, which is yet to be determined).

There is also a risk that M31/157, M31/145, E80/4165, E80/4166, E80/4167 and M36/670 may be forfeited if the pending exemption applications are not granted.

Part 1 of the Schedule provides further details of the under expenditure.

- (d) **(Applications for Forfeiture):** P77/3727 and P77/3728 (Dulcie Project) were each subject to applications for forfeiture. The reason cited in each application is 'failure to comply with the expenditure conditions', however it is noted that these tenements are fully expended. We understand that these applications have been set down for a first mention hearing on Tuesday, 23 November 2010 and that responses to these applications were lodged by Gondwana Resources Ltd with the Southern Cross Registrar on 1 October 2010.
- (e) **(Third party interests):**
- (i) **(Royalty):** As discussed in Section 12.9.4 of the Prospectus, ADXM has entered into an agreement with St Barbara Limited (**SBM**) pursuant to which ADXM agrees to grant SBM a 2% gross revenue royalty in relation to all minerals extracted from E77/1793 (**Overlapping Tenement**) in consideration for SBM's undertaking to withdraw its application for a mining lease over the same ground (being MLA77/1078). In addition to the royalty proposed to be payable to SBM, ADXM will pay International Royalty Corporation (an entity incorporated in Colorado, USA) a further 1.5% gross revenue royalty in respect of minerals extracted from the Overlapping Tenement.
  - (ii) **(Farm-in interest):** As discussed in Section 12.9.4 of the Prospectus, ADX, Navigator (Bronzewing) Pty Ltd (**Navigator**) and Hot Holdings Pty Ltd (**Hot Holdings**) are parties to a Joint Venture Agreement in relation to E36/215 and E36/623 (Bronzewing South) and E36/509 (Kara) (**Original Tenements**) (**Joint Venture Agreement**) pursuant to which Navigator is entitled to earn:
    - (A) a 51% joint venture interest in the Original Tenements by incurring expenditure of \$1.5 million on the Original Tenements before 31 August 2011; and

- (B) a further 19% joint venture interest (to acquire a total joint venture interest of 70%) by incurring further expenditure of \$1 million on exploration and feasibility studies in its own time.

As at the date of this Report, Navigator has not yet satisfied the earn-in commitment to acquire an interest in the Original Tenements.

The parties intend to terminate the Joint Venture Agreement and propose that Navigator, ADXM (instead of ADX) and Hot Holdings enter into a new agreement which is proposed to include E36/734 (Delaney Well) and M36/670 (Bronzewing South) in addition to the Original Tenements (**New Joint Venture Agreement**). Under the New Joint Venture Agreement, it is proposed that Navigator will be entitled to earn:

- (C) a 51% joint venture interest (**Initial Interest**) by incurring expenditure of \$1 million on the Tenements within 4 years from the commencement date of the New Joint Venture Agreement; and
- (D) a further 19% joint venture interest (to acquire a total joint venture interest of 70%) by incurring further expenditure of \$1 million on exploration within 2 years of earning the Initial Interest.

As at the date of this Report, the New Joint Venture Agreement has not been signed as the parties are still negotiating the terms.

- (iii) (**Free carried interest**): As discussed in Section 12.9.1 of the Prospectus, Galtrad Pty Ltd (**Galtrad**) is entitled to a 10% free carried interest in relation to the portions of former exploration licences 52/592 and 52/594 that are contained within E52/2394 and E52/2395 (Mary Mia Project). The free carry continues up to a decision to mine, whereby Galtrad will contribute in accordance with its equity interest or dilute pro rata. Galtrad agrees to dilute its free carried interest to a 5% interest in relation to nickel and associated minerals should ADXM negotiate a joint venture with a third party for those commodities.
- (f) (**Native title**): 11 of the Tenements are subject to native title claims or determinations. The native title claimants and holders of native title under the determinations are entitled to certain rights under the Future Act Provisions. Refer to Section 7.3 of this Report and Section 12.9 of the Prospectus for further information.
- (g) (**Access**): The Cheritons Find exploration licence application E77/1793 lies within the Jilbadji Nature Reserve. As such, the application process is more stringent and this application may be granted with additional conditions imposed to regulate access arrangements by the Company/ADXM and more onerous conditions to regulate activity on the tenement area.
- (h) (**Material agreements**): We have identified numerous material agreements in relation to the Tenements, further details of which are provided in Section 12 of the Prospectus.

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## 5. DESCRIPTION OF THE TENEMENTS

The Tenements comprise Exploration, Mining and Prospecting tenements granted or applied for under the *Mining Act 1978 (WA)* (**Mining Act**). Schedule I provides a list of the Tenements.

The following provides a description of the nature and key terms of these types of mining tenements as set out in the Mining Act.

### 5.1 Prospecting Licence

**Application:** A person may lodge an application for a prospecting licence in accordance with the Mining Act. The mining registrar or warden decides whether to grant an application for a prospecting licence. An application for a prospecting licence (unless a reversion application) cannot be legally transferred and continues in the name of the applicant.

**Rights:** The holder of a prospecting licence is entitled to enter the land and undertake operations for the purposes of prospecting for minerals.

**Term:** A prospecting licence has a term of 4 years. Where the prospecting licence was applied for and granted after 10 February 2006, the Minister may extend the term by 4 years and if retention status is granted (as discussed below), by further term or terms of 4 years. Where a prospecting licence is transferred before a renewal application has been determined, the transferee is deemed to be the applicant.

**Retention Status:** The holder of a prospecting licence applied for and granted after 10 February 2006 may apply for approval of retention status for the prospecting licence. The Minister may approve the application where there is an identified mineral resource within the prospecting licence, but it is impractical to mine the resource for prescribed reasons. Where retention status is granted, the minimum expenditure requirements are reduced in the year of grant and cease in future years. However, the Minister has the right to impose a programme of works or require the holder to apply for a mining lease. The holder of a prospecting licence applied for or granted before 10 February 2006 can apply for a retention licence.

**Conditions:** Prospecting licences are granted subject to various standard conditions including conditions relating to minimum expenditure, the payment of rent and observance of environmental protection and reporting requirements. These standard conditions are not detailed in the Schedule. A failure to comply with these conditions may lead to forfeiture of the prospecting licence.

**Priority to apply for a Mining Lease:** The holder of a prospecting licence has priority to apply for a mining lease over any of the land subject to the prospecting licence. An application for a mining lease must be made prior to the expiry of the prospecting licence. The prospecting licence remains in force until the application for the mining lease is determined.

**Transfer:** There is no restriction on transfer or other dealing in a prospecting licence.

**Reversion Application:** The Mining Act allowed the holder of a prospecting licence who had applied for a mining lease before 10 February 2006 to lodge an application between 11 February 2006 and 10 February 2007 for an exploration licence or prospecting licence in lieu of the grant of the mining lease. The Mining Act provides that reversion applications are deemed to be transferred to a transferee of the underlying prospecting licence.

## 5.2 Exploration Licence

**Application:** A person may lodge an application for an exploration licence and the Minister decides whether to grant the application. An application for an exploration licence (unless a reversion application) cannot be legally transferred and continues in the name of the applicant.

**Rights:** The holder of an exploration licence is entitled to enter the land and undertake operations for the purposes of exploration for minerals.

**Term:** An exploration licence has a term of 5 years from the date of grant. The Minister may extend the term where:

- the exploration licence was granted before 10 February 2006, by a further period or periods of 1 or 2 years; and
- the exploration licence was granted after 10 February 2006, by a further period of 5 years followed by a further period or periods of 2 years.

Where an exploration licence is transferred before a renewal application has been determined, the transferee is deemed to be the applicant.

**Retention Status:** The holder of an exploration licence granted after 10 February 2006 may apply for approval of retention status for the exploration licence. The Minister may approve the application where there is an identified mineral resource within the exploration licence but it is impractical to mine the resource for prescribed reasons. Where retention status is granted, the minimum expenditure requirements are reduced in the year of grant and cease in future years. However, the Minister has the right to impose a programme of works or require the holder to apply for a mining lease. The holder of an exploration licence applied for or granted before 10 February 2006, can apply for a retention licence.

**Conditions:** Exploration licences are granted subject to various standard conditions, including conditions relating to minimum expenditure, the payment of prescribed rent and royalties and observance of environmental protection and reporting requirements. A failure to comply with these conditions may lead to forfeiture of the exploration licence.

**Relinquishment:** The holder of an exploration licence granted or applied for before 10 February 2006 must relinquish not less than half of the blocks comprising the licence at the end of the third year. A further relinquishment of not less than half of the remaining blocks is required at the end of the fourth year. The holder of an exploration licence applied for and granted after 10 February 2006 must relinquish not less than 40% of the blocks comprising the licence at the end of the fifth year.

**Priority to apply for Mining Lease:** The holder of an exploration licence has priority to apply for a mining lease over any of the land subject to the exploration licence. Any application for a mining lease must be made prior to the expiry of the exploration licence. The exploration licence remains in force until the application for the mining lease is determined.

**Transfer:** No legal or equitable interest in an exploration licence can be transferred or otherwise dealt with during the first year of its term without the prior written consent of the Minister. Thereafter, there is no restriction on transfer or other dealing.

**Reversion Application:** The Mining Act allowed the holder of an exploration licence who had applied for a mining lease before 10 February 2006 to lodge an application between 11 February 2006 and 10 February 2007 for an exploration licence or prospecting licence in lieu of the grant of the mining lease. The Mining Act provides that reversion applications are deemed to be transferred to a transferee of the underlying exploration licence.

### 5.3 Mining Lease

**Application:** Any person may lodge an application for a mining lease, although a holder of a prospecting licence, exploration licence or retention licence over the relevant area has priority. The Minister decides whether to grant an application for a mining lease.

The application, where made after 10 February 2006, must be accompanied by either a mining proposal or a "mineralisation report" indicating there is significant mineralisation in the area over which a mining lease is sought. A mining lease accompanied by a "mineralisation report" will only be approved where the Director, Geological Survey considers that there is a reasonable prospect that the mineralisation identified will result in a mining operation.

**Rights:** The holder of a mining lease is entitled to enter the land and undertake operations for the purposes of mining and extracting minerals. The holder has exclusive rights to the land for mining purposes.

**Term:** A mining lease has a term of 21 years and may be renewed for successive periods of 21 years. Where a mining lease is transferred before a renewal application has been determined, the transferee is deemed to be the applicant.

**Conditions:** Mining leases are granted subject to various standard conditions, including conditions relating to expenditure, the payment of prescribed rent and royalties and observance of environmental protection and reporting requirements. Mining leases granted or applied for before 10 February 2006 are subject to a condition that a mining proposal is lodged and approved before mining operations commence. An unconditional performance bond may be required to secure performance of these obligations. A failure to comply with these conditions may lead to forfeiture of the mining lease. These standard conditions are not detailed in the Schedule.

**Transfer:** The consent of the Minister is required to transfer a mining lease.

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## 6. ABORIGINAL HERITAGE

We have undertaken searches of the online register of Aboriginal heritage sites maintained by the Department of Indigenous Affairs in Western Australia (**DIAWA**) to ascertain if any Aboriginal sites or objects have been registered in the vicinity of the Tenements. As at 7 October 2010, there were a number of areas and objects of Aboriginal heritage registered on the Tenements. Key details of these Aboriginal heritage sites are set out in Part I of the Schedule.

The following Tenements contain Aboriginal heritage sites:

Prospecting Licences	Exploration Licences	Mining Leases
Nil	E36/623	Nil
	E36/734	
	E45/2763	

Prospecting Licences	Exploration Licences	Mining Leases
	E77/1223	
	E80/4429	
	E80/4167	
	E36/215	

There is no obligation under the relevant legislation to register sites or objects. Furthermore, the exact location of Aboriginal sites cannot always be ascertained from such searches.

The Company must ensure that it does not breach the Commonwealth and applicable State legislation relating to Aboriginal heritage as set out below. To ensure that it does not contravene such legislation, it would be prudent for the Company (and it would accord with industry practice and Aboriginal expectations) to conduct heritage surveys to determine if any Aboriginal sites or objects exist within the area of the Tenements. Any interference with these sites or objects must be in strict conformity with the provisions of the relevant legislation. It may also be necessary for the Company to enter into separate arrangements with the traditional owners of the sites.

## 6.1 Commonwealth Legislation

The *Aboriginal and Torres Strait Islander Heritage Protection Act 1984 (Cth)* (**Commonwealth Heritage Act**) is aimed at the preservation and protection of any Aboriginal areas and objects that may be located on the Tenements.

Under the Commonwealth Heritage Act, the Minister for Aboriginal Affairs may make interim or permanent declarations of preservation in relation to significant Aboriginal areas or objects, which have the potential to halt exploration activities. Compensation is payable by the Minister for Aboriginal Affairs to a person who is, or is likely to be, affected by a permanent declaration of preservation.

It is an offence to contravene a declaration made under the Commonwealth Heritage Act.

## 6.2 Western Australian Legislation

Tenements are granted subject to a condition requiring observance of the *Aboriginal Heritage Act 1972 (WA)* (**WA Heritage Act**).

The WA Heritage Act makes it an offence to alter or damage sacred ritual or ceremonial Aboriginal sites and areas of significance to Aboriginal persons.

The Minister's consent is required where any use of land is likely to result in the excavation, alteration or damage to an Aboriginal site or any objects on or under that site.

Aboriginal sites may be registered under the WA Heritage Act. However, there is no requirement for a site to be registered and the WA Heritage Act protects all registered and unregistered sites.

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## 7. NATIVE TITLE

### 7.1 Introduction

This section of the Report examines the effect of native title on the Tenements.

The existence of native title rights held by indigenous Australians was first recognised in Australia in 1992 by the High Court in the case *Mabo v. Queensland (no.2)* (1992) 175 CLR 1 (**Mabo no.2**).

Mabo no. 2 held that certain land tenure existing as at the date of that case, including mining tenements, were granted or renewed without due regard to native title rights, were invalid.

As a result of Mabo no. 2, the *Native Title Act 1993* (Cth) (**NTA**) was passed to:

- (a) provide a process for indigenous people to lodge claims for native title rights over land, for those claims to be registered by the National Native Title Tribunal (**NNTT**) and for the Courts to assess native title claims and determine if native title rights exist. Where a Court completes the assessment of a native title claim, it will issue a native title determination that specifies whether or not native title rights exist;
- (b) provide (together with associated State legislation) that any land tenures granted or renewed before 1 January 1994 were valid despite Mabo no. 2. This retrospective validation of land tenure was subsequently extended by the NTA to include freehold and certain leasehold (including pastoral leases) granted or renewed before 23 December 1996; and
- (c) provide that an act that may affect native title rights (such as the grant or renewal of a mining tenement) carried out after 23 December 1996 (a **Future Act**) must comply with certain requirements for the Future Act to be valid under the NTA. These requirements are called the **Future Act Provisions**.

The Future Act Provisions are summarised in Section 7.2 below, following which the Report identifies:

- (a) native title claims and determinations that are registered against the Tenements (see Section 7.3);
- (b) Tenements which have been retrospectively validated under the NTA as being granted before 23 December 1996 (see Section 7.4);
- (c) Tenements which have been granted after 23 December 1996 and as such will need to have been granted following compliance with the Future Act Provisions to be valid under the NTA. This Report assumes that the Future Act Provisions have been complied with in relation to these Tenements (see Section 7.4); and
- (d) Tenements which are yet to be granted and which may need to comply with the Future Act Provisions in order to be valid under the NTA (see Section 7.4).

Note that the grant of a Tenement does not need to comply with the Future Act Provisions if in fact native title has never existed over the land covered by the Tenement, or has been validly extinguished prior to the grant of the Tenement. We have not undertaken the extensive research needed to determine if in fact

native title does not exist, or has been validly extinguished in relation to the Tenements.

Unless it is clear that native title does not exist (e.g. in relation to freehold land), the usual practice of the State is to comply with the Future Act Provisions when granting a Tenement. This ensures the grant will be valid in the event a court determines that native title rights do exist over the land subject to the Tenement and as such, the Future Act Provisions apply.

Where a Tenement has been retrospectively validated or validly granted under the NTA, the rights under the Tenement prevail over any inconsistent native title rights.

## 7.2 Future Act Provisions

The Future Act Provisions vary depending on the Future Act to be carried out. In the case of the grant of a mining tenement, typically there are three alternatives: the Right to Negotiate, an Indigenous Land Use Agreement (**ILUA**) and the Expedited Procedure. These are summarised below.

### Right to Negotiate

The Right to Negotiate involves a formal negotiation between the State, the applicant for the Tenement and any registered native title claimants and holders of native title rights. The aim is to agree the terms on which the Tenement can be granted. The applicant for the Tenement is usually liable for any compensation that the parties agree to pay to the registered native title claimants and holders of native title. The parties may also agree on conditions that will apply to activities carried out on the Tenement (e.g. in relation to heritage surveys).

If agreement is not reached to enable the Tenement to be granted, the matter may be referred to arbitration before the NNTT, which has six (6) months to decide whether the Tenement can be granted and if so, on what conditions. The NNTT usually requires the parties to have had at least 6 months of negotiations before it will accept a referral for arbitration.

### ILUA

An ILUA is a contractual arrangement governed by the NTA. Under the NTA, an ILUA must be negotiated with all registered native title claimants for a relevant area. The State and the applicant for the Tenement are usually the other parties to the ILUA.

An ILUA must set out the terms on which a tenement can be granted. An ILUA will also specify conditions on which activities may be carried out within the tenement. The applicant for a tenement is usually liable for any compensation that the parties agree to pay to the registered native title claimants and holders of native title in return for the grant of the Tenement being approved. These obligations pass to a transferee of the tenement.

Once an ILUA is agreed and registered, it binds the whole native title claimant group and all holders of native title in the area (including future claimants), even though they may not be parties to it.

### Expedited Procedure

The NTA establishes a simplified process for the carrying out of a Future Act that is unlikely to adversely affect native title rights (**Expedited Procedure**). The grant of a tenement can occur under the Expedited Procedure if:

- (a) the grant will not interfere directly with the carrying on of the community or social activities of the persons who are the holders of native title in relation to the land;
- (b) the grant is not likely to interfere with areas or sites of particular significance, in accordance with their traditions, to the persons who are holders of native title in relation to the land; and
- (c) the grant is not likely to involve major disturbance to any land or waters concerned or create rights whose exercise is likely to involve major disturbance to any land.

If the State considers the above criteria are satisfied, it commences the Expedited Procedure by giving notice of the proposed grant of the Tenement in accordance with the NTA. Persons have until three (3) months after the notification date to take steps to become a registered native title claimant or native title holder in relation to the land to be subject to the Tenement.

If there is no objection lodged by a registered native title claimant or a native title holder within four (4) months of the notification date, the State may grant the Tenement.

If one or more registered native title claimants or native title holders object within that four (4) month notice period, the NNTT must determine whether the grant is an act attracting the Expedited Procedure. If the NNTT determines that the Expedited Procedure applies, the State may grant the Tenement. Otherwise, the Future Act Provisions (e.g. Right to Negotiate or ILUA) must be followed before the Tenement can be granted.

The State of Western Australia currently follows a policy of granting prospecting and exploration licences under the Expedited Procedure where the applicant has entered into a standard aboriginal heritage agreement with the relevant registered native title claimants and native title holders. The standard heritage agreement (and ancillary agreements) usually provide for payment of compensation by the applicant for the tenement and conditions that apply to activities carried out within the tenement.

### 7.3 Registered Native Title Claims and Determinations

Our searches indicate that the Tenements are subject to the following native title claims and determinations. As at the date of this Report, E45/2763 (Charteris Creek), E45/2761 and E45/2764 (Telfer), E80/4429 (Mt Webb) and M77/1078 (E77/1793) (Cheritons Find) have not been accepted for registration.

Tenement	Project	Native Title Claim	Native Title Determination
E53/1304 E53/1305	Millrose	WCC 99/24	Nil
E80/4165	Mt Webb	WAD 357/06	18/10/2007
E80/4166 E80/4167 E80/4429	Mt Webb	WAD 6019/98	19/01/2001
E52/2394 E52/2395	Mary Mia	WC 99/46 WC 99/46, WC 06/2	Nil Nil
E45/2763	Charteris Creek	WC 99/8	Nil

Tenement	Project	Native Title Claim	Native Title Determination
E45/2761 E45/2764	Telfer	WAD 6110/98	27/09/2002

The status of the native title claims is summarised in Part II of the Schedule.

The native title claimants and holders of native title under the determinations are entitled to certain rights under the Future Act Provisions.

As at the date of this Report, we have only been provided with Heritage Agreements in respect of the following Tenements:

Tenement	Project	Heritage Agreement
E53/1304 E53/1305	Millrose	Millrose Heritage Agreement between the Wiluna Native Title Claim Group and ADX Energy Ltd (formerly AuDAX Resources Ltd) ( <b>ADX</b> )
E80/4166 E80/4167 E80/4429	Mt Webb	Mt Webb Land Access Agreement between Tjamu Tjamu (Aboriginal Corporation) RNTBC, Ngaaqnyatjarra Land Council (Aboriginal Corporation), ADX, OldCity Nominees Pty Ltd and AuDAX Minerals Pty Ltd ( <b>ADX</b> )
E52/2394 E52/2395	Mary Mia	Mary Mia Native Title Agreement between ADXM and the Yamatji Marpla Aboriginal Corporation as agent for Yuguna-Nya
E52/2395	Mary Mia	Mary Mia Heritage Agreement between Gingirana Pty Ltd, ADX and ADXM

Each of the Heritage Agreements detailed above are summarised in Section 12.9 of the Prospectus. We cannot confirm whether there are Heritage Agreements covering the remainder of the Tenements over which there are registered native title claims (being the Charteris Creek and Telfer Project Tenements).

#### 7.4 Validity of Tenements under the NTA

The sections below examine the validity of the Tenements under the NTA.

##### Tenements granted before 23 December 1996

Our searches indicate that none of the Tenements were granted before 23 December 1996.

##### Tenements granted after 23 December 1996

Our searches indicate that the following Tenements were granted after 23 December 1996.

Tenement	Date of Grant
E36/215	5/12/2002
E36/404	6/07/2000
E36/509	5/07/2006
E36/623	4/09/2008
E36/734	20/07/2010

Tenement	Date of Grant
E52/2394	16/06/2010
E52/2395	31/08/2010
E53/1304	24/04/2009
E53/1305	24/04/2009
E77/1223	9/03/2010
E80/4165	15/06/2009
E80/4166	15/06/2009
E80/4177	15/06/2009
M31/145	25/02/2008
M31/157	25/02/2008
M36/670	22/04/2009
P77/3727	18/02/2009
P77/3728	18/02/2009
P77/3729	18/02/2009
M36/615	29/01/2007

We have assumed that these Tenements were granted in accordance with the Future Act Provisions and as such are valid under the NTA.

#### **Tenements renewed after 23 December 1996**

Renewals of mining tenements made after 23 December 1996 must comply with the Future Act Provisions in order to be valid under the NTA.

Our searches indicate that the following Tenements have been renewed after 23 December 1996, and as such, may need to have complied with the Future Act Provisions to be validly renewed. We have assumed that the Future Act Provisions were complied with to the extent necessary.

Tenement	Date of Grant	Date of Renewal
E36/215	05/12/2002	10/03/2010
E36/404	06/07/2000	20/01/2010

Renewals of Tenements in the future will need to comply with the Future Act Provisions in order to be valid under the NTA. The registered native title claimants and holders of native title identified in Section 7.3 of this Report will need to be involved as appropriate under the Future Act Provisions.

#### **Valid grant of Applications for Tenements**

The Future Act Provisions must be complied with when granting any of the Tenements that are currently applications. This will ensure that the newly granted Tenements are valid under the NTA be assured.

The following Tenements are currently applications and as such will need to satisfy the Future Act Provisions.

Applicant	Tenement
ADX	E45/2761
ADX	E45/2763

Applicant	Tenement
ADX	E45/2764
ADX	E80/4429
St Barbara Ltd (ADXM)	M77/1078 (Note that ADXM's application for E77/1793 overlaps this mining lease application and is the subject of the agreement with St Barbara Limited summarised in Section 12.9.4 of the Prospectus)

The registered native title claimants and holders of native title identified in Section 7.3 of this Report will need to be involved as appropriate under the Future Act Provisions.

Note that the grant of any tenements in the future in relation to the Tenements (e.g. the grant of a mining lease from an exploration licence) will also need to comply with the Future Act Provisions.

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## 8. QUALIFICATIONS AND ASSUMPTIONS

This Report is subject to the following qualifications and assumptions:

- (a) we have assumed the accuracy and completeness of all Tenement searches, register extracts and other information or responses which were obtained from the relevant department or authority, including the NNTT;
- (b) we assume that the registered holder of a Tenement has valid legal title to the Tenement;
- (c) this Report does not cover any third party interests, including encumbrances, in relation to the Tenements that are not apparent from our searches and the information provided to us;
- (d) we have assumed that any agreements provided to us in relation to the Tenements are authentic, were within the powers and capacity of those who executed them, were duly authorised, executed and delivered and are binding on the parties to them;
- (f) with respect to the granting of the Tenements, we have assumed that the State and the applicant for the Tenements complied with the applicable Future Act Provisions;
- (g) we have assumed the accuracy and completeness of any instructions or information which we have received from the Company or any of its officers, agents and representatives;
- (h) unless apparent from our searches or the information provided to us, we have assumed compliance with the requirements necessary to maintain a Tenement in good standing;
- (i) with respect to the application for the grant of a Tenement, we express no opinion as to whether such application will ultimately be granted and that reasonable conditions will be imposed upon grant, although we have no reason to believe that any application will be refused or that unreasonable conditions will be imposed;

- (j) references in the Schedule to any area of land are taken from details shown on searches obtained from the relevant department. It is not possible to verify the accuracy of those areas without conducting a survey; and
- (k) the information in the Schedule is accurate as at the date the relevant searches were obtained. We cannot comment on whether any changes have occurred in respect of the Tenements between the date of the searches and the date of the Prospectus.

Nothing has come to our attention to lead us to believe that such assumptions are not correct, but we have not made any independent investigation with respect to the matters the subject of our assumptions.

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## 9. CONSENT

This Report has been prepared only for the purposes of the Prospectus to be issued by Riedel Resources Limited and is not to be relied on or used for any other purpose. Yours faithfully



**STEINEPREIS PAGANIN**

## PART I – TENEMENT SCHEDULE

TENEMENT	REGISTERED HOLDER / APPLICANT	SHARES HELD	GRANT	EXPIRY	AREA SIZE	ANNUAL RENT (NEXT RENTAL YEAR)	MINIMUM ANNUAL EXPENDITURE	SATISFACTION OF EXPENDITURE CONDITIONS TO DATE	ENCUMBRANCES/ DEALINGS AND MATERIAL AGREEMENTS	BONDS	NATIVE TITLE CLAIMS / DETERMINATIONS / ILUAs	ABORIGINAL HERITAGE SITES	Conditions / Notes
<b>BRONZEWING SOUTH</b>													
E36/215	Hot Holdings Pty Ltd	100	5/12/2002	4/12/2011	13 BL	\$6,296.29	\$70,000	Expended in full - 2010	ADX Tenement Sale Agreement (Prospectus ref: 12.2) Farm-in Joint Venture to the Bronzewing South and Kara Tenements (Prospectus ref: 12.9.4) Caveat in favour of ADXM	Refer to Note 8	None	16195 – Artefacts/ Scatter, Midden/ Scatter 16197 – Artefacts/ Scatter 16863 - Mythological	1 - 8
E36/623	Hot Holdings Pty Ltd	100	4/9/2008	3/9/2013	14 BL	\$2,638.02	\$20,000	No exemption lodged – 2010	ADX Tenement Sale Agreement (Prospectus ref: 12.2) Farm-in Joint Venture to the Bronzewing South and Kara Tenements (Prospectus ref: 12.9.4) Caveat in favour of ADXM	None	None	1510 – Ceremonial 20001 – Quarry, Artefacts/ Scatter	1 - 6, 10
M36/670	Hot Holdings Pty Ltd	100	22/4/2009	21/4/2030	173.16040 HA	\$2,775.30	\$17,400	Under-expended – exemption lodged 1 June 2010	ADX Tenement Sale Agreement (Prospectus ref: 12.2) Farm-in Joint Venture to the Bronzewing South and Kara Tenements (Prospectus ref: 12.9.4) Caveat in favour of ADXM	None	None	None	1 – 6, 27 - 29
<b>DELANEY WELL</b>													
E36/734	AuDAX Minerals Pty Ltd	100	20/7/2010	19/7/2015	6 BL	2011 – paid in full 2012 - \$726.66	\$20,000	N/A	Farm-in Joint Venture to the Bronzewing South and Kara Tenements (Prospectus ref: 12.9.4)	None	None	20001 – Quarry, Artefacts/ Scatter 22149 – Mythological 22150 – Artefacts/ Scatter	1 - 6

TENEMENT	REGISTERED HOLDER / APPLICANT	SHARES HELD	GRANT	EXPIRY	AREA SIZE	ANNUAL RENT (NEXT RENTAL YEAR)	MINIMUM ANNUAL EXPENDITURE	SATISFACTION OF EXPENDITURE CONDITIONS TO DATE	ENCUMBRANCES/ DEALINGS AND MATERIAL AGREEMENTS	BONDS	NATIVE TITLE CLAIMS / DETERMINATIONS / ILUAs	ABORIGINAL HERITAGE SITES	Conditions / Notes
<b>WEST YANDAL (ROYALTY)</b>													
E36/404	Navigator (Bronzewing) Pty Ltd	100	6/7/2000	5/7/2011	6 BL	\$2,905.98	\$70,000	Expended in full - 2010	ADX Tenement Sale Agreement (Prospectus ref: 12.2) West Yandal Venus Sale Agreement and Royalty (Prospectus ref: 12.9.4)	None	None	None	1 - 6, 9
M36/615	Navigator (Bronzewing) Pty Ltd	100	29/1/2007	28/1/2028	937.31 HA	\$14,961.10	\$93,800	Expended in full - 2010	ADX Tenement Sale Agreement (Prospectus ref: 12.2) West Yandal Venus Sale Agreement and Royalty (Prospectus ref: 12.9.4)	Refer to Note 40	None	None	1 - 6, 27, 28, 33 - 40
<b>KARA</b>													
E36/509	ADX Energy Limited	100	5/7/2006	4/7/2011	5BL	\$1,278.75	\$20,000	Expended in full - 2010	ADX Tenement Sale Agreement (Prospectus ref: 12.2) Farm-in Joint Venture to the Bronzewing South and Kara Tenements (Prospectus ref: 12.9.4) Caveat in favour of ADXM	None	None	None	1 - 6
<b>TELFER</b>													
E45/2761	ADX Energy Limited	100	Pending	Pending	46 BL	N/A	N/A	N/A	ADX Tenement Sale Agreement (Prospectus ref: 12.2)	None	WAD 6110/98	None	N/A
E45/2764	ADX Energy Limited	100	Pending	Pending	59 BL	N/A	N/A	N/A	ADX Tenement Sale Agreement (Prospectus ref: 12.2)	None	WAD 6110/98	None	N/A
<b>CHARTERIS CREEK</b>													
E45/2763	ADX Energy Limited	100	Pending	Pending	41 BL	N/A	N/A	N/A	ADX Tenement Sale Agreement (Prospectus ref: 12.2)	None	WC99/8	8775 - Engraving	N/A

TENEMENT	REGISTERED HOLDER / APPLICANT	SHARES HELD	GRANT	EXPIRY	AREA SIZE	ANNUAL RENT (NEXT RENTAL YEAR)	MINIMUM ANNUAL EXPENDITURE	SATISFACTION OF EXPENDITURE CONDITIONS TO DATE	ENCUMBRANCES/ DEALINGS AND MATERIAL AGREEMENTS	BONDS	NATIVE TITLE CLAIMS / DETERMINATIONS / ILUAs	ABORIGINAL HERITAGE SITES	Conditions / Notes
<b>MARY MIA</b>													
E52/2394	ADX Energy Limited	100	16/6/2010	15/6/2015	70 BL	Paid in full – 2011 \$8,477.70 – 2012	\$70,000	N/A	ADX Tenement Sale Agreement (Prospectus ref: 12.2) Heads of Agreement (Prospectus ref: 12.9.1) Native Title Agreement (Prospectus ref: 12.9.1) Caveat in favour of ADXM	None	WC99/46	None	1 - 6
E52/2395	ADX Energy Limited	100	31/8/2010	30/8/2015	69 BL	Paid in full – 2011 \$8,356.59 – 2012	\$69,000	N/A	ADX Tenement Sale Agreement (Prospectus ref: 12.2) Heads of Agreement (Prospectus ref: 12.9.1) Native Title Agreement (Prospectus ref: 12.9.1) Mary Mia Heritage Agreement (Prospectus ref: 12.9.1) Caveat in favour of ADXM	None	WC99/46, WC06/2	None	1 - 6
<b>MILLROSE</b>													
E53/1304	ADX Energy Limited	100	24/4/2009	23/4/2014	21 BL	Paid in full – 2011 \$2,543.31 – 2012	\$21,000	Expended in full – 2010	ADX Tenement Sale Agreement (Prospectus ref: 12.2) Millrose Heritage Agreement (Prospectus ref: 12.9.2) Caveat in favour of ADXM	None	WC99/24	None	1 - 6, 11, 12
E53/1305	ADX Energy Limited	100	24/4/2009	23/4/2014	18 BL	Paid in full – 2011 \$2,179.98 – 2012	\$20,000	Under-expended – exemption lodged 10 June 2010	ADX Tenement Sale Agreement (Prospectus ref: 12.2) Millrose Heritage Agreement (Prospectus ref: 12.9.2) Caveat in favour of ADXM	None	WC99/24	None	1 - 6, 13
<b>CHERITONS EAST</b>													
E77/1223	OldCity Nominees Pty Ltd	100	09/3/2010	08/3/2015	20 BL	Paid in full – 2011 \$2,422.20 – 2012	\$20,000	N/A	OldCity Tenement Sale Agreement (Prospectus ref: 12.3) Caveat in favour of ADXM	None	None	5904 – Man-made Structure	1 - 4, 14 - 24

TENEMENT	REGISTERED HOLDER / APPLICANT	SHARES HELD	GRANT	EXPIRY	AREA SIZE	ANNUAL RENT (NEXT RENTAL YEAR)	MINIMUM ANNUAL EXPENDITURE	SATISFACTION OF EXPENDITURE CONDITIONS TO DATE	ENCUMBRANCES/ DEALINGS AND MATERIAL AGREEMENTS	BONDS	NATIVE TITLE CLAIMS / DETERMINATIONS / ILUAs	ABORIGINAL HERITAGE SITES	Conditions / Notes
<b>MT WEBB</b>													
E80/4165	OldCity Nominees Pty Ltd	100	15/6/2009	14/6/2014	35 BL	\$4,238.85	\$35,000	Under-expended – exemption lodged 4 August 2010	OldCity Tenement Sale Agreement (Prospectus ref: 12.3) Caveat in favour of ADXM	None	WAD357/06	None	25
E80/4166	OldCity Nominees Pty Ltd	100	15/6/2009	14/6/2014	66 BL	\$7,993.26	\$66,000	Under-expended – exemption lodged 4 August 2010	OldCity Tenement Sale Agreement (Prospectus ref: 12.3) Mt Webb Land Access Agreement (Prospectus ref: 12.9.3) Caveat in favour of ADXM	None	WAD 6019/98	None	26
E80/4167	OldCity Nominees Pty Ltd	100	15/6/2009	14/6/2014	37 BL	\$4,481.07	\$37,000	Under-expended – exemption lodged 4 August 2010	OldCity Tenement Sale Agreement (Prospectus ref: 12.3) Mt Webb Land Access Agreement (Prospectus ref: 12.9.3) Caveat in favour of ADXM	None	WAD 6019/98	2036 – Mythological , Artefacts/ Scatter 2038 2040 – Mythological /Man-Made Structure 2747 – Ceremonial, Man-Made Structure	25
E80/4429	AuDAX Minerals Pty Ltd	100	Pending	Pending	42 BL	N/A	N/A	N/A	Mt Webb Land Access Agreement (Prospectus ref: 12.9.3)	None	WAD 6019/98	2036 – Mythological , Artefacts/ Scatter 2041 – Mythological 2042 – Mythological 2044 – Mythological	N/A
<b>PORPHYRY (ROYALTY)</b>													
M31/145	ADX Energy Limited	20	25/2/2008	24/2/2029	1,000.00 HA	415,950	\$100,000	Under-expended – exemption lodged 14 April 2010	ADX Tenement Sale Agreement (Prospectus ref: 12.2) Porphyry Royalty Deed (Prospectus ref: 12.9.4) Caveat in favour of ADXM	None	None	None	1 - 6, 27 - 30
	Consolidated Resources NL	80											

TENEMENT	REGISTERED HOLDER / APPLICANT	SHARES HELD	GRANT	EXPIRY	AREA SIZE	ANNUAL RENT (NEXT RENTAL YEAR)	MINIMUM ANNUAL EXPENDITURE	SATISFACTION OF EXPENDITURE CONDITIONS TO DATE	ENCUMBRANCES/ DEALINGS AND MATERIAL AGREEMENTS	BONDS	NATIVE TITLE CLAIMS / DETERMINATIONS / ILUAs	ABORIGINAL HERITAGE SITES	Conditions / Notes
M31/157	ADX Energy Limited	20	25/2/2008	24/2/2029	118.96460 HA	\$1,898.05	\$11,900	Under-expended – exemption lodged 14 April 2010	ADX Tenement Sale Agreement (Prospectus ref: 12.2) Porphyry Royalty Deed (Prospectus ref: 12.9.4) Caveat in favour of ADXM	None	None	None	1 - 6, 27 - 32
	Consolidated Resources NL	80											
<b>CHERITONS FIND (FREE CARRIED)</b>													
M77/1078	St Barbara Limited	100	Pending	Pending	214.00 HA	N/A	N/A	N/A	ADX Tenement Sale Agreement (Prospectus ref: 12.2) Letter Agreement Relating to Cheritons Find E77/697 (MLA 77/1078) (Prospectus ref: 12.9.4) Deed Relating to Cheritons Find E77/1793 (Prospectus ref: 12.9.4)	None	None	None	N/A
<b>DULCIE (FREE CARRIED)</b>													
P77/3727	ADX Energy Limited	40	18/2/2009	17/2/2013	192.00 HA	\$443.52	\$7,680	Expended in full – 2010	Application for Forfeiture – Wardens Court first mention hearing on Tuesday, 23 November 2010 ADX Tenement Sale Agreement (Prospectus ref: 12.2) Dulcie Farm-in and Joint Venture Agreement (Prospectus ref: 12.9.4) Caveat in favour of ADXM	None	None	None	1 - 4, 41
	Gondwana Resources Ltd	160											
P77/3728	ADX Energy Limited	40	18/2/2009	17/2/2013	181.00 HA	\$418.11	\$7,240	Expended in full – 2010	Application for Forfeiture – Wardens Court first mention hearing on Tuesday, 23 November 2010 ADX Tenement Sale Agreement (Prospectus ref: 12.2) Dulcie Farm-in and Joint Venture Agreement (Prospectus ref: 12.9.4) Caveat in favour of ADXM	None	None	None	1 - 4, 42
	Gondwana Resources Ltd	160											

TENEMENT	REGISTERED HOLDER / APPLICANT	SHARES HELD	GRANT	EXPIRY	AREA SIZE	ANNUAL RENT (NEXT RENTAL YEAR)	MINIMUM ANNUAL EXPENDITURE	SATISFACTION OF EXPENDITURE CONDITIONS TO DATE	ENCUMBRANCES/ DEALINGS AND MATERIAL AGREEMENTS	BONDS	NATIVE TITLE CLAIMS / DETERMINATIONS / ILUAs	ABORIGINAL HERITAGE SITES	Conditions / Notes
P77/3729	ADX Energy Limited	40	18/0/2009	17/2/2013	174.00 HA	\$401.94	\$6,960	Expended in full - 2010	ADX Tenement Sale Agreement (Prospectus ref: 12.2) Dulcie Farm-in and Joint Venture Agreement (Prospectus ref: 12.9.4) Caveat in favour of ADXM	None	None	None	1 - 4
	Gondwana Resources Ltd	160											

### Key to Tenement Schedule

- P – Prospecting Licence  
E – Exploration Licence  
M – Mining Lease

All of the native title claims listed in the Schedule have been accepted and entered on the Register of Native Title Claims. Please refer to Part II of this Report for the status of the native title claims.

Unless otherwise indicated, capitalised terms have the same meaning given to them in the Prospectus.

References to numbers in the "Notes" column refers to the notes following this table.

### Notes:

- All surface holes drilled for the purpose of exploration to be capped, filled or otherwise made safe after completion.
- All costeans and other disturbances to the surface of the land made as a result of exploration, including drill pads, gridlines and access tracks, being backfilled and rehabilitated to the satisfaction of the Environmental Officer, Department of Industry and Resources (**DoIR**). Backfilling and rehabilitation being required no later than 6 months after excavation unless otherwise approved in writing by the Environmental Officer, DoIR.
- All waste materials, rubbish, plastic sample bags, abandoned equipment and temporary buildings being removed from the mining tenement prior to all acts of the termination of exploration program.
- Unless the written approval of the Environmental Officer, DoIR is first obtained, the use of scrapers, graders, bulldozers, back hose or other mechanised equipment for service disturbance or the excavation of costeans is prohibited. Following approval, all topsoil being removed ahead of mining operations and separately stockpiled for replacement after backfilling and/or completion operations.
- The licensee notifying the holder of any underlying pastoral or grazing lease by telephone or in person, or by registered post if contact cannot be made, prior to undertaking the airborne geophysical surveys or any ground disturbing activities utilising equipment such as scrapers, graders, bulldozers, back hose, drilling rigs; water carting equipment or other mechanised equipment.
- The Licensee or transferee, as the case may be, shall within thirty (30) days of receiving written notification of:
  - the grant of the Licensee; or
  - registration of the transfer introducing a new Licensee,
advice, by registered post, the holder of any underlying pastoral or grazing lease details of the grant or transfer.
- The rights of ingress to and egress from Miscellaneous Licence 36/98 being at all times preserved to the licensee and no interference with the purpose or installation connected to the licence.

8. The construction and operation of the project and measures to protect the environment being carried out generally in accordance with the document titled "Ground Disturbing Approval Application for Drilling on Exploration Licence 36/215" dated 14 April 2003 signed by Mr Glen Edwards and retained on Department of Industry and Resources file number T0200/200301. Where a difference exists between the document and the Licensee arranging lodgement of a bond in favour of the Minister for State Development for due compliance with the environmental conditions of the licence in the sum of \$8,000, then the latter conditions shall prevail.
9. No interference with GEODTIC Survey Station SAM 32 and mining within 15 metres thereof being confined to below a depth of 15 metres from the natural surface.
10. The rights of ingress to and egress from Miscellaneous Licence 36/98 and 37/147 being at all times preserved to the licensee and no interference with the purpose or installation connected to the licence.
11. No interference with GEODTIC Survey Station SSM – GW8 and mining within 15 metres thereof being confined to below a depth of 15 metres from the natural surface.
12. No interference with the use of the Area Landing Ground and mining thereon being confined to below a depth of 15 metres from the natural surface.
13. No interference with GEODTIC Survey Station SSM – Wiluna 25 and mining within 15 metres thereof being confined to below a depth of 15 metres from the natural surface.
14. Prior to accessing the reserve the Licensee consulting with and ensuring that, where required by the Regional/District Manager, Department of Environmental and Conservation (**DEC**), all vehicles, machinery and equipment entering the area are cleaned down to remove soil and plant propagules and adhering to such conditions specified by the Regional/District Manager DEC for the prevention of the spread of soil borne diseases (conditions subject to consent to explore on Conservation of Flora and Fauna Reserve No. 2409).
15. Access to and from and the movement of vehicles and personnel being restricted to ground for seasonal conditions and routes approved by the Regional/District Manager, DEC (conditions subject to consent to explore on Conservation of Flora and Fauna Reserve No. 2409).
16. The Regional/District Manager, DEC, being supplied with an itinerary and program of the locations of operation on the licence area and informed at least seven (7) days in advance from any changes to that itinerary (conditions subject to consent to explore on Conservation of Flora and Fauna Reserve No. 2409).
17. Prior to any activity not specified as "environmental disturbance" the Licensee preparing a program for each phase of the proposed exploration for approval of the Director, Environment DMP in agreement with the Regional/District Manager, DEC.
18. Prior to any environmental disturbance (as defined by the Director), Environment, DMP in agreement with the Executive Director, the Department of Environment and Conservation (DEC) the Conservation Commission of WA (**CCWA**) and the Environmental Protection Authority (**EPA**), the Licensee preparing a detailed program for each phase of the posed exploration for approval of the Director, Environment DEMP in agreement with the Regional/District Manager, DEC and the CCWA. This process may result in additional conditions being imposed together with a requirement to lodge a Unconditional Performance Bond if required. This program to describe the environmental impacts and programs for their management and is to include the following:
  - maps and/or aerial photographs showing the proposed locations all ground activities and disturbances;
  - the purpose, specification and extent of each activity and disturbance;
  - descriptions of all vegetation types (in general terms), land forms, and unusual features likely to be disturbed by such proposed disturbances. The Regional/District Manager, DEC specifying the level of vegetation descriptions;
  - details on proposals that may disturb sensitive terrestrial habitats including any declared rare flora and fauna if applicable;
  - techniques, prescriptions and timetable for rehabilitation of all proposed disturbances;
  - undertaking for corrective measures for failed rehabilitation;
  - details of water requirements from within the reserve;
  - details of refused disposal ; and
  - proposals for instruction and supervision of personnel and contractors in respect to environmental conditions.
19. All rehabilitation being to the satisfaction of the Director, Environment, DMP in agreement with the Regional/District Manager, DEC (conditions subject to consent to explore on Conservation of Flora and Fauna Reserve No. 2409).
20. At agreed intervals, not greater than 12 monthly, the Licensee reporting to the Director, Environment DMP and the Regional/District Manager, DEC on the progress of the operation and the rehabilitation program (conditions subject to consent to explore on Conservation of Flora and Fauna Reserve No. 2409).

21. Prior to the cessation of the exploration/prospecting activity in the reserve, the Licensee notifying the Environmental Officer, DMP and the Regional/District Manager, DEC, and arranging an inspection as required (conditions subject to consent to explore on Conservation of Flora and Fauna Reserve No. 2409).
22. The Licensee making provision to prevent spillage of fuel and discharge of pollutants generally and for all exploration sites being kept free from any rubbish and being left in a clean and tidy state (conditions subject to consent to explore on Conservation of Flora and Fauna Reserve No. 2409).
23. The Licensee not establishing any camp, base works or area, drilling depot or similar establishment on the licensed area unless site and access has received prior approval of the Director, Environment, DMP in agreement with the Regional/District Manager, DEC (conditions subject to consent to explore on Conservation of Flora and Fauna Reserve No. 2409).
24. Domestic animals, traps, or firearms not to be taken on to the reserve (conditions subject to consent to explore on Conservation of Flora and Fauna Reserve No. 2409).
25. The prior written consent of the Minister responsible for the Mining Act 1978 being obtained before commencing any exploration activities on Use and Benefit of Aboriginal Inhabitants Reserves 2493.
26. The prior written consent of the Minister responsible for the Mining Act 1978 being obtained before commencing any exploration activities on Use and Benefit of Aboriginal Inhabitants Reserves 24923 and 40783.
27. The Lessee submitting a plan of proposed operations and measures to safeguard the environment to the Director, Environment, DoIR for his assessment and written approval prior to commencing any developmental or productive mining or construction activity.
28. Survey.
29. Mining on any road, road verge or road reserve being confined to below a depth of 15 metres from the natural surface.
30. If the Goldfields and Goldfields Land and Sea Council (**GLSC**) sends a request by pre-paid post to the lessees address within ninety (90) days after the grant of the lease, the lessee shall within thirty (30) days of the request execute in favour of the GLSC the revised GLSC Wongatha Interim Standard Heritage Agreement (in respect to the area designated FNA7836 in Tenagraph (former Wongatha Native Title Claim WC99/01)).
31. The prior written consent of the Minister responsible for the Mining Act 1978 being obtained before commencing any mining activities on Yarri Townsite.
32. The rights of ingress and egress from Miscellaneous Licence 31/9, 31/21, 31/22 and 31/50 being at all times preserved to the Licensee and no interference with the purpose or installations connected to the licence.
33. The construction operation of the project and measure to protect the environment being carried out generally in accordance with the document titled "Mining Proposal for the Venus Project" (MP5503) dated September 2006, signed by Trevor Cook – Chief Operating Officer, View Resources Limited and letter entitled Addendum to "Mining Proposal for the Cockburn Cutback (M36/146), Cockburn North (M36/416) and Success Cutback (M36/80) Projects" and "Mining Proposal for the Venus Project (M36/615)" dated 6 December 2006 and signed by Trevor Cook, Trevor Cook – Chief Operating Officer, View Resources Limited and retained on Department of Industry and Resources File No. E2679/200313.
34. The development and operation of the project being carried out in such a manner, so as to the create minimum practical disturbance to the existing vegetation and natural land form.
35. All topsoil being removed ahead of all mining operations from sites such as pit areas, wasted disposal areas, ore stock pile areas, pipeline, haul roads and new access roads and being stockpile for later respreading or immediately respread as rehabilitation progresses.
36. At the completion of operations, all buildings and structures being removed from the site or demolished and buried to the satisfaction of the Director, Environmental Division DoIR.
37. All rubbish and scrap is to be progressively disposed of in a suitable manner.
38. At the completion of operations, or progressively where possible, all access roads and other disturbed areas being covered with topsoil, deep ripped and revegetated with local native grasses, shrubs and trees to the satisfaction of the Director, Environment Division, DoIR.
39. The Lessee submitting to the Director, Environment Division, DMP a brief annual report outlining the project operations, mine site and environmental management and rehabilitation work undertaken in the previous 12 months and proposed operations, Environmental Management Plans and rehabilitation programs for the next 12 months. This report is to be submitted in each year in February.
40. The Lessee arranging lodgement of an Unconditional Performance Bond executed by a bank or other approved financial institution in favour of the Minister responsible for the Mining Act 1978 for the due compliance with the Environmental Conditions over the lease in the sum of \$5,000.

41. **SUBJECT TO APPLICATION FOR FORFEITURE (FORM 35A) 354766.**
42. **SUBJECT TO APPLICATION FOR FORFEITURE (FORM 35A) 354476.**

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**PART II – STATUS OF NATIVE TITLE CLAIMS**

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<b>Tribunal Number</b>	<b>Federal Court Number</b>	<b>Application Name</b>	<b>Registered</b>	<b>In Mediation</b>	<b>Status</b>
WC96/78	WAD6110/98	Martu	Yes	Yes	Active
WC06/2	WAD6002/03	Gingirana	Yes	Yes	Active
WC99/46	WAD6132/98	Yugunga-Nya People	Yes	Yes	Active
WC99/24	WAD6164/98	Wiluna	Yes	Yes	Active
WC06/5	WAD357/06	Ngurrulpa	No	No	Finalised
WC95/16	WAD6019/98	Kiwirrkurra	No	No	Finalised

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## **11. RISK FACTORS**

### **11.1 Introduction**

An investment in the Company is not risk free and prospective new investors should consider the risk factors described below, together with information contained elsewhere in this Prospectus, before deciding whether to apply for Shares.

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

#### **Specific risks**

### **11.2 Tenure risk**

The Company's Projects comprise a number of granted exploration licences and applications for the grant of exploration licences. Three of the granted exploration licences have not been transferred from their current holders into the name of ADXM as they have been granted for less than 12 months and are therefore unable to be transferred to ADXM without Ministerial consent. These 3 tenements are held on trust by their current holders (being OldCity Nominees in respect of E77/1223 and ADX in respect of E52/2394 and E52/2395) for the benefit of the Company and will not be transferred to ADXM until the 12-month anniversary of their grant date. There is a risk that these exploration licences may not be transferred to ADXM and that it may therefore not obtain registered legal title to them.

### **11.3 Risk of non-renewal of tenements**

The Company cannot guarantee that the granted exploration licences will be renewed beyond their current expiry date and there is a risk that, in the event the Company is unable to renew the tenements beyond their current expiry date, the Company's proposed interest in those Projects will be relinquished. Three of the tenements have expiry dates of 13 months or less from the date of this Prospectus, being: E36/215 – 4 December 2011, E36/404 – 5 July 2011, and E36/509 – 4 July 2011.

### **11.4 Application risk**

There is a risk that the applications for exploration licences may never be granted, in which case the Company will not be able to undertake exploration activities on these tenements.

### **11.5 Access risk**

There is a risk that access to certain tenements and areas within certain tenements may be restricted due to environmental and heritage related issues and that exploration and mining activities may not be possible in such areas.

### **11.6 Applications for forfeiture**

As at the date of this Prospectus, Millrose Project tenement E53/1305 and Dulcie Project tenements P77/3727 and P77/3728 are the subject of applications for forfeiture. An application for non-forfeiture of E53/1305 has been lodged with the Department of Mines and Petroleum and is yet to be determined. The

forfeiture applications in respect of the two Dulcie Project tenements set out above are listed to be heard in the Warden's Court on 23 November 2010. There is a risk that some or all of these tenements may be liable to forfeiture if Department of Mines and Petroleum declines the application for non-forfeiture and/or the Warden's Court makes an adverse ruling in respect of the Dulcie tenement forfeiture applications (however it is noted that the Dulcie Project tenements are fully expended). None of the three tenements the subject of forfeiture applications, are considered material to the Company's ongoing operations.

#### **11.7 Cheritons Find Project tenure risk**

The Cheritons Find exploration licence application E77/1793 lies within the Jilbadji Nature Reserve. As such, the application process is more stringent and this application may be granted with additional conditions imposed to regulate access arrangements by the Company/ADXM and more onerous conditions to regulate activity on the tenement area.

#### **11.8 Exploration success**

The Projects described in this Prospectus are at various stages of exploration, and potential investors should understand that mineral exploration and development are high-risk undertakings.

There can be no assurance that exploration of the Company's Projects, or any other projects that may be acquired in the future, will result in the discovery of an economic ore deposit. Even if an apparently viable deposit is identified, there is no guarantee that it can be economically exploited.

#### **11.9 Operating risks**

The operations of the Company may be affected by various factors, including failure to locate or identify mineral deposits, failure to achieve predicted grades in exploration and mining, operational and technical difficulties encountered in mining, difficulties in commissioning and operating plant and equipment, mechanical failure or plant breakdown, unanticipated metallurgical problems which may affect extraction costs, adverse weather conditions, industrial and environmental accidents, industrial disputes and unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment.

No assurances can be given that the Company will achieve commercial viability through the successful exploration and/or mining of its tenement interests. Until the Company is able to realise value from its Projects, it is likely to incur ongoing operating losses.

#### **11.10 Title risk and Native Title**

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

The Company's tenements extend over areas in which legitimate common law native title rights of indigenous Australians exist. The ability of the Company to

gain access to its tenements and to conduct exploration, development and mining operations remains subject to native title rights and the terms of registered native title agreements.

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

#### **11.11 Exploration budgets**

The exploration costs of the Company described in Section 6 and in the Independent Geologist's Report in Section 8 are based on certain assumptions with respect to the method and timing of exploration. By their nature, these estimates and assumptions are subject to significant uncertainties and the actual costs may materially differ from these estimates and assumptions. Accordingly, no assurance can be given that the cost estimates and the underlying assumptions will be realised in practice, which may materially and adversely affect the viability of the Company's Projects. In addition to this, exploration programmes phased and subsequent programmes are based results and outcomes of previous programmes. Programmes will not necessarily be carried out if results do not warrant it.

#### **11.12 Resource estimates**

Resource estimates are expressions of judgement based on knowledge, experience and industry practice. Estimates which were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional fieldwork and analysis, the estimates are likely to change. This may result in alterations to development and mining plans which may, in turn, adversely affect the Company's operations.

#### **11.13 Environmental risks**

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

The Company may become liable for environmental damage caused by previous owners of any claims the Company holds an interest in or acquires in the future. As a result, substantial liabilities to third parties or governmental entities may be incurred, the payment of which could reduce or eliminate funds available for acquisitions, exploration and development.

The Cheriton/Cheritons Find tenements are known to lie within the boundaries of the Conservation of Flora and Fauna Reserve 24049 or Jilbadji Class C Reserve. The ability of the Company to gain access to its tenements and to conduct exploration, development and mining operations remains subject to relevant environmental laws and requirements related to such reserves.

A portion of the Charteris Creek licence is known to lie within an area the Department of Environment proposes to purchase as a conservation park. The ability of the Company to gain access to its tenements and to conduct exploration, development and mining operations remains subject to relevant environmental laws and requirements related to such reserves.

#### **11.14 Commodity price volatility and exchange rate risks**

If the Company achieves success leading to mineral production, the revenue it will derive through the sale of commodities exposes the potential income of the Company to commodity price and exchange rate risks. Commodity prices fluctuate and are affected by many factors beyond the control of the Company. Such factors include supply and demand fluctuations for precious and base metals, technological advancements, forward selling activities and other macro-economic factors.

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

#### **11.15 Additional requirements for capital**

The Company's capital requirements depend on numerous factors. In the future, the Company is likely to require further financing in addition to amounts raised under this Prospectus. Any additional equity financing will dilute shareholdings and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back its exploration programmes as the case may be.

#### **11.16 Legal risk**

The introduction of new legislation or amendments to existing legislation by governments, developments in existing common law, or the respective interpretation of the legal requirements in any of the legal jurisdictions which govern the Company's operations or contractual obligations, could impact adversely on the assets, operations and, ultimately, the financial performance of the Company and the value of its Shares.

#### **11.17 Insurance risks**

The Company intends to insure its operations in accordance with industry practice. However, in certain circumstances, the Company's insurance may not be of a nature or level to provide adequate insurance cover. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of the Company.

Insurance against all risks associated with mining exploration and production is not always available and where available the costs can be prohibitive.

## **General risks**

### **11.18 Economic risks**

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

### **11.19 Market conditions**

Share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- (a) general economic outlook;
- (b) interest rates and inflation rates;
- (c) currency fluctuations;
- (d) changes in investor sentiment toward particular market sectors;
- (e) the demand for, and supply of, capital; and
- (f) terrorism or other hostilities.

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

### **11.20 Reliance on key personnel**

The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its senior management and its key personnel. There can be no assurance given that there will be no detrimental impact on the Company if one or more of these employees cease their employment.

### **11.21 Investment speculative**

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Shares offered under this Prospectus. The Shares to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares.

Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

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## 12. MATERIAL CONTRACTS

### 12.1 Share Sale Agreement

On 14 October 2010, Riedel Resources Limited, ADX and ADXM entered into a share sale agreement (**Share Sale Agreement**) pursuant to which ADX agrees to sell all of the issued share capital of ADXM to the Company on the following material terms:

- (a) (**Consideration**): The consideration payable by the Company to ADX for ADXM comprises:
  - (i) the allotment and issue to ADX of 25 million Shares (**Consideration Shares**); and
  - (ii) the reimbursement to ADX in cash of an amount equal to the aggregate balance of certain reimbursable expenses at the close of business on the settlement date.
- (b) (**Conditions**): The Share Sale Agreement does not become binding until the following outstanding conditions are satisfied:
  - (i) the Company has obtained written confirmation from the ASX that it has satisfied all conditions relating to its admission to the Official List;
  - (ii) the Company and ADX have entered into a restriction agreement in relation to the Consideration Shares; and
  - (iii) the Company has given notice to ADX that it is satisfied that no event, change, condition, matter, result or circumstance has occurred, been disclosed or become known to the Company that may have a material adverse effect on the Company.
- (c) (**Representations and Warranties**): Both parties provide representations and warranties considered standard for a share sale agreement.
- (d) (**Assignment**): Neither party is entitled to assign its rights under the Share Sale Agreement without the prior written consent of the other party.

### 12.2 ADX Tenement Sale Agreement

On 20 August 2010, ADXM entered into an agreement with ADX by which ADX agrees to sell 100% of its rights, title and interest in E53/1304, E53/1305, E52/2394, E52/2395, E45/2761, E45/2764, E45/2763, M36/670, E36/215, E36/623, E36/509, M77/1078, P77/3727, P77/3728, P77/3729, M31/145, M31/157, E36/404, and M36/615 being the tenements the subject of the Millrose, Mary Mia, Telfer, Charteris Creek, Bronzewing South, Kara, Cheritons Find, Dulcie, Porphyry and West Yandal projects (**Tenements**) to ADXM (**ADX Tenement Sale Agreement**). The material terms of the ADX Tenement Sale Agreement are as follows:

- (a) (**Consideration**): In consideration for the purchase of the Tenements, ADXM must:
  - (i) pay ADX cash consideration of \$2; and

- (ii) assume all of ADX's ongoing and future rights, obligations and liabilities to the Department to the extent of ADX's interest in the Tenements, with effect from settlement of the ADX Tenement Sale Agreement.
- (b) **(Conditions):** Settlement of the transfer of the Tenements to ADXM is subject to:
  - (i) the parties obtaining all necessary regulatory and third party consents and approvals to the transfer of the granted Tenements; and
  - (ii) ADX doing all things necessary to transfer its right, interest and obligations in and to each and every valid subsisting agreement, deed or dealing in relation to the relevant Tenements.
- (c) **(Settlement):** Settlement will occur 5 business days after satisfaction (by ADX) or waiver (by ADXM) of the Conditions, or on such other date as agreed between the parties.
- (d) **(Warranties and indemnity):** ADX makes representations and warranties that are considered standard for a tenement sale agreement.
- (e) **(Transfer of title to tenement applications):** ADX must provide ADXM with a duly executed transfer of Tenement in favour of ADXM in registrable form for each Tenement application that remains outstanding as at settlement, to enable ADXM to become the registered holder of the Tenement upon grant. ADX must also execute a Power of Attorney in favour of ADXM to enable ADXM to deal with notices in relation to those Tenement applications.

### 12.3 OldCity Nominees Tenement Sale Agreement

On 12 January 2010, ADXM entered into an agreement with OldCity Nominees Pty Ltd (**OldCity Nominees**) by which OldCity Nominees agrees to sell 100% of its rights, title and interest in E77/1223, E80/4165, E80/4166 and E80/4167, being the tenements the subject of the Cheritons and Mt Webb projects (**Tenements**) to ADXM (**OldCity Nominees Tenement Sale Agreement**). The material terms of the OldCity Nominees Tenement Sale Agreement are as follows:

- (a) **(Consideration):** In consideration for the purchase of the Tenements, ADXM must:
  - (i) reimburse OldCity Nominees all expenditure incurred by OldCity on the Tenements, limited to the aggregate of direct exploration expenditure and rent actually expended on the Tenements, being an amount of approximately \$18,932; and
  - (ii) assume all of OldCity Nominees' ongoing and future rights, obligations and liabilities to the Department in respect of the relevant Tenements.
- (b) **(Condition):** The OldCity Nominees Tenement Sale Agreement is conditional upon the parties obtaining all necessary regulatory and third party consents and approvals to the transfer of the Tenements to ADXM.

- (c) **(Settlement)**: Settlement will occur 5 business days after satisfaction (by OldCity Nominees) or waiver (by ADXM) of the Condition, or on such other date as agreed.
- (d) **(Warranties and indemnity)**: OldCity Nominees makes a number of representations and warranties to ADXM considered standard for a tenement sale agreement.
- (e) **(Transfer of title to tenement applications)**: OldCity Nominees must provide ADXM with a duly executed transfer of Tenement in favour of ADXM in registrable form for each Tenement application that remains outstanding as at settlement, to enable ADXM to become the registered holder of the Tenement upon grant. OldCity Nominees must also execute a Power of Attorney in favour of ADXM to enable ADXM to deal with notices in relation to those Tenement applications.

#### 12.4 Patersons Securities Lead Manager Mandate

On 7 September 2010, the Company entered into a Mandate with Patersons Corporate Finance (**Patersons**) for the appointment of Patersons as Lead Manager of the Offer (**Mandate**). The material terms of the Mandate are as follows:

- (a) **(Consideration)**: In consideration for the services to be provided by Patersons, the Company agrees to Patersons:
  - (i) a \$40,000 corporate advisory fee (**Corporate Advisory Fee**);
  - (ii) 1% of the gross amount raised from all sources under the Offer;
  - (iii) 4% of the gross amount raised by Patersons under the Public Offer; and
  - (iv) any reasonable out of pocket expenses directly related to the transaction (**Incurred Expenses**).
- (b) **(Conditions)**: The Mandate is conditional on:
  - (i) Patersons having the opportunity to participate in, and review, the due diligence conducted the Company and a satisfactory outcome of the due diligence process;
  - (ii) the Prospectus complying with the Corporations Act, the ASX Listing Rules and the Company's Constitution;
  - (iii) a legal sign off letter being provided by Steinepreis Paganin to Patersons' satisfaction;
  - (iv) the Company conducting a series of formal presentations and roadshows, as arranged by Patersons;
  - (v) the Company not making any public statement on any matter relating to the Prospectus without Patersons' prior approval;
  - (vi) the Shares issued to ADX under the Priority Offer being escrowed for 24 months; and

- (vii) Shares issued through any seed capital raising being escrowed for 12 months.
- (c) **(Indemnity):** The Company indemnifies Patersons against any loss suffered by Patersons in respect of:
- (i) the Mandate, the Offer or any matter or activity referred to or contemplated by the Mandate;
  - (ii) any material non-compliance by the Company with any applicable law in relation to the Offer or the Prospectus;
  - (iii) any misstatement, misrepresentation, non-disclosure, inaccuracy in or omission from the Prospectus or any document accompanying the Prospectus;
  - (iv) any breach or failure by the Company to observe any of the terms and conditions of the Mandate;
  - (v) any claim under the Corporations Act or any other law;
  - (vi) any review or investigation undertaken by ASIC, ASX or any other governmental authority as a result of any failure to comply with the conditions and requirements of any law; and
  - (vii) any advertising, publicity, statements and reports in relation to the Offer made by or with the Company's consent.
- (d) **(Termination by Company):** The Company is entitled to terminate the Mandate if, at any time before subscription:
- (i) Patersons fails to rectify any material breach of the Mandate within 10 days after receiving written notice that the breach had occurred;
  - (ii) on a no fault basis, on 10 business days' prior written notice, provided that if the termination is due to dissatisfaction with Patersons' performance, the Company has given Patersons an opportunity to rectify the quality of service.
  - (iii) The Corporate Advisory Fee and any Incurred Expenses will be payable by the Company upon termination of the Mandate.

## 12.5 Executive Services Agreement – Bruce Franzen

The Company has entered into an Executive Services Agreement with Mr Bruce Franzen in relation to his appointment as an executive Director of the Company (**Executive Services Agreement**). The material terms of the Executive Services Agreement are as follows:

- (a) **(Term):** the initial term of Mr Franzen's appointment is 3 years commencing on the date the Company is admitted to the Official List, with an extension of a further 4 years at the Company's election.
- (b) **(Remuneration):** the Company will pay Mr Franzen a base salary of \$250,000 per annum plus statutory superannuation. In addition, Mr

Franzen will be reimbursed for all reasonable expenses incurred in the performance of his duties.

- (c) **(Termination)**: each party is entitled to terminate the Executive Services Agreement without cause by giving 1 month prior written notice to the other party. Other termination rights apply which are considered standard for an executive services agreement. Upon termination of the Executive Services Agreement by the Company without cause, Mr Franzen will automatically revert to the position of non-executive Director of the Company.

## 12.6 Non-Executive Services Agreements

The Company has entered into agreements for the appointment of Messrs Jeffrey Moore, Andrew Childs and Wolfgang Zimmer as non-executive Directors of the Company and Mr Ian Tchacos as non-executive Chairman of the Company. Pursuant to these agreements, Messrs Moore, Childs and Zimmer will each be paid \$30,000 per annum plus statutory superannuation for their appointment as non-executive Directors and Mr Tchacos will be paid \$50,000 per annum plus statutory superannuation for his appointment as non-executive Chairman to the Company.

## 12.7 Deeds of Indemnity, Insurance and Access

The Company has entered into a Deed of Indemnity, Insurance and Access with each of its Directors.

Under these Deeds, the Company agrees to indemnify each officer to the extent permitted by the Corporations Act against any liability arising as a result of the officer acting as an officer of the Company. The Company is also required to maintain insurance policies for the benefit of the relevant officer and must allow the officers to inspect board papers in certain circumstances.

## 12.8 Advisory Mandate

Zen Magnolia Pty Ltd (**Zen Magnolia**), an entity of which Mr Bruce Franzen is a Director and shareholder, has entered into an Advisory Mandate with ADXM (being the entity to be acquired by the Company pursuant to the Share Sale Agreement described in Section 12.1 above) pursuant to which Zen Magnolia is engaged to provide corporate advisory services to ADXM in relation to this Prospectus and the Company's proposed admission to the Official List (**Advisory Mandate**). The material terms of the Advisory Mandate include:

- (a) **(Term)**: the initial term commenced on 23 March 2010 for a period of 3 months, a second term commenced on 23 June 2010 for a period of 3 months and the current term commenced on 23 September 2010 for a further 3 months, or such longer period as agreed.
- (b) **(Fees)**: ADXM agrees to pay Zen Magnolia ongoing corporate advisory fees of \$16,000 per month, payable monthly in arrears. In addition, Zen Magnolia is entitled to receive a completion fee of 600,000 Riedel Shares upon the successful admission of the Company to the Official List. Zen Magnolia will also be reimbursed for all reasonable expenses incurred in the provision of the services.

- (c) **(Termination)**: Either party is entitled to terminate the Advisory Mandate without cause on 7 days' prior notice. The Advisory Mandate will be terminated upon the Company's admission to the Official List, at which time, the Executive Services Agreement described in Section 12.5 above will govern the provision of executive services by Mr Bruce Franzen to the Company.
- (d) **(Indemnity)**: ADXM indemnifies Zen Magnolia from all material loss suffered or incurred directly or indirectly in connection with the services rendered to ADXM under the Advisory Mandate.

## 12.9 Material tenement agreements

### 12.9.1 Mary Mia Project

#### **Heads of Agreement**

Pursuant to a Heads of Agreement dated 12 April 2010 between ADX and Galtrad Pty Ltd (**Galtrad**) in relation to E52/2394 and E52/2395 (Mary Mia Project) (**Tenements**) (as assigned to ADXM on 20 May 2010) (**Heads of Agreement**), Galtrad is entitled to a 10% free carried interest in relation to the portions of former E52/592 and E52/594 that are contained within the Tenements. The free carry continues up to a decision to mine, whereby Galtrad will contribute in accordance with its equity interest or dilute pro rata. Galtrad agrees to dilute its free carried interest to a 5% interest in relation to nickel and associated minerals should ADXM negotiate a joint venture with a third party for those commodities.

#### **Mary Mia Native Title Agreement**

On 7 October 2010, ADXM and the Yamatji Marlpa Aboriginal Corporation as agent for the Yugunga-Nya Claim Group (**Claim Group**) entered into a Heritage Agreement to protect the native title rights in relation to E52/2394 and E52/2395 (Mary Mia Project) (**Tenements**) (**Mary Mia Native Title Agreement**). The purpose of the Mary Mia Native Title Agreement is to ensure the grant of the Tenements without objection by Claim Group on the condition that the grant of the Tenements is in compliance with the provisions of the Heritage Act and Federal Heritage Act. The key terms of the Mary Mia Native Title Agreement are as follows:

- (a) **(Term)**: The Mary Mia Native Title Agreement terminates when ADXM ceases to hold an interest in the Tenements.
- (b) **(Reporting)**: ADXM must provide quarterly updates to the Claim Group, including a scope of works outlining the nature, location and timing of exploration activities on the Tenements proposed for the forthcoming year. The scope of works must also set out the type of heritage survey required by ADXM. The Claim Group must raise any cultural heritage concerns it has arising from ADXM's proposal to conduct the relevant exploration activity.
- (c) **(Assignment)**: ADXM may assign all or part of its rights to the Tenements, but first must procure a signed deed of assignment and assumption by which the assignee agrees to be bound by the provisions of the Mary Mia Native Title Agreement and to assume and perform ADXM's obligations.

- (d) **(Termination)**: The Mary Mia Native Title Agreement can be terminated by mutual agreement of the parties, as a result of a material breach of the agreement by either party or where ADXM ceases to hold any interest in any of the Tenements.

### ***Mary Mia Heritage Agreement***

Gingirana Pty Ltd as agent for the registered native title claimants for the Gingirana Claim WAD6002/03 (**Native Title Claim Group**), ADXM and ADX (collectively the **Explorer**) entered into an Exploration and Prospecting Deed of Agreement to protect the Aboriginal sites and Aboriginal objects located within E52/2395 (**Tenement**) that are subject to the provisions of the Heritage Act (**Mary Mia Heritage Agreement**). The material terms of the Mary Mia Heritage Agreement are as follows:

- (a) **(Term)**: The Mary Mia Heritage Agreement will come to an end when the Explorer ceases to hold an interest in the Tenement.
- (b) **(Non ground disturbing activity)**: At least 21 days before conducting any non ground disturbing activity on the Tenement, ADXM must first notify the Native Title Party of the proposed activity in a work programme, and seek to resolve any concerns notified by the Native Title Party to ADXM.
- (c) **(Ground disturbing activity)**: At least 90 days before conducting any ground disturbing activity on the Tenement, ADXM first notify the Native Title Party of the proposed activity in a work program. The ground disturbing activity may be undertaken if:
- (i) to the extent an ethnographic and/or archaeological survey of the work areas identified in the work program (**Survey**) is required, that Survey has been conducted; or
  - (ii) a Survey is not required.
- (d) **(Assignment)**: ADXM is entitled to assign all or part of its interest in the Tenement or the Mary Mia Heritage Agreement provided that it notifies the Native Title Party in writing of the name of the proposed assignee at least 28 days before the assignment and the proposed assignee executes a deed of assumption by which it assumes, to the extent of the assignment, ADXM's obligations under the Mary Mia Heritage Agreement

## **12.9.2 Millrose Project**

### ***Millrose Heritage Agreement***

The Wiluna Native Title Claim Group (**Native Title Claim Group**) and ADXM have entered into an Exploration and Prospecting Deed of Agreement to protect the Aboriginal sites and Aboriginal objects within E53/1304 and E53/1305 (**Tenements**) that are the subject to the provisions of the Heritage Acts (**Millrose Exploration Agreement**). The material terms of the Millrose Heritage Agreement are as follows:

- (a) **(Term)**: The Millrose Heritage Agreement terminates when ADXM ceases to hold an interest in the Tenements.

- (b) **(Non ground disturbing activity):** At least 21 days before conducting any non ground disturbing activity on the Tenements, ADXM must notify the Native Title Party of the proposed non ground disturbing activity in a work programme and resolve any concerns that the Native Title Claim Group notifies ADXM of in relation to the work programme.
- (c) **(Ground disturbing activity):** At least 90 days before conducting any ground disturbing activity on the Tenements, ADXM must notify the Native Title Party of the proposed ground disturbing activity in a work programme. The ground disturbing activity may only be undertaken if:
  - (i) to the extent an ethnographic and/or archaeological survey of the work areas identified in the work program **(Survey)** is required, that Survey has been conducted; or
  - (ii) a Survey is not required.
- (d) **(Assignment):** ADXM is entitled to assign all or part of its interest in the Tenements or the Millrose Heritage Agreement, provided that it notifies the Native Title Party in writing of the name of the proposed assignee at least 28 days before the assignment and the proposed assignee executes a deed of assumption by which it assumes, to the extent of the assignment, ADXM's obligations under the Millrose Exploration Agreement.

### 12.9.3 Mt Webb Project

#### ***Mt Webb Land Access Agreement***

On 24 May 2010, a Mineral Exploration and Land Access Deed of Agreement was entered into between ADXM, Tjamu Tjamu (Aboriginal Corporation) RNTBC on behalf of the Kiwirrkura People, **(Native Title Party)**, Ngaanyatjarra Land Council (Aboriginal Corporation) **(Land Council)**, ADX and Old City Nominees Pty Ltd (together, the **Explorer**) in relation to E80/4166, E80/4167 and E80/4429 **(Tenements)** **(Mt Webb Land Access Agreement)**.

- (a) **(Term):** The Mt Webb Land Access Agreement can be terminated by mutual agreement between the parties, as the result of a default by either party or where the Explorer no longer holds any interest in the Tenements.
- (b) **(Conditions):** The Explorer, and any of its representatives, can enter the land in relation to the Tenements, on condition that they:
  - (i) comply with any rules established by the Native Title Party from time to time;
  - (ii) not photograph, video or make any picture or representation of any cave paintings, Aboriginal site, Aboriginal object or Aboriginal ceremony without the prior consent of the Native Title Party;
  - (iii) not photograph, video or make any picture or representation of an Aboriginal person unless they obtain that persons consent;

- (iv) not enter upon, damage or interfere with any Aboriginal sites or objects;
  - (v) at all times carry their identification card issued to them under the Mt Webb Land Access Agreement;
  - (vi) remain within, and carry out works, in the areas allowed under the Mt Webb Land Access Agreement; and
  - (vii) behave with respect towards the traditional owners of the land.
- (c) **(Environmental protection):** The Explorer must use its best endeavours to preserve and protect the environment and repair any damage to the environment by progressively rehabilitating and revegetating any disturbed areas of the Tenements.
- (d) **(Employment):** The Explorer must use its best endeavours to give employment and contract preferences to Kiwirrkura people.
- (e) **(Indemnity):** The Explorer indemnifies the Land Council, the Native Title Party and their employees, agents and contractors in respect of all actions arising out of the act or omission within the Tenements and on the party of ADX or its employees.
- (f) **(Assignment):** The Explorer must not assign its rights or interests under the Mt Webb Land Access Agreement without the Native Title Party's prior written consent.
- (g) **(Termination):** The Mt Webb Land Access Agreement can be terminated by:
- (i) mutual agreement between the parties;
  - (ii) either party, where the Explorer no longer holds any interest in the Tenements; or
  - (iii) the Native Title Party, if the Explorer materially breaches any of the conditions of the Mt Webb Land Access Agreement.

#### 12.9.4 Other Projects

##### ***Farm-in Joint Venture to the Bronzewing South and Kara Tenements***

Navigator (Bronzewing) Pty Ltd (**Navigator**), ADX and Hot Holdings Pty Ltd (**Hot Holdings**) are parties to a Joint Venture Agreement in relation to E36/215, E36/623 and E36/509 (**Bronzewing South/Kara Tenements**) dated 22 August 2007 (**Joint Venture Agreement**).

The parties intend to terminate the Joint Venture Agreement and enter into a new agreement between Navigator, ADXM (instead of ADX) and Hot Holdings which is proposed to include the Delaney Well tenement (being E36/734) and an additional Bronzewing South tenement (being M36/670) in addition to the Bronzewing South/Kara Tenements (collectively the **Tenements**) (**New Joint Venture Agreement**). Under the New Joint Venture Agreement, it is proposed that:

- (a) **(Earn in)**: Navigator will be entitled to earn a 51% joint venture interest **(Initial Interest)** by incurring expenditure of \$1 million on the Tenements within 4 years from the commencement date of the New Joint Venture Agreement **(Initial Expenditure)**. The Initial Expenditure will be reduced by any money expended by Navigator on the Tenements on and from 1 April 2010 and prior to the date of the New Joint Venture Agreement. Navigator will be entitled to earn a further 19% joint venture interest (to acquire a total joint venture interest of 70%) by incurring further expenditure of \$1 million on exploration within 2 years of earning the Initial Interest.
- (b) **(Minimum expenditure)**: Navigator may not withdraw from the New Joint Venture Agreement prior to earning the Initial Interest unless it has incurred minimum expenditure of \$250,000, of which \$50,000 must be expended on E36/734.

The material terms of the current Joint Venture Agreement as it applies to the Bronzewing South/Kara Tenements are as follows:

- (a) **(Commencement)**: The Joint Venture Agreement commenced on 1 September 2007.
- (b) **(Earn in)**: Navigator is entitled to earn a 51% joint venture interest **(Initial Interest)** by incurring expenditure of \$1.5 million on the Bronzewing South/Kara Tenements on or before 31 August 2011. Navigator is entitled to earn a further 19% joint venture interest (to acquire a total joint venture interest of 70%) by incurring further expenditure of \$1 million on exploration and feasibility studies in its own time. As at the date of this Prospectus, Navigator has not yet satisfied the earn-in commitment to acquire the Initial Interest.
- (c) **(Minimum expenditure)**: Navigator may not withdraw from the Joint Venture Agreement prior to earning the Initial Interest, unless it has incurred minimum expenditure on the Bronzewing South/Kara Tenements of \$200,000.
- (d) **(Assignment)**: Neither ADX nor Hot Holdings is entitled to transfer or otherwise dispose of its interest in the Bronzewing South/Kara Tenements before Navigator has earned the Initial Interest, unless Navigator fails to earn the Initial Interest by 31 August 2011.
- (e) **(Pre-emptive rights)**: Upon acquiring the Initial Interest, Navigator shall hold a pre-emptive right over ADX's interest in the Bronzewing South/Kara Tenements in the event that ADX decides to sell all or part of its interest in any of the Bronzewing South Tenements/Kara to a third party.
- (f) **(Transfer of Hot Holdings interest)**: Hot Holdings will transfer its interest in the Bronzewing South/Kara Tenements to Navigator and/or ADX for no consideration if Navigator earns the 51% joint venture interest in the Bronzewing South/Kara Tenements.
- (g) **(Warranties)**: ADX and Hot Holdings warrant that there are no claims, royalties, caveats, security interest, environmental liabilities or contamination or any other outstanding issues associated with any of the Bronzewing South/Kara Tenements.

- (h) **(Free carried)**: ADX will be free carried on all further exploration to commencement of mining on each separate Bronzewing South/Kara Tenement if Navigator earns a 70% joint venture interest in the Bronzewing South/Kara Tenements in accordance with the Joint Venture Agreement.

#### **Letter Agreement Relating to Cheritons Find E77/697 (MLA 77/1078)**

Pursuant to a letter agreement dated 26 August 2004, Sons of Gwalia Ltd subsidiaries Gasgoyne Gold Mines N.L. (Administrators Appointed) and Orion Resources N.L. (Administrators Appointed), granted ADXM a 10% free carried interest in M77/1078 to completion of a feasibility study. M77/1078, which is now being applied for in the name of St Barbara Limited, is the subject of the Deed Relating to Cheritons Find – E77/1793, described below.

#### **Deed Relating to Cheritons Find E77/1793**

St Barbara Limited (**SBM**) and ADXM have entered into a Deed pursuant to which SBM agrees to withdraw its application for M77/1078 in lieu of ADXM's application for an overlapping tenement (being E77/1793) (**Overlapping Tenement**). In consideration for the withdrawal of M77/1078, ADXM agrees to grant SBM a royalty equal to 2% of the gross proceeds actually received by ADXM from the sale or other disposal of minerals extracted from the Overlapping Tenement (**Royalty**) and will assume SBM's obligations under a Royalty Deed dated 29 March 2005 between SBM and International Royalty Corporation (an entity registered in Colorado, USA) (**IRC**) (including SBM's obligation to pay IRC a 1.5% gross revenue royalty in respect of the ground the subject of the Overlapping Tenement).

#### **Porphyry Royalty Deed**

Pursuant to a Royalty Deed dated 16 February 1995 (as assigned), Saracen Gold Mines Pty Limited must pay ADXM a royalty in respect of M31/145 and M31/157 (**Tenements**) equal to \$0.30 per dry tonne for each tonne of ore mined and treated from the Tenements which exceeds the first 20,000 ounces of refined gold. In the event that 500,000 ounces of gold are produced and recovered from the Tenements, then the royalty payable to ADXM thereafter will be equal to \$0.40 per dry tonne for each tonne of ore mined and treated from the Tenements which exceeds the first 500,000 ounces of recovered gold.

#### **Dulcie Farm-in and Joint Venture Agreement**

ADXM retains a 20% free-carried interest in Dulcie Project tenements P77/3727, P77/3728 and P77/3729 (**Tenements**) pursuant to the terms of a Joint Venture Agreement dated 22 July 1992 between Gascoyne Gold Mines NL (**GGM**), Orion Resources NL (**Orion**) and ADX (as assigned to ADXM). The Dulcie Joint Venture Agreement continues until:

- (a) terminated by unanimous agreement between all parties;
- (b) all parties except one have withdrawn from the Joint Venture Agreement;
- (c) there is only 1 party remaining (for any reason); or
- (d) 30 June 2050,

whichever is earlier.

***West Yandal Venus Sale Agreement and Royalty***

Pursuant to an agreement dated 28 March 2007 relating to the sale by ADX of E36/404 and M36/615 (West Yandal Project) (**Tenements**) to View Gold Pty Ltd (as assigned to Navigator (Bronzewing) Pty Ltd (**Navigator**), Navigator must pay ADXM the following royalties:

- (a) a gold royalty, being the amount of gold in ounces, multiplied by 5% of the weighted average price per ounce of gold received by Navigator from the Tenements, subtracting \$700; and
- (b) a net smelter return royalty being equal to 1% of the net smelter return for each quarter.

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## 13. ADDITIONAL INFORMATION

### 13.1 Employee Incentive Option Scheme

The Board has adopted an employee incentive option scheme (**Scheme**). The objective of the Scheme is to provide the Company with a remuneration mechanism to motivate and reward the performance of management and key personnel (including Directors of the Company) and align their interests with the interests of Shareholders.

(a) **Eligibility**

The Board may invite full or part time employees and Directors of, and consultants to, the Company or an Associated Body Corporate to participate in the Scheme (**Eligible Employee**).

Eligible Employees do not possess any right to participate in the Scheme, as participation is solely determined by the Board.

(b) **Offer of Scheme Options**

The Scheme will be administered by the Board which may, in its absolute discretion, offer Scheme Options to any Eligible Employee from time to time as determined by the Board and, in exercising that discretion, may have regard to some or all of the following considerations:

- (i) the Eligible Employee's length of service with the Company;
- (ii) the contribution made by the Eligible Employee to the Company;
- (iii) the potential contribution of the Eligible Employee to the Company; or
- (iv) any other matter the Board considers relevant.

(c) **Number of Scheme Options**

The number of Scheme Options to be offered to an Eligible Employee will be determined by the Board in its discretion and in accordance with the rules of the Scheme and applicable law.

(d) **Conversion**

Each Scheme Option is exercisable into one Share in the Company ranking equally in all respect with the existing issued Shares in the Company.

(e) **Consideration**

Scheme Options will be issued for no consideration.

(f) **Exercise price**

The exercise price for Scheme Options offered under the Scheme will be determined by the Board.

(g) **Exercise conditions**

The Board may impose conditions, including performance-related conditions, on the right of a participant to exercise Scheme Options granted under the Scheme.

(h) **Exercise of Scheme Options**

A participant in the Scheme will be entitled to exercise their Scheme Options in respect of which the exercise conditions have been met provided the Scheme Options have not lapsed and the exercise of the Scheme Options will not result in the Company contravening ASIC Class Order 03/184. A holder may exercise Scheme Options by delivering an exercise notice to the Company secretary along with the Scheme Options certificate, and paying the applicable exercise price of the Scheme Options multiplied by the number of Scheme Options proposed to be exercised.

Within ten Business Days of receipt of the required items, the Company will, subject to the ASX Listing Rules, issue to the participant the relevant number of Shares.

(i) **Cessation of employment**

If the participant in the Scheme ceases to be an employee or Director of, or render services to, the Company or an Associated Body Corporate for any reason (other than by death, permanent disability or permanent retirement from the workforce) prior to the lapse of the Scheme Options, and the exercise conditions attaching to the Scheme Options have been met, the participant will be entitled to exercise their Scheme Options in accordance with the Scheme for a period of up to 28 days after the date of the cessation event.

(j) **Death, permanent disability or retirement**

If the participant in the Scheme dies, becomes permanently disabled or permanently retires from the workforce as an employee or Director of, or consultant to, the Company prior to the lapse of the Scheme Options, the participant, or the participant's legal personal representative, will be entitled to exercise their Scheme Options in accordance with the Scheme rules for the period commencing on the date of the cessation event and ending on the first to occur of the date of lapsing of the Scheme Options and the date which is six months after the date of the cessation event.

(k) **Lapse of Scheme Options**

Scheme Options held by a participant in the Scheme will lapse immediately if:

- (i) the Scheme Options have not been exercised by the date which is two years after the date of issue, or such other date as the Board determines in its discretion at the time of issue of the Scheme Options;

- (ii) the exercise conditions attaching to the Scheme Options are unable to be met; or
- (iii) the holder ceases to be an employee or Director of, or consultant to, the Company or an Associated Body Corporate and the deadline set out in paragraph (i) or (j) has passed.

(l) **Participation in Rights Issues and Bonus Issues**

The Scheme Options granted under the Scheme do not give the holder any right to participate in rights issues or bonus issues unless Shares are allotted pursuant to the exercise of the relevant Scheme Options prior to the record date for determining entitlements to such issue. The number of Shares issued on the exercise of Scheme Options will be adjusted for bonus issues made prior to the exercise of the Scheme Options.

(m) **Reorganisation**

The terms upon which the Scheme Options will be granted will not prevent the Scheme Options being reorganised as required by the ASX Listing Rules on the reorganisation of the capital of the Company.

(n) **Limitation on offers**

If the Company makes an offer under the Scheme where:

- (i) the total number of Shares to be received on exercise of Scheme Options the subject of that offer exceeds the limit set out in ASIC Class Order 03/184; or
- (ii) the Offer does not otherwise comply with the terms and conditions set out in ASIC Class Order 03/184,

the Company must comply with Chapter 6D of the Corporations Act at the time of that offer.

(o) **Trigger event**

If any of the following events occur:

- (i) the Company is subject to a takeover bid;
- (ii) the Company proposes a scheme of arrangement with its members under Part 5.1 of the Corporations Act; or
- (iii) a person, or group of associated persons, becomes entitled to sufficient Shares to give him or them the ability, in general meeting, to replace all or a majority of the Board, where such ability was not already held by a person associated with such a person or group of persons,

then the Board may:

- (iv) determine that Scheme Options may be exercised at any time from the date of such event so as to permit the holder to participate in the change of control arising from the event; or

- (v) use its reasonable endeavours to procure that an offer is made to holder of Scheme Options on like terms to the terms proposed in such event.

## 13.2 Performance Rights Plan

The Board has adopted a performance rights plan (**Plan**) for the issue of performance rights (**Performance Rights**). The following is a summary of the key terms and conditions of the Plan:

- (a) The Plan is open to any full time or part time employee or consultant of the Company (including its subsidiaries) who is declared by the Board to be eligible to receive grants of Performance Rights under the Plan.
- (b) A Performance Right is an entitlement to a Share, subject to satisfaction of achievement criteria and the corresponding obligation of the Company to provide the Share.
- (c) A Performance Right granted under the Plan will not vest until the vesting conditions imposed by the Board are satisfied. If the vesting conditions are not satisfied, the Performance Rights will lapse and the holder will have no entitlement to any Shares.
- (d) The Board may, at its absolute discretion and only where a participant continues to satisfy any relevant conditions imposed by the Board, grant Performance Rights to participants with effect from the date determined by the Board, upon the terms set out in the Plan and upon such additional terms and vesting conditions as the Board determines.
- (e) Unless the Board determines otherwise, participants will not be liable to make payment for Performance Rights granted to them.
- (f) Performance Rights are transferable only with consent of the Board.
- (g) The Company shall not make an offer to grant Performance Rights where the number of Shares to be issued on exercise of the Performance Rights the subject of the offer aggregated with the total number of Shares to be issued on exercise of all Performance Rights outstanding as at the date of the purported offer exceeds 10% of the undiluted number of Shares on issue in the Company as at the date of the purported offer.
- (h) The exercise of any vested Performance Right will be effected in the form and manner determined by the Board, and, if an amount is payable on vesting of the Performance Right, will be accompanied by payment of that amount, unless the manner of payment of that amount is otherwise provided for by the Board.
- (i) Subject to paragraph (i), a Performance Right will lapse upon the earlier to occur of:
  - (i) failure to satisfy the applicable vesting conditions;
  - (ii) the date specified by the Board as the expiry date;

- (iii) the holder purporting to transfer the Performance Right otherwise than with the consent of the Board or by force of law;
  - (iv) the employment of the holder ceasing, where such a condition was imposed on the grant of the Performance Rights;
  - (v) in the opinion of the Board, the holder commits any fraudulent or dishonest act or is in breach of his or her obligations to the Company or its subsidiary; and
  - (vi) the seven year anniversary of the date of grant of the Performance Rights.
- (j) The Board may, in its absolute discretion, determine that all or a specified number of a holder's unvested Performance Rights vest despite the occurrence of an event stipulated in paragraph (h) above.
  - (k) The Company must issue to or procure the transfer to the participant the number of Shares in respect of which vested Performance Rights are exercised, within a reasonable time after a Performance Right is exercised.
  - (l) All Shares allotted under the Plan rank equally with other Shares on issue at the time those Shares are provided and carry the same rights and entitlements as those conferred by other Shares.
  - (m) Shares issued on exercise of Performance Rights may be subject to restrictions on transfer, unless the participant requests that the Company waives those restrictions and that request is approved by the Company.
  - (n) The Board may, in its absolute discretion, determine that all or a specified number of a holder's Performance Rights automatically vest in the event of:
    - (i) a takeover bid in respect of the Company under Chapter 6 of the Corporations Act is made;
    - (ii) a person, or group of associated persons, becomes entitled to sufficient Shares to give him or them the ability, in general meeting, to replace all or a majority of the Board, where such ability was not already held by a person associated with such a person or group of persons;
    - (iii) a Court orders a meeting to be held in relation to a proposed compromise or arrangement for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies;
    - (iv) any person becomes bound or entitled to acquire shares in the Company under section 414 or Chapter 6A of the Corporations Act;
    - (v) the Company passes a resolution for voluntary winding up; or

- (vi) an order is made for the compulsory winding up of the Company, and

such a determination shall be notified to the holder in writing. If no determination is made or if the Board determines that some or all of a holder's Performance Rights do not vest, those Performance Rights shall automatically lapse.

- (o) If Shares are issued pro-rata to Shareholders generally by way of bonus issue (other than an issue in lieu of dividends or by way of dividend reinvestment) involving capitalisation or reserves or distributable profits, the number of Performance Rights to which each holder is entitled, or any amount payable on vesting of the Performance Rights, or both as appropriate, will be adjusted in the manner determined by the Board to ensure that no advantage accrues to the holder as a result of the bonus issue and in any event in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the bonus issue.
- (p) In the event of any reorganisation (including consolidation, subdivision, reduction or return) of the issued capital of the Company, the number of Performance Rights to which each Participant is entitled, or any amount payable on vesting of the Performance Rights, or both as appropriate, will be adjusted in the manner determined by the Board to ensure that no advantage or disadvantage accrues to the holder as a result of such corporate actions and in any event in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reorganisation.
- (q) Subject to paragraphs (o) and (p), there are no participating rights or entitlements inherent in the Performance Rights and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Performance Rights unless the vesting conditions have been satisfied and the relevant Shares have been issued prior to the records date for determining entitlements. However, the Company will give notice to the holders of any new issues of capital prior to the records date for determining entitlements.
- (r) The Board may at any time by resolution amend all or any of the provisions of the Plan, or the terms or conditions of any Performance Right granted under the Plan.
- (s) Without the consent of the participant, no amendment may be made to the terms of any granted Performance Right which reduces the rights of the participant in respect of that Performance Right, other than an amendment:
  - (i) for the purpose of complying with or conforming to present or future State or Commonwealth legislation governing or regulating the maintenance or operation of the Plan or like plans;
  - (ii) to correct any manifest error or mistake; or
  - (iii) to take into consideration possible adverse tax implications in respect of the Plan arising from, amongst others, adverse rulings from the Commissioner of Taxation, changes to tax legislation

(including an official announcement by the Commonwealth of Australia) and/or change in the interpretation of tax legislation by a court of competent jurisdiction.

- (f) The holder of Performance Rights does not have any entitlement to vote at a general meeting of Shareholders.

### **13.3 Rights attaching to Shares**

The principal rights, privileges and restrictions attaching to Shares offered under this Prospectus are as follows:

#### **(a) General meetings**

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with Section 249D of the Corporations Act and the Constitution of the Company.

#### **(b) Voting rights**

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at general meetings of Shareholders or classes of shareholders:

- (i) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (ii) on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote; and
- (iii) on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each fully paid share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the Share, but in respect of partly paid shares shall have a fraction of a vote for each partly paid share.

#### **(c) Dividend rights**

The Directors may from time to time declare a dividend to be paid to the shareholders entitled to the dividend. No dividend shall be payable except out of profits. A determination by the Directors as to the profits of the Company shall be conclusive.

#### **(d) Winding-up**

If the Company is wound up, the liquidator may, with the authority of a special resolution of the Company, divide among the Shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders or different classes of shareholders.

The liquidator may, with the authority of a special resolution, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no Shareholder is compelled to accept any shares or other securities in respect of which there is any liability.

Subject to the rights of Shareholders (if any) entitled to shares with special rights in a winding up, all monies and property that are to be distributed among Shareholders on a winding up shall be distributed in proportion to the shares held by them respectively, irrespective of the amount paid up or credited as paid up on such Shares.

(e) **Transfer of Shares**

A Shareholder may transfer all or any of his or her shares by:

- (i) market transfer in accordance with any computerised or electronic system established or recognised by the ASX Listing Rules or the Corporations Act for the purpose of facilitating dealings in shares, including a transfer that may be effected pursuant to the SCH Business Rules or other electronic transfer process; or
- (ii) an instrument which is:
  - (A) in writing in any usual or common form or in any other form that the Directors approve;
  - (B) a sufficient instrument of transfer of marketable securities under the Corporations Act;
  - (C) in a form approved by ASX; or
  - (D) in any other usual or common form.

(f) **Variation of rights**

Subject to the ASX Listing Rules, if at any time the share capital of the Company is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may be varied, whether or not the Company is being wound up, with the consent in writing of holders of three quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class. Any variation of rights shall be subject to Sections 246B to 246E of the Corporations Act.

### 13.4 **Terms and conditions of Options**

The Options on issue in the Company as at the date of the Prospectus entitle the holder to subscribe for Shares on the following terms and conditions:

- (a) Each Option will lapse if not exercised on or before 30 June 2014 (**Expiry Date**).
- (b) The exercise price for each Option is \$0.30 (**Exercise Price**).

- (c) Each Option shall entitle the holder of the Option (**Holder**) to subscribe for and to be allotted one fully paid ordinary share in the capital of the Company upon exercise of the Option and payment to the Company of the Exercise Price.
- (d) An Option may be exercised by the Holder at any time prior to the Expiry Date by sending a completed and signed notice of exercise, together with the payment of the Exercise Price for each Option exercised and the statement for the Option, to the Company's Registered Office. If the Holder holds more than one Option, the Options may be exercised in whole or in part.
- (e) A notice of exercise is only effective when the Company has received the full amount of the Exercise Price in cash or cleared funds for each of the Options Exercised.
- (f) Subject to any restrictions in the ASX Listing Rules, within 14 days of receipt of a properly executed notice of exercise and the required Exercise Price, the number of Shares specified in the notice will be allotted.
- (g) Each statement will bear a suitable form of notice of exercise of the Options, endorsed on the back of the statement, for completion by the Holder (if required). If the Options comprised in any such statement are exercised in part only, before the Expiry Date, the Company will issue the Holder with a fresh statement for the balance of the Options held and not yet exercised.
- (h) Subject to paragraph (l) below, the period during which the Options may be exercised will not be extended.
- (i) If there is a bonus issue to the holders of Shares, the number of Shares over which an Option is exercisable may be increased by the number of Shares which the Holder would have received if the Option had been exercised before the record date for the bonus issue.
- (j) There are no participating rights or entitlements inherent in the Options. The Holder will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 7 business days after the issue is announced. This will give the Holder the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.
- (k) In the event of any reconstruction (including consolidation, subdivision, reduction, cancellation or return) of the issued capital of the Company before the expiry of any Options, all rights of the option holder, will be reconstructed (as appropriate) in accordance with the Listing Rules applying to a re-organisation of capital at the time of the re-organisation.
- (l) Shares allotted pursuant to the exercise of the Options will rank equally with the then issued Shares of the Company.

- (m) The Company will not apply for quotation of the Options on ASX. However, the Company will apply for quotation of all Shares allotted pursuant to the exercise of Options on ASX within 10 business days after the date of allotment of those Shares.
- (n) Other than as set out above, an Option does not confer the right to a change in Exercise Price, or a change to the number of underlying Shares over which it can be exercised.

### 13.5 Terms and conditions of Entitlement Issue Options

The Options proposed to be issued pursuant to the Entitlement Issue will be issued on the same terms and conditions as those set out in Section 13.4 above, with the exception that:

- (a) each Option will lapse if not exercised on or before 30 November 2012;
- (b) the Company will apply for quotation of the Options on ASX;
- (c) the issue price of each Option will be \$0.01; and
- (d) the exercise price of each Option will be \$0.20.

### 13.6 Disclosure of interests

Directors are not required under the Constitution to hold any securities in the Company. As at the date of this Prospectus, the Directors have relevant interests in the Company's securities as follows:

Director	Shares	Options	Performance Rights
Mr Ian Tchacos	300,000	2,000,000	Nil
Mr Bruce Franzen	100 <sup>1</sup>	2,000,000	Nil
Mr Jeffrey Moore	Nil	Nil	Nil
Mr Andrew Childs	Nil <sup>2</sup>	2,000,000	Nil
Mr Wolfgang Zimmer	300,000	2,000,000	Nil

Notes:

Securities held are subject to escrow for a period of 24 months from admission to the Official List of the ASX.

1 As part of his remuneration under the terms of Zen Magnolia's Advisory Mandate with ADXM (refer to Section 12.8 of this Prospectus for further details of the Advisory Mandate between ADXM and Zen Magnolia), Mr Franzen (or nominee) is entitled to receive a completion fee totalling 600,000 Shares upon successful completion of the Offer and admission of the Company to the Official List.

2 As an ADX Shareholder, Mr Childs intends to subscribe for 500,000 Shares under the Priority Offer.

### 13.7 Remuneration

The Constitution provides that the remuneration of non-executive Directors will be not more than the aggregate fixed sum of \$250,000 per annum, which may be varied with the approval of Shareholders in general meeting.

The remuneration of executive Directors will be fixed by the Directors and may be paid by way of fixed salary or consultancy fee.

The proposed annual remuneration (excluding superannuation) for the non-executive Directors upon admission to the Official List is as follows:

<b>Director</b>	<b>Remuneration (\$)</b>
Mr Ian Tchacos	50,000
Mr Jeffrey Moore	30,000
Mr Andrew Childs	30,000
Mr Wolfgang Zimmer	30,000

The remuneration of the executive Director is detailed in Section 12.5 of this Prospectus.

Directors, companies associated with the Directors or their associates are also reimbursed for all reasonable expenses properly incurred in the course of conducting their duties which include, but are not in any way limited to, out of pocket expenses, travelling expenses, disbursements made on behalf of the Company and other miscellaneous expenses.

### **13.8 Fees and benefits**

Other than as set out below or elsewhere in this Prospectus, no:

- (a) Director of the Company;
- (b) person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of this Prospectus; or
- (c) promoter of the Company,

has, or had within two years before lodgement of this Prospectus with ASIC, any interest in:

- (d) the formation or promotion of the Company;
- (e) any property acquired or proposed to be acquired by the Company in connection with its formation or promotion or in connection with the offer of Shares under this Prospectus; or
- (f) the offer of Shares under this Prospectus,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of those persons as an inducement to become, or to qualify as, a Director of the Company or for services rendered in connection with the formation or promotion of the Company or the offer of Shares under this Prospectus.

Steinepreis Paganin has acted as the solicitors to the Company in relation to the Offer and has been involved in due diligence enquiries on legal matters and has prepared the Solicitor's Report on Tenements which is included in Section 10 of this Prospectus. The Company estimates it will pay Steinepreis Paganin \$70,000

(excluding GST) for these services. Subsequently, fees will be charged in accordance with normal charge out rates. The Company has not paid any fees to Steinepreis Paganin in the two years preceding lodgement of the Prospectus.

Al Maynard & Associates has acted as Independent Geologist and has prepared the Independent Geologist's Report which is included in Section 8 of this Prospectus. The Company estimates it will pay Al Maynard & Associates \$27,000 (excluding GST) for these services. The Company has not paid any fees to Al Maynard & Associates in the two years preceding lodgement of the Prospectus.

Mack & Co. has acted as Independent Accountant and has prepared the Independent Accountant's Report which is included in Section 9 of this Prospectus. The Company estimates it will pay Mack & Co. \$9,000 (excluding GST) for these services. The Company estimates it will pay \$5,500 (excluding GST) for Audit fees in respect of the year ended 30 June 2010 to Mack & Co.

BDO Chartered Accountants have prepared the Independent Valuations in respect of Options and Performance Rights issued to Directors of the Company. The Company estimates it will pay BDO Chartered Accountants \$1,262 (excluding GST) for these services. The Company estimates it will pay BDO Chartered Accountants a further \$4,000 (excluding GST) for provision of taxation advice in connection with the Offer.

Zen Magnolia Pty Ltd, a company of which Director Mr Bruce Franzen is a director and shareholder, has provided corporate consultancy services to ADXM and the Company in relation to facilitation of the Offer and preparation of the Prospectus. The Company estimates it will pay Zen Magnolia \$144,000 (excluding GST) for these services, together with the issue of 600,000 Shares (as discussed in Section 13.5 of this Prospectus) to Zen Magnolia upon the Company's admission to the Official List of the ASX. The Company has not paid any fees to Zen Magnolia in the two years preceding lodgement of the Prospectus.

Patersons Securities has acted as corporate adviser to the Company, Lead Manager to the Offer. The Company will pay Patersons Securities fees in accordance with the Mandate Agreement summarised in Section 12.4 of this Prospectus. The Company has not paid any fees to Patersons Securities in the two years preceding lodgement of the Prospectus.

### **13.9 Consents**

Each of the parties referred to in this Section:

- (a) has not authorised or caused the issue of this Prospectus;
- (b) does not make, or purport to make, any statement in this Prospectus other than those referred to in this Section; and
- (c) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section.

Steinepreis Paganin has given, and has not withdrawn, its written consent to being named as solicitor to the Company in this Prospectus and to the inclusion

of the Solicitor's Report on Tenements in Section 10 of this Prospectus in the form and context in which the report is included.

Al Maynard & Associates has given, and has not withdrawn, its written consent to being named as Independent Geologist in this Prospectus and to the inclusion of the Independent Geologist's Report in Section 8 of this Prospectus in the form and context in which the report is included.

Mack & Co. has given, and has not withdrawn, its written consent to being named as Investigating Accountant in this Prospectus and to the inclusion of the Investigating Accountant's Report in Section 9 of this Prospectus in the form and context in which the report is included.

Patersons Securities has given, and has not withdrawn, its written consent to being named as corporate adviser to the Company in this Prospectus.

Computershare Investor Services Pty Limited has given, and has not withdrawn, its written consent to being named as Share Registry to the Company in this Prospectus.

### **13.10 Restricted securities**

ASX has indicated that certain existing security holders may be required to enter into agreements which restrict dealings in securities held by them. These agreements will be entered into in accordance with the ASX Listing Rules.

### **13.11 Expenses of the Offer**

The total expenses of the Offer (excluding GST and assuming full subscription under the Offer) are estimated to be approximately \$939,000 which is expected to comprise the items set out in the table below:

<b>Item of Expenditure</b>	<b>Amount (\$)</b>
ASIC	5,000
ASX	50,000
Corporate advisory	332,000
Legal	70,000
Advisers and experts	427,000
Printing and distribution	35,000
Miscellaneous	20,000
<b>TOTAL</b>	<b>939,000</b>

### **13.12 Litigation**

As at the date of this Prospectus, the Company is not involved in any legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against the Company.

### **13.13 Electronic Prospectus**

Pursuant to Class Order 00/044, ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an electronic

prospectus and electronic application form on the basis of a paper prospectus lodged with ASIC, and the publication of notices referring to an electronic prospectus or electronic application form, subject to compliance with certain conditions.

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Form. If you have not, please contact the Company at its registered office and the Company will send you, for free, either a hard copy or a further electronic copy of the Prospectus or both.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

#### **13.14 Taxation**

The acquisition and disposal of Shares in the Company will have tax consequences, which will differ depending on the individual financial affairs of each investor. All potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Shares from a taxation viewpoint and generally.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability and responsibility with respect to the taxation consequences of subscribing for Shares under this Prospectus.

#### **13.15 Forecasts**

The Directors have considered the matters set out in ASIC Regulatory Guide 170 and believe that they do not have a reasonable basis to forecast future earnings on the basis that the operations of the Company are inherently uncertain. Accordingly, any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection.

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**14. DIRECTORS' AUTHORISATION**

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with Section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with the ASIC.

A handwritten signature in black ink, appearing to be 'BF', followed by a horizontal line extending to the right.

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**Mr Bruce Franzen  
Executive Director  
For and on behalf of  
Riedel Resources Limited**

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## 15. GLOSSARY

Where the following terms are used in this Prospectus they have the following meanings:

**A\$** or **\$** means an Australian dollar.

**ADX** means ADX Energy Ltd (ACN 009 058 646).

**ADX Shareholder** means a shareholder of ADX registered on the Record Date.

**ADXM** means AuDAX Minerals Pty Ltd (ACN 139 771 672), a wholly owned subsidiary of ADX as at the date of this Prospectus and the entity to be acquired by the Company pursuant to the terms of the Share Sale Agreement.

**Application Form** means the Application Form relating to the Priority Offer and the Public Offer attached to or accompanying this Prospectus.

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

**ASX** means ASX Limited (ACN 008 624 691) or the financial market operated by it, as the context requires.

**Associated Body Corporate** means:

- (a) a related body corporate (as defined in the Corporations Act) of the Company;
- (b) a body corporate which has an entitlement to not less than 20% of the voting Shares of the Company; and
- (c) a body corporate in which the Company has an entitlement to not less than 20% of the voting shares.

**Board** means the board of directors of the Company as constituted from time to time.

**Business Day** means a week day when trading banks are ordinarily open for business in Perth, Western Australia, excluding a Saturday, Sunday or public holiday.

**Closing Date** means the closing date of the Public Offer or the Priority Offer (as the case may be) as set out in Section 4.3.

**Company** means Riedel Resources Limited (ACN 143 042 022).

**Constitution** means the constitution of the Company.

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

**Department** means the Department of Mines and Petroleum in Western Australia.

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

**Entitlement Issue** means the proposed non-renounceable entitlement issue of Options on the basis of one (1) Option for every two (2) Shares held, to be

conducted by the Company subject to the Company's admission to the Official List, as described in Section 5.2 of this Prospectus.

**Exposure Period** means the period of seven days after the date of lodgement of this Prospectus, which period may be extended by the ASIC by not more than seven days pursuant to Section 727(3) of the Corporations Act.

**Heritage Acts** means the *Aboriginal Heritage Act 1972 (WA)* and the *Aboriginal and Torres Strait Islander Heritage Protection Act 1984 (Cth)*.

**Incentive Option Scheme** or **Scheme** means the employee incentive option scheme adopted by the Company, as summarised in Section 13.5 of this Prospectus.

**Indicated Resource** means a resource sampled by drillholes, underground openings, or other sampling procedures at locations too widely spaced to confirm the continuity of a resource but where geoscientific data is known with a reasonable level of reliability.

**Inferred Resource** means a resource inferred from geoscientific evidence, drill-holes, underground openings or other sampling procedures where lack of data is such that continuity cannot be predicted with confidence and where Geoscientific data may not be known with a reasonable level of reliability.

**Listing Rules** means the official listing rules of ASX.

**Offer** means the offer to apply for Shares under this Prospectus and includes the Priority Offer and the Public Offer.

**Official List** means the Official List of ASX.

**Official Quotation** means official quotation by ASX in accordance with the Listing Rules.

**OldCity Nominees** means OldCity Nominees Pty Ltd (ACN 064 474 415).

**Option** means an option to acquire a Share.

**Performance Right** means a right to subscribe for a Share granted under the Performance Rights Plan.

**Performance Rights Plan** or **Plan** means the plan adopted by the Company for the granting of Performance Rights, as summarised in Section 13.2 of the Prospectus.

**Priority Offer** means the offer of 10 million Shares to ADX Shareholders registered on the Record Date on the terms set out in Section 5.2 of this Prospectus.

**Projects** means the Company's exploration projects described in Section 6.2 of this Prospectus.

**Prospectus** means this prospectus.

**Public Offer** means the offer to Shareholders and investors to apply for Shares as set out in Section 5.2 of this Prospectus.

**Record Date** means the record date of the Priority Offer as set out in Section 4.3.

**Scheme Options** means Options issued under the Scheme.

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

**Share Registry** means Computershare Investor Services Pty Limited.

**Share Sale Agreement** means the agreement referred to in Section 12.1 of this Prospectus.

**Shareholder** means a holder of Shares.

**WST** means Western Standard Time as observed in Perth, Western Australia.

**Zen Magnolia** means Zen Magnolia Pty. Ltd. (ACN 122 858 413).

[APPLICATION FORM]