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FACSIMILE TRANSMISSION

DATE: 9 November 2011
FROM: Andrew Disney
Senior Associate
TO: Company Announcements
ASX Limited
Fax: 1300 135 638
SUBJECT: Stone Resources Limited – Notice of Initial Substantial Holder Form 603 for A1
Minerals Limited

OUR REF: ALD:RCS:3375-01
EMAIL: adisney@steinpag.com.au
PAGES: 60 (including this page)

MESSAGE:

Form 603 attached.

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Form 603Corporations Act 2001
Section 671B**Notice of initial substantial holder**To Company Name/Scheme A1 Minerals LimitedACN/ARSN 100 727 491**1. Details of substantial holder (1)**Name Stone Resources Limited, a company incorporated in Bermuda (Stone) and the entities listed in Annexure A.
ACN / ARSN (if applicable) N/AThe holder became a substantial holder on 7/11/2011**2. Details of voting power**

The total number of votes attached to all the voting shares in the company or voting interests in the scheme that the substantial holder or an associate (2) had a relevant interest (3) in on the date the substantial holder became a substantial holder are as follows:

Class of securities (4)	Number of securities	Persons' votes (5)	Voting power (6)
Fully paid ordinary shares (FPOS)	418,301,429	418,301,429	67.68%

3. Details of relevant interests

The nature of the relevant interest the substantial holder or an associate had in the following voting securities on the date the substantial holder became a substantial holder are as follows:

Holder of relevant interest	Nature of relevant interest (7)	Class and number of securities
Stone Resources Limited	Entitled to be registered as holder of voting shares	418,301,429 FPOS

4. Details of present registered holders

The persons registered as holders of the securities referred to in paragraph 3 above are as follows:

Holder of relevant interest	Registered holder of securities	Person entitled to be registered as holder (8)	Class and number of securities
Stone Resources Limited	Stone Resources Limited	Stone Resources Limited	418,301,429 FPOS

5. Consideration

The consideration paid for each relevant interest referred to in paragraph 3 above, and acquired in the four months prior to the day that the substantial holder became a substantial holder is as follows:

Holder of relevant interest	Date of acquisition	Consideration (9)		Class and number of securities
		Cash	Non-cash	
Stone Resources Limited	7/11/11	\$2,243,250, at an issue price of \$0.025 per FPOS in accordance with a Subscription Agreement dated 12/8/2011 as provided in Annexure B	N/A	89,730,000
Stone Resources Limited	7/11/11	N/A	Part conversion of convertible note - \$11,500,000 converted at \$0.035 per FPOS, in accordance with a Subscription Agreement dated 12/8/2011 as provided in Annexure B	328,571,429

6. Associates

The reasons the persons named in paragraph 3 above are associates of the substantial holder are as follows:

Name and ACN/ARSN (if applicable)	Nature of association
Various (Refer to Annexure A)	Various (Refer to Annexure A)

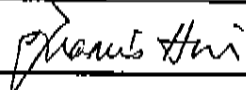
7. Addresses

The addresses of persons named in this form are as follows:

Name	Address
Stone Resources Limited	Cumberland House, 9 th Floor, 1 Victoria Street, Hamilton HM11, Bermuda
Various (Refer to Annexure A)	Various (Refer to Annexure A)

Signature

print name Mr Francis Hui
 Limited Capacity Chief Financial Officer, Stone Resources

sign here  date 9 November 2011

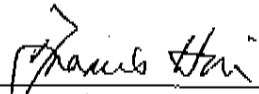
DIRECTIONS

- (1) If there are a number of substantial holders with similar or related relevant interests (eg. a corporation and its related corporations, or the manager and trustee of an equity trust), the names could be included in an annexure to the form. If the relevant interests of a group of persons are essentially similar, they may be referred to throughout the form as a specifically named group if the membership of each group, with the names and addresses of members is clearly set out in paragraph 7 of the form.
- (2) See the definition of "associate" in section 9 of the Corporations Act 2001.
- (3) See the definition of "relevant interest" in sections 608 and 671B(7) of the Corporations A.
- (4) The voting shares of a company constitute one class unless divided into separate classes.
- (5) The total number of votes attached to all the voting shares in the company or voting interests in the scheme (if any) that the person or an associate has a relevant interest in.
- (6) The person's votes divided by the total votes in the body corporate or scheme multiplied by 100.
- (7) Include details of:
 - (a) any relevant agreement or other circumstances by which the relevant interest was acquired. If subsection 671B(4) applies, a copy of any document setting out the terms of any relevant agreement, and a statement by the person giving full and accurate details of any contract, scheme or arrangement, must accompany this form, together with a written statement certifying this contract, scheme or arrangement; and
 - (b) any qualification of the power of a person to exercise, control the exercise of, or influence the exercise of, the voting powers or disposal of the securities to which the relevant interest relates (indicating clearly the particular securities to which the qualification applies).

See the definition of "relevant agreement" in section 9 of the Corporations Act 2001.
- (8) If the substantial holder is unable to determine the identity of the person (eg. if the relevant interest arises because of an option) write "unknown".
- (9) Details of the consideration must include any and all benefits, money and other, that any person from whom a relevant interest was acquired has, or may, become entitled to receive in relation to that acquisition. Details must be included even if the benefit is conditional on the happening or not of a contingency. Details must be included of any benefit paid on behalf of the substantial holder or its associate in relation to the acquisitions, even if they are not paid directly to the person from whom the relevant interest was acquired.

THIS IS ANNEXURE "A" OF 1 PAGE REFERRED TO IN THE FORM 603 DATED 9 NOVEMBER 2011

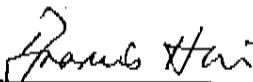
DATED THIS 9th DAY OF NOVEMBER 2011.


Mr Francis Hui
Chief Financial Officer
Duly authorised officer of
Stone Resources Limited

Associate	Basis of Association	Address
Stone Resources Limited	Section 12(2)(a)(i) of the Corporations Act — associate of Stone Resources Limited by virtue of being a wholly owned subsidiary of Stone Resources Limited	Room 2201-2202A, 22/F., Fairmont House, 8 Cotton Tree Drive, Central, Hong Kong
Springbend Investment Co., Ltd	As above	As above
Fairchild Information Services Ltd.	As above	690-4400 Hazelbridge Way, Richmond, B.C., Canada
Tanzania Sitong Resources Limited	As above	Plot No 52, Regent Estate Msasani, P.O. Box 23030, Dar Es Salaam, Tanzania

**THIS IS ANNEXURE "B" OF 56 PAGES REFERRED TO IN THE FORM 603 DATED 9
NOVEMBER 2011**

DATED THIS 9th DAY OF NOVEMBER 2011.



**Mr Francis Hui
Chief Financial Officer
Duly authorised officer of
Stone Resources Limited**

A1 MINERALS LIMITED
ACN 100 727 491
(Company)

and

STONE RESOURCES LIMITED
(Subscriber)

SUBSCRIPTION AGREEMENT

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THIS AGREEMENT is made the _____ day of _____ 2011

BETWEEN

A1 MINERALS LIMITED (AGN100 727 491) of Suite 34, 25 Walters Drive, Osborne Park Western Australia (Company);

AND

STONE RESOURCES LIMITED of Room 2201-2202A, 22/F., Fairmont House, 8 Cotton Tree Drive, Central, Hong Kong, a company incorporated in Bermuda, whose shares are listed and traded on the TSX Venture Exchange (Subscriber).

RECITALS

- A. The Subscriber has agreed to subscribe for, and the Company has agreed to issue:
- (a) the Placement Shares and the Part Placement Shares (if any);
 - (b) the SPP Placement Shares (if any); and
 - (c) the Convertible Note,
- on the terms and conditions set out in this Agreement (Subscription).
- B. The Parties have agreed to enter into this Agreement to record the terms of the Subscription.

IT IS AGREED as follows:

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Agreement, unless the context otherwise requires:

Agreement means the agreement constituted by this document and includes the Recitals, Annexures and any amendments made from time to time in accordance with this Agreement.

Allotment Date means the date that Shares are allotted in respect of a conversion of the Convertible Note, being not more than 3 Business Days after the Conversion Date (unless otherwise agreed to by the Parties).

Annexures mean the annexures to this Agreement;

ASIC means Australian Securities and Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by it, as the context requires.

ASX Listing Rules means the official Listing Rules of ASX.

Board means the board of Directors of the Company.

Business Day means a day on which trading banks are open for business in Perth, Western Australia.

Charge means a first ranking fixed and floating charge over the Company's assets and undertakings on standard commercial terms acceptable to the Subscriber to secure the Convertible Note, as referred to in clause 7.2.

Company means A1 Minerals Limited (ACN100 727 491), whose shares are listed and traded on the ASX.

Compensating Amount means an amount to compensate the Subscriber for its reasonable advisory and other costs relating to the Transactions, the cost of management time and reasonable out of pocket expenses related to the Transactions, being an amount of \$500,000 as agreed between the parties.

Competing Proposal means a proposed transaction or arrangement pursuant to which a person other than the Subscriber or its nominees would, if the proposed transaction or arrangement is entered into or completed substantially in accordance with its terms:

- (a) directly or indirectly acquire, have a right to acquire or otherwise acquire an economic interest in, all or a substantial part of the business of the Company;
- (b) acquire a relevant interest in 50% or more of the ordinary shares of the Company or otherwise acquire control of the Company within the meaning of section 50AA of the Corporations Act; or
- (c) otherwise acquire or merge with the Company whether by way of takeover offer, scheme of arrangement, shareholder approved acquisition, capital reduction, share buyback, sale or purchase of assets, joint venture, reverse takeover, dual-listed company structure or other synthetic merger or any other transaction or arrangement.

Completion means completion of the subscription for, and issue of the Placement Shares and the Convertible Note in accordance with this Agreement.

Completion Date means 5 Business Days after the Conditions are satisfied or waived (or such other date as is agreed in writing between the Parties).

Conditions means the conditions set out in clause 3.1.

Constitution means the constitution of the Company.

Conversion Date means the date of delivery of a Conversion Notice by the Subscriber to the Company in accordance with the terms of this Agreement.

Conversion Notice means the conversion notice in the form set out in Annexure 2.

Conversion Price means:

- (a) if the Conversion Notice is provided more than 12 months after the Completion Date, \$0.06; and

(b) if the Conversion Notice is provided within 12 months after the Completion Date, \$0.035;

subject to any adjustment in accordance with this Agreement.

Convertible Note means a redeemable convertible note issued to the Subscriber on the terms set out in this Agreement.

Convertible Note Application Form means the application form set out in Annexure 1.

Convertible Note Subscription Amount means the amount of \$12,000,000 or, if agreed by the Parties no later than 2 Business Days before the Completion Date, such lesser amount of at least \$10,000,000.

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

Director or Directors means a director of the Company for the time being or any one or more of them who has or have authority to act for the Company.

Encumbrance means a mortgage, pledge, lien, charge, assignment, hypothecation, secured interest, title retention arrangement, preferential right or other arrangement (including a conditionally repayable deposit or "flawed asset" arrangement), trust or power, in each case having the same or a similar commercial effect as a grant of security, and any agreement to create or give any such arrangements.

End Date means 30 November 2011 or such other date as may be mutually agreed between the Parties.

Event of Default means any of the events or circumstances described in clause 16.1.

Exclusivity Period means the period commencing on the Execution Date and ending on the earlier of the Completion Date or the date this Agreement is lawfully terminated.

Execution Date means the date the last of the Parties executes this Agreement.

Face Value means an amount equal to:

- (a) The Convertible Note Subscription Amount;
- (b) plus any amounts of accrued interest capitalised in accordance with this Agreement;
- (c) less that portion or those portions of the Convertible Note that have been previously repaid or converted in accordance with this Agreement.

Governmental Agency means the Crown in right of the Commonwealth, State or Territory, any government, any governmental ministry or department, or any Crown, governmental, semi governmental, statutory, parliamentary, administrative, fiscal, public, municipal, local, judicial or regulatory entity, agency, instrumentality, utility, authority, court, commission, body or tribunal.

Interest Payment Date means the date on which interest on the Convertible Note will be payable each quarter in arrears, being 31 March, 30 June, 30 September and 31 December of each year.

Maturity Date means the date that is 2 years from the Completion Date.

Mining Information means originals or copies of plans, maps, drawings, diagrams, flow sheets, records, reports and documents (whether in written, computer or electronically readable form) and prospecting and exploration information, geological, geophysical and technical information, aeromagnetic data, drill logs, drill chips, drill core and samples (including drill pulps) that are in the possession or custody of, or under the control of, the Company and which relate in any way to the Tenements.

Monies Payable means, at any particular time, the Face Value and accrued interest on the Convertible Note which has not been repaid, capitalised or converted into Shares.

NI 43-101 means National Instrument 43-101 – *Standards of Disclosure for Mineral Projects*.

Nominee Director means a person or persons nominated by the Subscriber to act as a director or directors to the Company, in accordance with clause 20.1 and clause 20.2.

Note Certificate means a certificate for the Convertible Note substantially in the form of Annexure 3.

Part Placement means a placement of the Part Placement Shares to the Subscriber in accordance with clause 6.3 of this Agreement.

Part Placement Shares means 30,000,000 Shares at an issue price of \$0.025 per Share.

Part Placement Waiver has the meaning given in clause 3.5 of this Agreement.

Party means a party to this Agreement and **Parties** means all of the parties to this Agreement.

Permitted Encumbrance means an Encumbrance which:

- (a) is a possessory lien arising by operation of law in the ordinary course of business and in the absence of default; or
- (b) is entered into with the prior written consent of the Subscriber.

Placement means the subscription by the Subscriber for the Placement Shares in accordance with the terms of this Agreement.

Placement Shares means the 89,730,000 Shares at an issue price of \$0.025 per Share, unless the Part Placement has completed, in which case it means 59,730,000 Shares at an issue price of \$0.025 per Share.

Placement Shares Application Form means the share application form set out in the Annexure 4.

Placement Subscription Amount means \$2,243,250, unless the Part Placement has completed, in which case it means \$1,493,250.

Prospectus has the meaning given in clause 3.1(e) of this Agreement.

Quarter means each three month period ending 31 March, 30 June, 30 September and 31 December of each year.

Share means a fully paid ordinary share in the capital of the Company ranking equally with the existing issued ordinary share capital of the Company.

Shareholder means a holder of Shares.

SPP means the share purchase plan that the Company will conduct, subject to the issue of the Convertible Note and the Placement Shares, as detailed in this Agreement.

SPP Placement Shares means those Shares issued to the Subscriber pursuant to the SPP, in accordance with clauses 14(b) or 14(c).

Subscriber means Stone Resources Limited (or its nominee, being Stone Mining Ltd).

Superior Proposal means a Competing Proposal which:

- (a) is bona fide and in writing and in the determination of the Company's Board acting reasonably and in good faith after consultation with the Company's independent advisers, is capable of being valued and completed, taking into account all aspects of the Competing Proposal (including its terms and conditions and the identity of the person or persons making it); and
- (b) in the determination of the Company's Board acting reasonably and in good faith and in order to satisfy what the board considers to be its fiduciary or statutory duties would, if completed substantially in accordance with its terms, result in a transaction more favourable to the Company's securityholders than the Transactions.

Tax includes any tax, levy, impost, assessment, deduction, charge, rate, stamp duty or compulsory loan or withholding levied, imposed, assessed or collected by or under any legislation or Governmental Agency, including any income, company, undistributed profits, payroll, sales, goods, services, value added, capital gains, withholding, prescribed payments, land, rating, stamp, transaction, social service and workers' compensation tax, stamp duty, charge, contribution, levy and obligation, together with any associated interest, penalty, fine, charge and fee or other amount.

Tenements means the tenements in which the Company has a legal or beneficial interest.

Term means the period commencing on the Completion Date and ending on the earlier of:

- (a) the last Business Day before the date upon which the Convertible Note is repaid in full in accordance with clause 9.4 or is converted into Shares in its entirety in accordance with clause 9;
- (b) the date that this Agreement is lawfully terminated; and
- (c) the Maturity Date.

TSXV means the TSX Venture Exchange.

Transaction Documents means:

- (a) this Agreement; and
- (b) the Charge referred to in clause 7.2.

Transactions means the issue of the Placement Shares, the Part Placement Shares (if any), the SPP Placement Shares (if any) and the issue and conversion of the Convertible Note.

Watpac means Watpac Civil & Mining Pty Ltd (ACN 129 804 968).

1.2 Interpretation

In this Agreement unless the context otherwise requires:

- (a) every covenant, agreement, representation or warranty expressed or implied in which more persons than one covenant, agree represent or warrant shall bind such persons and every two or more of them jointly and each of them severally;
- (b) reference to any Party shall mean and include a reference to that Party, his or its successors or personal representatives (as the case may be) assigns and transferees;
- (c) the word "person" shall include a corporation;
- (d) words importing a masculine gender shall include the feminine and neuter genders;
- (e) the singular shall include the plural and vice versa;
- (f) reference to any statute shall include all statutes amending or consolidating the statutes referred to;
- (g) a reference to a recital, clause or schedule is a reference to a recital, clause or schedule of this Agreement;
- (h) a reference to currency is to the currency of Australia;
- (i) the recitals to this Agreement are incorporated in and form part of this Agreement; and
- (j) any term or phrase which is defined in the Corporations Act and which is not defined in this Agreement shall have the meaning specified in the Corporations Act.

2. SUBSCRIPTION AND ISSUE

The Company agrees to issue, and the Subscriber agrees to subscribe for:

- (a) the Placement Shares;
- (b) the Part Placement Shares (if any);
- (c) the SPP Placement Shares (if any); and

(d) the Convertible Note;

on the terms and conditions set out in this Agreement.

3. CONDITIONS PRECEDENT

3.1 Conditions

The obligations to subscribe for and issue the Placement Shares, the Part Placement Shares (if any), the SPP Placement Shares (if any) and the Convertible Note do not become binding until the satisfaction (or waiver) of the following conditions (Conditions):

- (a) the Parties obtaining all necessary regulatory, shareholder and third party approvals to the issue of the Placement Shares, the issue of the SPP Placement Shares and the grant of the Convertible Note and its conversion into Shares including:
- (i) the Company obtaining Shareholder approval under section 611(7) of the Corporations Act for the Subscriber to acquire a relevant interest in more than 20% of the Company's total issued share capital through conversion of the Convertible Note and the issue of Placement Shares and SPP Placement Shares without making a takeover bid, including the preparation of an independent expert's report to advise on whether it is fair and reasonable for the Company to complete the Transactions;
 - (ii) the Company obtaining Shareholder approval under ASX Listing Rule 7.1 for the issue of the Placement Shares, the issue of the SPP Placement Shares and the grant and conversion of the Convertible Note or (to the extent required) Section 208 of the Corporations Act and ASX Listing Rules 10.1 and 10.11 to give a financial benefit to a related party of the Company, being the issue of the Placement Shares, the SPP Placement Shares and the grant and conversion of the Convertible Note to the Subscriber; and
 - (iii) approval of the TSX-Venture Exchange (TSXV) for the Subscriber to subscribe for the Placement Shares, the SPP Placement Shares and the Convertible Note on conditions reasonably acceptable to the Subscriber;
- (b) In relation to the Convertible Note only, the Parties entering into an agreement or agreements with Watpac and, to the extent required, other creditors who hold charges over the Company's assets, on terms acceptable to the Subscriber, under which Watpac and such other creditors agree to the creation of the Charge and such other creditors (excluding Watpac) agree to the subordination or discharge of their charges over the Company's assets and undertakings;
- (c) In relation to the Convertible Note only, the Parties enter into a formal deed of priority with Watpac pursuant to which the Charge will rank behind the existing charge created by the Company in favour of Watpac;
- (d) In relation to the Convertible Note only, the negotiation and execution of the Charge referred to in clause 7.2;

- (e) the Company prepares a prospectus (on terms acceptable to the Subscriber, acting reasonably) so as to allow the Placement Shares (and, to the extent possible, any SPP Shares and Shares Issued on conversion of the Convertible Note) to be freely tradeable from the date of issue in accordance with section 708A(11) of the Corporations Act (Prospectus);
- (f) except to the extent fairly disclosed in writing to the Subscriber prior to the Execution Date, there being no change in the financial or trading position of the Company, or the operations or assets of the Company, during the Exclusivity Period that has, or is reasonably likely to have, in the reasonable opinion of the Subscriber, a material adverse effect on the Company, being an effect that has a financial impact on the value of the Company's assets or liabilities exceeding \$300,000, and the Subscriber shall be entitled to require the Company to provide its management accounts as at the latest practicable date before Completion to prove its compliance with this sub-clause;
- (g) except to the extent specifically, accurately, fairly and fully disclosed by or on behalf of the Company to the Subscriber during the course of its due diligence and discussions with the Company between 31 May 2011 and the Execution Date, the Company's warranties and representations as set out in this Agreement are true and correct in all material aspects, and no Event of Default has occurred;
- (h) there is no forfeiture of, or action taken by any Governmental Agency or third party to seek forfeiture of, any Tenements that the Subscriber, acting reasonably, considers to be material to the Transactions; and
- (i) the Company provides the Subscriber with a certificate, no later than the date that is 2 Business Days after all other Conditions are satisfied or waived, that states that, to the best of the Company's knowledge, after making due enquiries and investigations, as at the date the certificate is so provided to the Subscriber:
- (i) all the terms, undertakings, and conditions on the part of the Subscriber under this Agreement have been performed in all material respects;
 - (ii) all warranties and representations on the part of the Subscriber in this Agreement remain true, correct and accurate in all material respects, subject to the limitations contained in this Agreement; and
 - (iii) there are no material adverse circumstances relating to the businesses, assets, financial position, management and operations of the Subscriber arising since the Execution Date that have not been fully and fairly disclosed to the Subscriber.

The aforesaid certificate shall be signed by a director on the Company's behalf and approved by a written resolution signed by all its directors, which written resolution shall also be provided to the Subscriber together with the aforesaid certificate.

3.2 Benefit of Conditions

Subject to the remainder of this clause:

- (a) Conditions 3.1(a)(ii), 3.1(d), 3.1(e), 3.1(f), 3.1(g), 3.1(h) and 3.1(i) are for the benefit of the Subscriber and may only be waived by the Subscriber; and
- (b) Conditions 3.1(a)(i), 3.1(a)(ii) and 3.1(b) are for the benefit of both Parties and may only be waived by the agreement of both Parties.

3.3 Best Endeavours

The Parties must use their best endeavours to satisfy the Conditions as soon as reasonably practicable, to provide each other party with such information as may be necessary to satisfy the Conditions, and must notify each other if a Condition is satisfied with respect to them or is not capable of being satisfied.

3.4 Satisfaction of Conditions

- (a) If the Conditions are not satisfied, or waived, by the End Date, then unless otherwise extended by both parties, this Agreement may be terminated by either Party by written notice to the other Party.
- (b) On termination of this Agreement, neither Party will have any obligations or liabilities under this Agreement except for obligations and liabilities arising before the date of termination.

3.5 Assignment

- (a) If the TSXV approval under Condition 3.1(a)(iii) is not obtained by the time Shareholder approval is obtained under Conditions 3.1(a)(i) and 3.1(a)(ii), the Subscriber shall transfer and assign all its rights, benefits, obligations and liabilities of and under this Agreement to a nominee, which nominee is under no legal obligation to obtain TSXV approval under Condition 3.1(a)(iii) but which will be subject to the following Conditions (which are for the benefit of the Company and may only be waived by the Company):
 - (i) a no objection letter has been obtained under the *Foreign Acquisitions and Takeovers Act 1975* for the nominee to complete the Transactions (or the period for the Commonwealth Treasurer to object has lapsed without objection), if required; and
 - (ii) the Parties and the nominee have entered into a deed of novation to novate this Agreement on such terms as will be reasonably agreed upon by them.
- (b) After the transfer and assignment pursuant to clause 3.5(a), the nominee shall take up all rights and benefits and assume all obligations and liabilities of the Subscriber under this Agreement, and proceed with the Transactions in accordance with the terms of this Agreement.

3.6 Part Placement Waiver

The Subscriber may, at any time prior to Completion, subject to compliance with the Corporations Act, the ASX Listing Rules and having obtained conditional approval from the TSXV, by written notice to the Company, unilaterally waive all Conditions in respect of 30,000,000 of the Placement Shares (**Part Placement Waiver**), in which case the Subscriber must subscribe for, and the Company must

complete the issue of those 30,000,000 Placement Shares (Part Placement Shares) within 5 Business Days of notice of the waiver as set out in clause 6.3 of this Agreement.

4. CONDUCT PRIOR TO COMPLETION

From the Execution Date until the earlier of the Completion Date or the date this Agreement is lawfully terminated, the Company must:

- (a) prepare a proper notice of general meeting and any other documentation required under the Corporations Act and the ASX Listing Rules (Notice of Meeting);
- (b) make available to the Subscriber a substantive final draft of the Notice of Meeting (Draft), consult with the Subscriber in relation to the content of the Draft (including the inclusion of any information in relation to the Subscriber), and take into account, for the purpose of amending the Draft, any comments from the Subscriber and its legal advisers on the Draft provided that nothing in this clause 4 shall require the Company to act otherwise than in compliance with applicable laws or the ASX Listing Rules relating to the Notice of Meeting;
- (c) convene and hold the general meeting as required under the terms of this Agreement as soon as practicably possible following the Execution Date;
- (d) provide the Subscriber and its advisers with:
 - (i) access to its assets, properties, management, books and records during normal business hours upon reasonable prior notice (including allowing and arranging suitable accommodation for the representatives of the Subscriber to stay in the properties of the Company for conducting relevant feasibility research, provided such accommodation is reasonably available, and at the Subscriber's cost (other than comp accommodation provided in usual manner to the Company's employees);
 - (ii) copies of all budgets, business plans, development plans, studies and reports and financial statements relating to the Company which are reasonably required by the Subscriber; and
 - (iii) reasonable assistance to comply with the Subscriber's regulatory requirements for completing the Transactions or obtaining third party/regulatory approval for completing the Subscription, including completing a NI43-101 report which is acceptable to the TSXV; and
- (e) comply with clause 15 of this Agreement.

5. EXCLUSIVITY, BOARD RECOMMENDATION AND COST RECOVERY

5.1 Exclusivity

- (a) (No Shop) During the Exclusivity Period, the Company must not, and must ensure that its representatives do not, except with the prior written

consent of the Subscriber, solicit or invite any Competing Proposal or initiate discussions with any third party which may reasonably be expected to lead to a Competing Proposal.

- (b) **(No Talk or Due Diligence)** Subject to clause 5.1(c), during the Exclusivity Period, the Company must not, and must ensure that its representatives do not, except with the prior written consent of the Subscriber:
- (i) participate in any negotiations in relation to a Competing Proposal or which may reasonably be expected to lead to a Competing Proposal; or
 - (ii) provide any information to a third party for the purposes of enabling that party to make a Competing Proposal; or
 - (iii) communicate any intention to do any of the things listed in (i) or (ii);
- (c) **(Fiduciary Carve out)** Clause 5.1(b) does not apply to the extent that it restricts the Company or its Board from taking or refusing to take any action with respect to a bona fide Competing Proposal (which was not solicited, invited, encouraged or initiated by the Company in breach of clause 5.1(a)) provided that the Company's Board has determined, in good faith and acting reasonably that:
- (i) after consultation with its advisors, such a bona fide Competing Proposal has been provided in writing and could reasonably be considered to be a Superior Proposal; and
 - (ii) after receiving written advice from a Queen's Counsel or Senior Counsel, that failing to respond to such a bona fide Competing Proposal may constitute a breach of the fiduciary or statutory duties of the Board.
- (d) **(Notification)** During the Exclusivity Period, the Company must:
- (i) promptly inform the Subscriber in writing if it or any of its representatives receive any inquiry or proposal which may reasonably be expected to lead to a Competing Proposal;
 - (ii) as soon as reasonably practicable provide written notice of the identity of the party or parties involved in the inquiry or proposal; and
 - (iii) provide the Recipient with regular updates on the status of any such inquiry or proposal.
- (e) **(Legal Advice)** The Company acknowledges that it has received legal advice on this Agreement and the operation of this clause 5.

5.2 Board Recommendation

The Company warrants that each Director of the Board has advised that he or she intends, in the Notice of Meeting and in any other public statements made after the execution of this Agreement relating to the Transactions, to recommend that the Company's Shareholders approve the resolutions in

relation to the Transactions, without any qualification other than a qualification that the recommendation is subject to:

- (a) the Independent Expert's Report in relation to the Transactions concluding that the Transactions are fair and reasonable to the non-associated Shareholders of the Company; and
- (b) the Board, in good faith and acting reasonably, determining that a bona fide Competing Proposal provided in writing could reasonably be considered to be a Superior Proposal.

5.3 Cost Recovery

Without prejudice to any other remedy available to the Subscriber, the Company agrees to pay the Subscriber the Compensating Amount if, at any time after the Execution Date, up to the earlier of the Completion Date or the End Date, a bona fide Competing Proposal has been provided in writing and the Company's Board, after taking advice per clause 5.1(c), in good faith and acting reasonably, recommends or accepts the Competing Proposal on the basis that failing to recommend or accept such a bona fide Competing Proposal may constitute a breach of the fiduciary or statutory duties of the Board.

6. COMPLETION

6.1 Completion Date

Completion will occur at 10.00am (Perth time) on the Completion Date at the offices of the Subscriber's Australian lawyers, or such other time and location as agreed by the Parties.

6.2 Completion of the Placement Shares

- (a) On or before the Completion Date, the Subscriber:
 - (i) must deliver to the Company a Placement Shares Application Form duly executed by the Subscriber, in the form set out in Annexure 4 or any other form that the Company agrees to accept;
 - (ii) must pay the Company the Placement Subscription Amount in cleared funds into the nominated account of the Company, as directed by the Company;
- (b) On and from Completion, the Subscriber agrees to be bound by the Constitution in respect of the Placement Shares and declares that the Company is not required to provide to the Subscriber a prospectus or other disclosure document for the issue of the Placement Shares because the Subscriber comes within one of the stated exceptions in section 708(8) of the Corporations Act.
- (c) At Completion, the Company must:
 - (i) issue and allot the Placement Shares to the Subscriber free of Encumbrances;
 - (ii) register the Subscriber as the holder of the Placement Shares in its register of members immediately upon the issue of the

Placement Shares and issue a holding statement for the Placement Shares to the Subscriber;

- (iii) take all steps required under its Constitution and the Corporations Act to constitute and evidence the Subscriber as the holder of the Placement Shares;
- (iv) apply to ASX for official quotation of the Placement Shares and give to ASX an Appendix 3B in relation to the Placement Shares; and
- (v) If it has not already done so, lodge a cleansing notice in accordance with Section 708A(5)(e) of the Corporations Act in respect of the Placement Shares, or if this is unavailable or ineffective, lodge the Prospectus at ASIC and do all things which are necessary or desirable to ensure that each Placement Share issued to the Subscriber is freely tradeable without restriction from the date of issue, including doing all such things necessary to satisfy section 708A(11) of the Corporations Act.

6.3 Completion of Part Placement Shares

In the event the Subscriber notifies the Company of a Part Placement Waiver in accordance with clause 3.6 of this Agreement:

- (a) the Parties must complete the subscription for the Part Placement Shares within 5 Business Days of written notice of the Part Placement Waiver, on the same terms as set out in clause 6.2 with such adjustments as are necessary; and
- (b) completion of the subscription for the remaining 59,730,000 Placement Shares will occur on the terms as set out in clause 6.2 but with such adjustments as are necessary to reflect that fewer Placement Shares are being issued on the Completion Date.

6.4 Completion for the Convertible Note

- (a) On or before the Completion Date:
 - (i) the Subscriber must pay the Convertible Note Subscription Amount in cleared funds to the Company into the nominated account of the Company, as directed by the Company not less than 2 Business Days before the Completion Date; and
 - (ii) the Company must provide the Subscriber with an original duly executed copy of the Charge.
- (b) On the Completion Date, the Subscriber must subscribe for, and the Company must issue, the Convertible Note to the Subscriber on the terms set out in this Agreement, including delivering a Note Certificate evidencing the Subscriber's title to the Convertible Note.

6.6 Completion to be simultaneous

Completion for the Placement Shares and the Convertible Note must occur simultaneously (except completion of any Part Placement Shares, if any, issued in accordance with clause 6.3).

7. CONVERTIBLE NOTE**7.1 Face Value**

The Convertible Note shall have an Initial Face Value equal to the Convertible Note Subscription Amount.

7.2 Maturity Date

The Convertible Note will have a Maturity Date being the date that is 2 years from the Completion Date.

7.3 Convertible Note secured

- (a) The Convertible Note will be secured by the Charge.
- (b) The Charge will be drafted by the solicitors for the Subscriber and will be on standard commercial terms acceptable to the Subscriber, including that during the Term without the prior written consent of the Subscriber:
- (i) no new security, other than the Charge, may be granted over the Company's assets;
 - (ii) no assets of the Company may be sold;
 - (iii) no changes to the direction of the Company's business direction may be effected; and
 - (iv) no change of control of the Company may be effected.

7.4 Acknowledgment of Indebtedness

The Company acknowledges that during the Term, it will be indebted to the Subscriber to the extent of the Monies Payable.

7.5 Note is unlisted

The Company does not intend to list the Convertible Note for quotation on ASX and it is not obliged to do so.

7.6 Voting rights

The Convertible Note shall not provide for any voting rights at Shareholder meetings of the Company.

7.7 Transfer

The Subscriber shall be permitted to transfer or assign all or any part of the Convertible Note on the condition that the Subscriber procures that the assignee of the Convertible Note agrees to be bound by the terms and conditions of this Agreement and signs a deed of covenant in favour of the Company.

8. INTEREST**8.1 Interest rate**

During the Term, the Convertible Note shall bear Interest at the rate of 5% per annum on the Face Value.

8.2 Calculation of Interest

- (a) During the Term, subject to clauses 8.3 and 8.4, Interest on the Convertible Note will be calculated daily and will be payable quarterly in arrears on each of 31 March, 30 June, 30 September and 31 December of each year (Interest Payment Date).
- (b) If the Interest Payment Date is not a Business Day, then the interest will be payable on the next succeeding Business Day.

8.3 Capitalisation of Interest

The Company may, at its election (notified in writing to the Subscriber at least 5 Business Days prior to the relevant Interest Payment Date) and subject to the Corporations Act, elect to capitalise interest payable to the Subscriber for the current Quarter. The Face Value is increased by the amount of any interest capitalised.

8.4 Payment of Interest

The Company must pay the Subscriber Interest on the Convertible Note in the following manner:

- (a) unless capitalised in accordance with clause 8.3, and subject to the remainder of this clause 8.4, quarterly in arrears on each Interest Payment Date;
- (b) if the Face Value is repaid in full on the Maturity Date, then the accrued but unpaid and uncapitalised interest, if any, on the Convertible Note must be paid in cleared funds to the Subscriber on the Maturity Date as part of the Monies Payable in accordance with clause 9.1;
- (c) if the Face Value is repaid in full prior to the Maturity Date in accordance with clause 9.4, then the accrued but unpaid and uncapitalised interest, if any, on the Convertible Note must be paid in cleared funds to the Subscriber on the date of the repayment as part of the Monies Payable in accordance with clause 9.4;
- (d) if all or part of the Convertible Note is converted into Shares in accordance with clause 10, then, subject to the Corporations Act and the ASX Listing Rules, the accrued but unpaid and uncapitalised interest, if any, on the portion of the Convertible Note being converted shall be satisfied by the issue of that number of Shares at the Conversion Price which represents the Interest payable by the Company to the Subscriber in respect of that portion of the Convertible Note which is then converted, at the time of conversion.

9. REPAYMENT**9.1 Payment of Monies Payable**

The Company must pay the Monies Payable in cleared funds to the Subscriber on the Maturity Date unless the Convertible Note has been fully converted prior to the Maturity Date.

9.2 Satisfaction of Company's obligations

The payment by the Company to the Subscriber under clause 9.1 satisfies the Company's obligation to the Subscriber in respect of the Monies Payable.

9.3 Notice of non-conversion

The Subscriber must notify the Company at least 60 days prior to the Maturity Date if the Subscriber is not intending to fully convert the Face Value on the Maturity Date.

9.4 Early Repayment

With the prior written consent of the Subscriber, the Company may repay all or part of the Monies Payable prior to the Maturity Date.

10. CONVERSION OF CONVERTIBLE NOTE**10.1 Conversion**

(a) The Subscriber may convert all or part of the Face Value of the Convertible Note into Shares at the Conversion Price at any time up to and including the Maturity Date by delivering to the Company a duly completed and executed Conversion Notice and the Note Certificate, or such other evidence of title as to ownership of the Convertible Note as is acceptable to the Directors.

(b) Any fraction of a Share will be rounded up to the nearest whole number.

10.2 Conversion Notice can be withdrawn

A Conversion Notice once issued can be withdrawn, in whole or part, by the Subscriber at any time prior to the Allotment Date.

10.3 Satisfaction of Company's obligations

The conversion of all or part of the Face Value of Convertible Note into Shares in accordance with clause 10.1 satisfies the Company's obligation to the Subscriber in respect of that part of the Face Value converted.

11. ALLOTMENT AND ISSUE OF SHARES**11.1 Allotment and issue**

On the Allotment Date the Company must allot and issue Shares to the Subscriber (or its nominee) in accordance with a Conversion Notice and the ASX Listing Rules and ASX Settlement Operating Rules free of Encumbrances.

11.2 Holding statement and new Note Certificate

The Company must forward free of charge to the Subscriber:

- (a) within 3 Business Days of the Allotment Date, a certificate or holding statement for the Shares allotted and issued on conversion of part or all of the Face Value of the Convertible Note; and
- (b) within 10 Business Days of the Allotment Date, a new Note Certificate in respect of any part of the Face Value of the Convertible Note that has not been converted in accordance with clause 10 or repaid in accordance with clause 9.4.

11.3 Quotation and ranking of Shares upon conversion

- (a) The Company must take all steps permitted by law and necessary or desirable to ensure the Shares issued on a conversion of all or part of the Face Value of the Convertible Note are granted quotation by ASX on and from the Allotment Date and are freely tradeable.
- (b) The Shares issued on a conversion of all or part of the Face Value of the Convertible Note will rank equally with the other issued Shares of the Company from the date of issue.

12. REPLACEMENT OF NOTE CERTIFICATES**12.1 Worn or defaced Note Certificate**

If any Note Certificate becomes worn out or defaced then upon its production to the Company it may cancel the same and issue a new Note Certificate in lieu thereof.

12.2 Lost or destroyed Note Certificate

If the Note Certificate is lost or destroyed then upon providing proof to the reasonable satisfaction of the Company and upon such indemnity and/or advertisement (if any) as the Company may require being given or published, a new Note Certificate in lieu thereof shall be given to the Subscriber. The cost of any advertisement and indemnity must be paid by the Subscriber.

12.3 Cancellation of Note Certificate

Any Note Certificate that is returned to the Company in connection with the conversion or transfer of the Note must be cancelled by the Company.

13. REORGANISATION OF CAPITAL AND PARTICIPATING RIGHTS

- (a) In the event of a reconstruction of the capital of the Company during the Term (including by way of consolidation, subdivision, reduction, return, scheme of arrangement or otherwise):
 - (i) the number of Shares to be issued upon conversion of all or part of the Convertible Note; and
 - (ii) the applicable Conversion Price,

will be reconstructed in the same proportion as the issued capital of the Company is reconstructed and in a manner which will not result in any additional benefits being conferred on, or detriment suffered by, the Subscriber, which are not conferred on or suffered by Shareholders, and otherwise in compliance with the ASX Listing Rules. In all other respects the terms of the Convertible Note will remain unchanged.

- (b) In the event of any distribution (dividend or return of capital) made by the Company during the term of the Convertible Note, the Conversion Price is to be adjusted down by the amount distributed.
- (c) Subject to the Company complying with the Corporations Act and the ASX Listing Rules, if at any time during the Term the Company makes an offer of shares, options or other securities (including convertible securities) in the Company (including rights issues and bonus issues), then the Company must make an offer to the Subscriber on terms which correspond with the offer the Subscriber would have received if the offer was made on a pro-rata basis to Shareholders and the Subscriber had held the number of Shares acquirable upon conversion of the Convertible Note immediately before the date on which participants are to be determined for the offer.
- (d) Subject to the Company complying with the Corporations Act and the ASX Listing Rules, if at any time during the Term Shareholders are entitled to receive shares, securities or other assets with respect to, or in exchange for, their Shares (a Corporate Event), the Company must make appropriate provision to ensure that the Subscriber will have the right to receive upon such Corporate Event such shares, securities or other assets to which the Subscriber would have been entitled if the Subscriber had held the number of Shares acquirable upon conversion of the Convertible Note immediately before the record date for Shares for the Corporate Event.

14. SHARE PURCHASE PLAN AND SPP PLACEMENT SHARES

- (a) The Parties agree that, subject to the issue of the Convertible Note and the Placement Shares, the Company will conduct a share purchase plan (SPP) in accordance with the Corporations Act and the ASX Listing Rules, providing Shareholders with the opportunity to subscribe for new Shares in the Company at an issue price of \$0.025 per Share, subject to a maximum overall cap of 100,000,000 Shares being issued.
- (b) To the extent that any Shares offered under the SPP are not subscribed for by Shareholders by the closing date of the SPP (SPP Shortfall):
 - (i) the Subscriber may, by written notice to the Company, require the Company to issue the Subscriber with up to that number of Shares, at an issue price of \$0.025 per Share, equal to the number of Shares comprising the SPP Shortfall; and
 - (ii) where the Subscriber so elects, the Company must, subject to compliance with the Corporations Act and the ASX Listing Rules, issue, and the Subscriber must subscribe for, those Shares within 5 Business Days of the completion of the SPP.
- (c) On completion of the SPP, the Subscriber may, by written notice to the Company, require the Company to issue the Subscriber with that

number of Shares, at an issue price of \$0.025 per Share, which results in the Subscriber having a shareholding in the Company of 30.90% of the total expanded Shares on issue. Where the Subscriber so elects, the Company must, subject to the Corporations Act and the ASX Listing Rules, Issue, and the Subscriber must subscribe for, those Shares within 5 Business Days of the completion of the SPP.

- (d) Any Shares issued to the Subscriber under the clauses 14(b) or 14(c) are the SPP Placement Shares. The Company must:
- (i) allot and issue any SPP Placement Shares to the Subscriber (or its nominee) in accordance with the ASX Listing Rules and ASX Settlement Operating Rules free of Encumbrances;
 - (ii) ensure that any SPP Placement Shares rank equally with the other issued Shares of the Company from the date of issue; and
 - (iii) take all steps permitted by law and necessary or desirable to ensure any SPP Placement Shares are granted quotation by ASX and are freely tradeable from the date of issue.

15. UNDERTAKINGS BY THE COMPANY

From the Execution Date until the end of the Term, the Company must, except as envisaged by this Agreement or with the prior approval of the Subscriber:

- (a) **(securities)** not issue or agree to issue any Shares, options or other securities (including convertible notes) in the capital of the Company. The Subscriber may make its consent to an issue conditional on the Company offering the Subscriber the opportunity to participate in the issue on the same terms as other investors and, except to the extent prohibited under the ASX Listing Rules, to maintain the Subscriber's fully diluted shareholding in the Company at the same percentage interest immediately prior to the further issue;
- (b) **(new contracts)** not enter into, or agree to enter into, any contracts, arrangements or engagements except in the ordinary and proper course of its ordinary business;
- (c) **(liabilities)** not incur any single liability, or total liabilities within one month, in excess of \$100,000 except in the ordinary and proper course of its ordinary business;
- (d) **(consultation)** consult and seek the approval of the Subscriber prior to making any decision that will, or is likely to have, an effect on the assets or liabilities of the Company of more than \$100,000 or have a material adverse effect on the Completion of the Transactions;
- (e) **(tenements)** subject to the Company obtaining sufficient funding for such purpose before Completion, maintain any tenement that it holds in good standing and free from new Encumbrances;
- (f) **(Protection of Assets)** subject to the Company obtaining sufficient funding before Completion where such funding is necessary to enable it to comply with this sub-clause, use all reasonable endeavours to maintain its assets at normal levels and carry out repairs and maintenance to its assets in accordance with good commercial

practice and standards of maintenance, and maintain appropriate insurance in relation to its assets;

- (g) **(material contracts)** subject to the Company obtaining sufficient funding before Completion where such funding is necessary to enable it to comply with this sub-clause, comply with all provisions of all material contracts;
- (h) **(notification)** send to the Subscriber copies of all annual reports, accounts and other information which would normally be sent to Shareholders;
- (i) **(employees)** not hire or terminate the employment of any employee (except normal site operation employees hired or terminated in the ordinary course of business) or alter or agree to alter the terms or conditions of employment of any employee other than as required by law;
- (j) **(ordinary course)** subject to the Company obtaining sufficient funding before Completion where such funding is necessary to enable it to comply with this sub-clause, conduct its business in the ordinary and proper course and in substantially the same manner as previously conducted and in accordance with all applicable laws;
- (k) **(dividends)** not announce, declare or pay any dividend or other distribution;
- (l) **(reconstruction)** not buy back its own shares, reduce its share capital, return capital to shareholders or in any other way restructure its capital, if in each case to do so would be likely to have a material adverse effect on the Company's ability to perform and comply with its obligations under the Convertible Note or on the Subscriber's rights under it;
- (m) **(Constitution & Change of Name)** not alter the provisions of its Constitution or change the Company's name;
- (n) **(mergers and acquisitions)** not enter into, or agree to enter into, any merger or consolidation or make any acquisition of any other entity, company or business or do anything which would have the effect that the Company or any related bodies corporate was operating business or activity which was not within the course of, or directly connected with, a business carried on by it as at the date of this Agreement;
- (o) **(financing)** not incur any new material financial indebtedness or amend in any material respect any arrangement with its financiers;
- (p) **(litigation)** not commence or settle any litigation (including arbitration); and
- (q) **(exploration)** not to conduct or cause to be conducted any exploration on its northern tenements, except exploration for the purpose of maintaining such tenements in good standing but only with the Subscriber's prior written consent which consent not to be unreasonably withheld.

16. EVENTS OF DEFAULT**16.1 Events of Default**

Each of the following is an Event of Default:

- (a) **(winding up):** an application or order is made for the winding up of the Company or for the appointment of a liquidator or the Company passes a resolution for its winding up;
- (b) **(receiver):** a receiver, controller (within the meaning of section 9 of the Corporations Act) or analogous person is appointed to, or the holder of an Encumbrance takes possession of all, or any part of the assets of the Company;
- (c) **(Insolvency):** the Company:
 - (i) suspends payment generally;
 - (ii) becomes an externally-administered body corporate within the meaning of the Corporations Act;
 - (iii) becomes subject to administration under Part 5.3A of Chapter 5 of the Corporations Act, or steps are taken which could reasonably be expected to result in the Company becoming so subject; or
 - (iv) is or states that it is, or is deemed by applicable law to be, unable to pay its debts as and when they fall due;
- (d) **(statutory demand):** a statutory demand is served on the Company under section 459E of the Corporations Act or pursuant to section 459F of the Corporations Act the Company is taken to have failed to comply with that statutory demand;
- (e) **(compromise or arrangement):** other than with the written consent of the Subscriber, such consent not to be unreasonably withheld or delayed, the Company takes any step for the purpose of entering into a compromise or arrangement with any of its members or creditors except for the purpose of a reconstruction, amalgamation, merger or consolidation on terms approved by the Subscriber;
- (f) **(Encumbrance):** any Encumbrance over the Company or its assets or undertakings becomes enforceable, other than the fixed and floating charge held by Watpac which is currently enforceable;
- (g) **(non-payment):** the Company fails to pay within 3 Business Days of its due date any amount payable under any of the Transaction Documents;
- (h) **(suspension from trading):** the Company's Shares are suspended from trading on the ASX for more than 15 consecutive days (other than voluntary suspensions with the prior written consent of the Subscriber); or
- (i) **(amendment to Constitution):** a change to the Constitution of the Company without the prior written consent of the Subscriber;

- (j) (disposal of assets): the Company sells, assigns transfers or otherwise disposes of all or substantially all of its assets;
- (k) (misrepresentation): any undertaking, representation, warranty or statement made or repeated in or in connection with the Transaction Documents is breached, not complied with, untrue or misleading (whether by omission or otherwise) when so made or repeated or becomes untrue or misleading (or, in the case of financial forecasts, unfair or unreasonable) in any material aspects;
- (l) (change in ownership): there is a change in control of the Company (other than as a result of the Transactions);
- (m) (material breach): the Company is in breach of a material term of this Agreement;
- (n) (failure to comply with waiver): if any Event of Default (or occurrence which would otherwise have been or become an Event of Default) is conditionally waived by the Subscriber and the Company does not comply with those conditions or those conditions are not fulfilled (whether by the Company or any other person) or are or become incapable of fulfilment;
- (o) (investigations): a person is appointed under any legislation to investigate or manage any part of the affairs of the Company or any director or officer of the Company is or are subject to investigation of a material nature by any regulator or law enforcement agency; and
- (p) (provisions void): all or any material provision of any of the Transaction Documents:
 - (i) does not have effect or ceases to have effect in accordance with its terms;
 - (ii) is or becomes void, voidable, illegal, invalid or unenforceable other than by reason of equitable principles or laws affecting creditors' rights generally; or
 - (iii) is claimed by the Company or any other person to be any of the matters referred to in paragraphs (i) or (ii) or the Company or any other person commences any court proceedings to establish any of the matters referred to in paragraphs (i) or (ii) to be the case.

16.2 Subscriber's powers on default

If an Event of Default occurs that is not capable of remedy or, if capable of being remedied, is not remedied to the satisfaction of the Subscriber within 5 Business Days of the Subscriber notifying the Company of the Event of Default and requiring rectification, the Subscriber may then or at any time subsequently by notice to the Company:

- (a) terminate this Agreement by written notice to the Company; and
- (b) declare all money owing under any of the Transaction Documents, including the Monies Payable, to be immediately due and payable.

and the Company must immediately pay that money (including accrued interest and fees) to the Subscriber.

16.3 Duty to notify of Event of Default

The Company must notify the Subscriber as soon as possible if the Company becomes aware of the occurrence of an Event of Default.

17. REPRESENTATIONS AND WARRANTIES

17.1 Mutual Representations and Warranties

Each Party warrants and represents to the other Party on the Execution Date and on each day between the Execution Date and the Completion Date (including immediately prior to Completion) that:

- (a) **(Authority):** it has full power and authority to enter into this Agreement and, subject to satisfaction or waiver of the Conditions, to perform its obligations under it;
- (b) **(Corporate authorisations):** it has taken all necessary action to authorise the execution, delivery and performance by it of this Agreement in accordance with its terms;
- (c) **(Binding Terms):** this Agreement constitutes its legal, valid and binding obligations and is enforceable in accordance with its terms; and
- (d) **(Transactions permitted):** the execution, delivery and, subject to satisfaction or waiver of the Conditions, performance by it of this Agreement does not and will not violate any law, regulation, authorisation, ruling, consent, judgment, order or decree of a governmental agency, its Constitution or other constituent documents, or an Encumbrance or document which is binding on it or on its assets.

17.2 Company Representations and Warranties

Subject to the limitations in clause 17.4, the Company makes the representations and warranties in Annexure 6 of this Agreement on the Execution Date, on every day between the Execution Date and the Completion Date (including immediately prior to Completion), and immediately prior to the issue of any Shares provided for in this Agreement.

17.3 Indemnity by Company

Subject to the limitations in clause 17.4, the Company shall indemnify the Subscriber against all damages, losses, liabilities and expenses incurred by the Subscriber as a natural consequence of any matter or thing being found to be in breach of the representations and warranties given by the Company in clause 17.1 and 17.2, and/or any undertaking or term in this Agreement, without prejudice to the rights of the Subscriber to seek any equitable relief.

17.4 Qualifications to Company Representations and Warranties

- (a) The Company will not be liable to the Subscriber for any claim for breach of the representations and warranties given by the Company in clauses 17.1 and 17.2 (**Company Warranties**) to the extent that the facts, matters or circumstances causing such claim have been specifically,

accurately, fairly and fully disclosed by or on behalf of the Company to the Subscriber during the course of its due diligence and in discussions with the Company between 31 May 2011 and the Execution Date.

- (b) Clause 17.4(a) does not apply to the extent that there has been fraud, dishonesty or wilful concealment on the part of the Company or its officers, agents or advisers.
- (c) Subject to clause 17.4(a), none of the Company Warranties or claims under any Indemnity given in favour of the Subscriber under this Agreement will be in any way qualified or affected by reason of any investigation or inquiry made or to be made by or on behalf of the Subscriber.
- (d) Where any Company Warranty is qualified by the expression "so far as the Company is aware" or "to the best of the Company's knowledge, information and belief" or any similar expression, the Company will be deemed to know or be aware of a particular fact, matter or circumstance if a director or officer of the Company:
 - (i) is aware of that fact, matter or circumstance on the date the Company Warranty is given; or
 - (ii) would reasonably be expected to be aware of that fact, matter or circumstance if, on the date the Company Warranty is given, they had made reasonable enquiries as to the accuracy of the Company Warranty.

17.5 Warranties separate

Each of the warranties contained in this clause 17 and Annexure 5 are separate and independent.

18. USE OF PROCEEDS

The Company must use the Placement Subscription Amount, any monies from the Issue of any Part Placement Shares, any SPP Placement Shares and the Convertible Note Subscription Amount received under this Agreement to firstly repay or discharge all its external debt obligations (except those under the Convertible Note), with priority given to payment of the debt owed to Watpac (on the basis referred to in clause 19), with any remainder used for working capital purposes or such other purpose as consented to by the Subscriber.

19. WATPAC DEBT

- (a) The Company must seek to negotiate the maximum discount possible to cash settle any debts it owes to Watpac in full. The Company must obtain the prior written consent of the Subscriber before entering into any agreement with Watpac in relation to these debts, and must permit the Subscriber to participate in any negotiations in relation thereto.
- (b) The Company shall comply fully with all terms in the agreement it has or will enter into with Watpac in relation to these debts, and shall provide the Subscriber with valid proof of its compliance if the Subscriber so demands in writing.

20. BOARD REPRESENTATION**20.1 Appointment of Nominee Director**

Following completion of the Placement, the Subscriber is entitled to appoint two Directors to the board of the Company.

20.2 Further Board representation

Upon conversion of all or part of the Convertible Note into Shares, the Subscriber's board representation in the Company shall be increased commensurate with its shareholding in the Company, and the Subscriber shall accordingly be entitled to appoint majority of the directors to the board of the Company upon full conversion of the Convertible Note into Shares, in addition to the Director appointed under Clause 20.1

20.3 Company to use best endeavours

The Company must use its best endeavours to procure the appointment of the Nominee Director.

21. COVENANT OF SUBSCRIBER

The Subscriber covenants that, in respect of all offers of Shares and the Convertible Note made under this Agreement, it falls within one or more of the categories specified in Section 708(8) of the Corporations Act.

22. PUBLIC ANNOUNCEMENTS

No public announcement in connection with this Agreement and the Transactions may be made by any Party without prior consultation with the other Party to the extent reasonably practicable having regard to the requirements of disclosure under applicable stock exchange rules.

23. NOTICES**23.1 Requirements for Notice**

Each notice authorised or required to be given to a Party shall be in writing and may be delivered personally or sent by properly addressed and prepaid mail or facsimile in each case addressed to the Party at its address set out in clause 23.2, or as the case may be to such other address as it may from time to time notify to the other Party pursuant to clause 23.3.

23.2 Address of Parties

The initial address of the Parties shall be as follows:

In the case of the Subscriber:

Room 2201-2202A, 22/F,
Fairmont House
8 Cotton Tree Drive
Central, Hong Kong.

Facsimile: INT + (852) 2880 5573
Attention: Edward Tai

In the case of the Company:

Suite 34, 25 Walters Drive
OSBORNE PARK, WA 6017

Facsimile: INT + (61) 8 9244 1600
Attention: Company Secretary

23.3 Change of Address

Each Party may from time to time change its address by giving notice pursuant to clause 23.1 to the other Party.

23.4 Receipt of Notice

Any notice given pursuant to clause 23.1 will be conclusively deemed to have been received:

- (a) In the case of personal delivery, on the actual day of delivery if delivered prior to 5 pm (Perth time) on a Business Day or on the next following Business Day if delivered after 5 pm (Perth time) on a Business Day or on other than a Business Day;
- (b) If sent by mail, on the second clear Business Day after the day of posting; or
- (c) if sent by facsimile, on the day the facsimile was sent by clear transmission.

24. COSTS**24.1 Stamp Duty**

All duty assessed on or in respect of this Agreement shall be paid by the Subscriber.

24.2 Costs

Subject to clause 5.3, each Party shall bear their own costs of and incidental to the preparation, negotiation and execution of this Agreement, except as otherwise provided in this Agreement.

25. GOVERNING LAW

This Agreement shall be governed by and construed in accordance with the law from time to time in the State of Western Australia and the Parties agree to submit to the non-exclusive jurisdiction of the courts of Western Australia and the courts which hear appeals therefrom.

26. MISCELLANEOUS**26.1 Severance**

If any provision of this Agreement is invalid and not enforceable in accordance with its terms, all other provisions which are self-sustaining and capable of

separate enforcement without regard to the invalid provision, shall be and continue to be valid and forceful in accordance with their terms.

26.2 Entire Agreement

This Agreement shall constitute the sole understanding of the Parties with respect to the subject matter and replaces all other agreements, statements and representations with respect thereto.

26.3 Counterparts

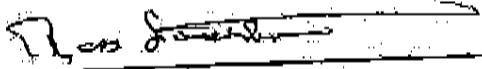
This Agreement may be executed in any number of counterparts (including by way of facsimile) each of which shall be deemed for all purposes to be an original and all such counterparts taken together shall be deemed to constitute one and the same instrument.

26.4 Time

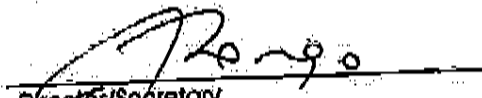
Time shall be of the essence in this Agreement in all respects.

EXECUTED by the Parties as an agreement.

EXECUTED BY
AT MINERALS LIMITED
ACN 100 727 491
In accordance with the Corporations Act:



Director



Director/Secretary

EXECUTED BY
STONE RESOURCES LIMITED
In accordance with its constituent
documents and place of incorporation:

Director

Director/Secretary

12/08 2011 10:33 FAX

001

EXECUTED by the Parties as an agreement.

EXECUTED BY)
A1 MINERALS LIMITED)
ACN 100 727 491)
in accordance with the Corporations Act:)

Director

Director/Secretary

EXECUTED BY)
STONE RESOURCES LIMITED)
In accordance with its constituent)
documents and place of incorporation:)



Director

Director/Secretary

12/08 2011 16:34 FAX

001

EXECUTED by the Parties as an agreement.

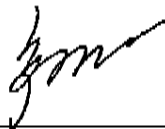
EXECUTED BY)
 A1 MINERALS LIMITED)
 ACN 100 727 491)
 in accordance with the Corporations Act:)

Director

Director/Secretary

EXECUTED BY)
 STONE RESOURCES LIMITED)
 In accordance with its constituent)
 documents and place of incorporation:)

Director



Director/Secretary

ANNEXURE 1 – CONVERTIBLE NOTE APPLICATION FORM

(insert Subscriber)

Convertible Note

APPLICATION FORM

TO: The Directors
AI Minerals Limited (ACN 100 727 491) (Company)

I/we

of

(the Subscriber) hereby apply for the Convertible Note to be allotted and issued by the Company.

The Subscriber covenants in favour of the Company that it will be bound by the Constitution of the Company and the terms and conditions of the Convertible Note as provided for under the Subscription Agreement entered into between the Subscriber and the Company on (*) 2011.

DATED:

EXECUTED BY)
(insert Subscriber))
in accordance with its constituent)
documents and place of incorporation:)

Director

Director/Secretary

ANNEXURE 2 - FORM OF CONVERSION NOTICE

(Insert Subscriber)

Convertible Note

CONVERSION NOTICE

TO: The Directors
AT Minerals Limited (ACN 100 727 491) (Company)

I/we

of

being registered as the holder of the Convertible Note hereby give notice that I/we wish to convert \$(*) of the Face Value (and applicable accrued interest) of the Convertible Note in accordance with the terms of its issue.

I/we agree to accept the Shares to be issued on conversion of the Convertible Note (or part thereof) subject to the terms of the Constitution of the Company.

Attached is the Note Certificate representing the Convertible Note.

I/we request that the Company, if required by, and in accordance with, clause 11.2(b) of the Subscription Agreement dated (*) (Agreement), issue to me/us and in my/our name a new Note Certificate in respect of any part of the Convertible Note remaining unconverted and not repaid in accordance with clause 9.4.

Terms used in this notice have the same meanings as in the Agreement and executed between the Company and the Subscriber.

DATED:

EXECUTED BY)
(Insert Subscriber))
in accordance with its constituent)
documents and place of incorporation:)

Director

Director/Secretary

ANNEXURE 3 – NOTE CERTIFICATE

Certificate Number: (*)

(Insert Subscriber)(Company)

Convertible Note

CONVERTIBLE NOTE CERTIFICATE

Head Office/Note Registry: (*)

THIS IS TO CERTIFY that (insert)(Subscriber) is the registered holder of the Convertible Note specified in the Schedule below which was issued on (insert Allotment Date).

The Convertible Note confers on the Subscriber the rights, power and privileges and shall be subject to the terms and conditions as set out in the document titled Subscription Agreement dated (insert) and executed between the Company and the Subscriber (Agreement). By its subscription for or purchase of a Convertible Note, the registered holder is taken to have agreed to be bound by the Agreement.

Terms used in this Note Certificate have the same meanings as in the Agreement and executed between the Company and the Subscriber.

Convertible Note Outstanding: \$(*)
Subscription Amount

Repayment Date: the later of:

- (a) the date 24 months from the date of Completion Date; and
- (b) any other date agreed between the Company and the Subscriber.

DATED:

EXECUTED BY)
 A1 MINERALS LIMITED)
 ACN 100 727 491)
 In accordance with the Corporations Act:)

Director

Director/Secretary

EXECUTED BY)
(Insert Subscriber))
in accordance with its constituent)
documents and place of incorporation:)

Director

Director/Secretary

ANNEXURE 4- PLACEMENT SHARES APPLICATION FORM**APPLICATION FORM**

A1 MINERALS LIMITED
ACN 100 727 491
(Company)

(insert)(Subscriber) hereby applies to the Company for the Placement Shares.

The Subscriber will transfer to the Company by means of electronic funds transfer an amount of \$(*) to the account nominated by the Company.

Details of the Subscriber:

Name:(insert)

Address: (*)

Contact Person: The Company Secretary

Contact Number: INT + (*)

By signing and lodging this Application Form with the Company, the Subscriber:

1. declares that the agreements, statements, declarations and acknowledgments contained in the following paragraph are given for the benefit of the Company;
2. declares that all details and statements made by the Subscriber in this Application Form are complete and accurate;
3. agrees to be bound by the Constitution of the Company;
4. represents, warrants and undertakes to the Company that the Subscriber has full right and authority to sign and lodge this Application Form, to subscribe for the Placement Shares and to perform the other obligations set out in this Application Form, and has taken all action and obtained all regulatory and other consents, approvals and authorisations necessary in that respect;
5. acknowledges that the Subscriber has made its own enquiries concerning the Company and its business and affairs and that the Company makes no representation or warranties to the Subscriber other than set out in the Subscription Agreement dated the same date as this Application Form;
6. requests the Company to, upon its receipt of this Application Form signed by the Subscriber, issue the Placement Shares to the Subscriber;
7. declares that the Company is not required to provide to the Subscriber a prospectus or other disclosure document for the issue of the Placement Shares because the Subscriber comes within one of the stated exceptions in section 708 of the *Corporations Act 2001*;
8. acknowledges that this Application form is irrevocable; and

9. acknowledges that returning this Application Form will constitute the Subscriber's offer to subscribe for Placement Shares and that no notice of acceptance of this Application Form will be provided.

NOTE: Return of the Application Form with your payment of the application monies will constitute your offer to subscribe for the Placement Shares. This Application Form is for the Subscriber and must not be passed onto any person without written permission from the Company.

ANNEXURE 5 – COMPANY REPRESENTATIONS AND WARRANTIES

1. **(Solvent):** Subject to completion of the Placement and Convertible Note, the Company is solvent and can meet its debts as and when they fall due and no act or omission has occurred which may result in an event of insolvency occurring in relation to the Company.
2. **(Continuous disclosure):** The Company has complied with ASX Listing Rule 3.1 in the past 12 months.
3. **(Full disclosure):** To the best of the Company's knowledge, having made reasonable enquiries, it has disclosed to the Subscriber all information which is reasonably expected to be material to an investor in Shares in the Company and that all information disclosed is accurate, complete and not misleading.
4. **(Title to Shares):** On issue of any Shares under Transactions envisaged by this Agreement, the Subscriber will acquire good and marketable title to the Shares, which will be free from Encumbrances and rank equally with all Shares then on issue.
5. **(No right to subscribe):** No person has any right or option to subscribe for or otherwise to acquire any further shares in the Company.
6. **(No options):** There are no outstanding options, contracts, calls, first refusals, commitments, rights or demands of any kind relating to the Issued or Unissued capital of the Company.
7. **(No other allotments):** The Company is not under any obligation to allot any shares to any person or persons, or otherwise to alter the structure of any part of its unissued share capital, and the Company is not under any obligation to give any option over any part of their respective unissued shares capital nor has the Company offered to do any of the matters stated in this sub-paragraph.
8. **(No litigation):** the Company and the directors of the Company are not involved in any material litigation, arbitration or administrative proceeding relating to claims or amounts relating to the Company nor is any such litigation, arbitration or administrative proceeding pending or threatened.
9. **(Investigations):** The Company and its directors are not the subject of any material investigation by any regulatory body of any country nor is any such investigation pending or threatened.
10. **(Tax investigations):** The Company and its directors are not the subject of any material investigation or audit by the tax office of any country or state nor is any such investigation or audit pending or threatened.
11. **(Compliance with laws):** The Company and its directors are not in material breach of any provision of any relevant laws (including the ASX Listing Rules).
12. **(Subsidiaries):** The Company does not have any subsidiaries other than Desert Exploration Pty Ltd and Desertex Resources Ltd.
13. **(Contracts):** Every material contract, instrument or other commitment to which the Company is a party is valid and binding according to its terms and no party to any such commitment or contract is in material default under the terms of

that commitment or contract other than the Company may be in arrears of payments of the contracted price.

14. **(Liabilities):** Other than as have arisen in the ordinary course of ordinary business, the Company does not have any liabilities other than as set out in the accounts disclosed in Annexure 6 (Last Accounts).
15. **(Accounts):** The Last Accounts:
- a) disclose a true and fair view of the state of the affairs, financial position and assets and liabilities of the Company as at the balance date disclosed in the Last Accounts (Balance Date);
 - b) includes all such reserves and provisions for tax as are adequate to cover all tax liabilities (whether or not assessed and whether actual, contingent, deferred or otherwise) of the Company up to the Balance Date;
 - c) contain adequate provisions in respect of all other liabilities (whether actual, contingent, deferred or otherwise) of the Company as at the Balance Date and proper disclosure (in note form) of any contingent or other liabilities not included or provided therein; and
 - d) were prepared:
 - i. in accordance with the relevant accounting standards prescribed by the jurisdiction(s) in which it operates and applied on a consistent basis and without making any revaluation of assets; and
 - ii. in the manner described in the notes to them.
16. **(Records properly kept):** All books of accounts and other records of any kind of the Company:
- a) have been fully, properly and accurately kept on a consistent basis and completed in accordance with proper business and accounting practices and all applicable statutes;
 - b) have not had any material records or information removed from them;
 - c) do not contain or reflect any material inaccuracies or discrepancies;
 - d) give and reflect a true and fair view of the trading transactions, or the financial and contractual position of the Company and of its assets and liabilities; and
 - e) are in the possession of the Company.
17. **(Assets Owned by the Company):** Except where the facts, matters or circumstances have been specifically, accurately, fairly and fully disclosed by or on behalf of the Company to the Subscriber during the course of its due diligence prior to Execution Date, all the fixed asset, current assets and other assets and property owned by the Company are:
- a) legally and beneficially owned by the Company free of encumbrances (and, in particular, no such assets are the subject of any hire purchase agreement or credit purchase agreement or any agreement for payment of deferred terms); and

- b) not used by any person, other than the Company.
18. **(Tenement Title):** The Company or its wholly owned subsidiaries are the sole legal and beneficial owners of the Tenements.
19. **(Tenement Encumbrances):** The Tenements are, or will at Completion, be free of all Encumbrances, and the Company is not a party to any agreement to grant any Encumbrance over the Tenements.
20. **(Tenement Standing):** Other than where they are applications, or to the extent reasonably and fairly apparent from publicly available searches of the tenement register maintained by the Department of Mines and Petroleum (DMP), the Tenements are valid, subsisting and of good standing and not liable to cancellation or forfeiture for any reasons and have been maintained and renewed in accordance with the requirements of the *Mining Act 1978 (WA)* (Mining Act) and all relevant legislation and the terms and conditions of the Tenements have been complied with in all material respects.
21. **(Tenement Third Party Agreements)** To the Best of the Company's knowledge, having completed reasonable enquiries, there are no agreements or dealings in respect of the Tenements:
22. **(Compensation)** To the best of the Company's knowledge, having completed reasonable enquiries, there is not in existence any current compensation agreement with the owner or occupier of any land which is subject to the Tenements nor any royalty arrangement of whatever nature in respect of the Tenements:
23. **(Tenement Compliance):** To the best of the Company's knowledge, having completed reasonable enquiries, the activities and operations that have been carried out on the Tenements have been in compliance in all material respects with all applicable laws and directives of Government Agencies and the Company has not received notice of non-compliance from any such Government Agencies.
24. **(Tenement Outgoings):** Other than to the extent reasonably and fairly apparent from publicly available searches of the tenement register maintained by the Department of Mines and Petroleum (DMP), all fees, rentals, royalties, rates, Taxes, bonds and other payments in respect of the Tenements have been fully paid or satisfied or will be fully paid within the time required for payment.
25. **(Rehabilitation):** To the best of the Company's knowledge, having completed reasonable enquiries, there are no outstanding obligations or liabilities, contingent or otherwise, under any applicable environmental laws, mining law or other law, including reclamation or rehabilitation work, associated with the Tenements or arising out of past exploration, development and/or mining activities carried out on them.
26. **(Environmental Approvals):** to the best of the Company's knowledge, having completed reasonable enquiries, all environmental approvals required with respect to activities carried out on the Tenements have been obtained, are valid and in full force and effect and have been complied with.
27. **(Tenement Notification):** The Company has not received any notice that any of the Tenements will be revoked, suspended, modified or will not be renewed and is not aware of any circumstance which may give rise to any such action.

28. **(Native Title)** To the best of the Company's knowledge, having completed reasonable enquiries, other than those Tenements which are applications, the Tenements have been granted in respect of all the ground described in each application, there are no native title agreements relating to the Tenements and the Company is not aware of any claim or anticipated claim by any Aboriginal person to assert native title of any part of the area covered by the Tenements.
29. **(Applications)** To the best of the Company's knowledge, having completed reasonable enquiries, the Company is not aware of any reason why any Tenement that is an application will not be granted in due course provided that the *Native Title Act 1993* (Cth) is complied with and negotiations with registered native title claimant group are successfully completed.
30. **(Mining Information):** To the best of the Company's knowledge, having completed reasonable enquiries, the Mining Information is accurate in all material respects.
31. **(Desertex Resources Ltd):** To the best of the Company's knowledge, having completed reasonable enquiries, Desertex Resources Ltd is a dormant shell company with no assets or liabilities.
32. **(Annual Accounts)** On or before Completion, the Company has prepared and published its audited 2010-11 accounts and annual report, in all material aspects in compliance with the ASX Listing Rules and Corporations Act.
33. **(Employment Terms):** The terms on which Mr Albert Longo and Mr William Hobba are employed by, or provide services to, the Company, in whatever capacity, are constituted and governed entirely by their two employment contracts dated 11 August 2011 and 11 August 2011 respectively, as provided to the Subscriber prior to the Execution Date, and other than these agreements there are no other agreements, written or verbal, in effect between them and the Company in relation to their employment or services.
34. **(Changes to Employment):** The Company has not, prior to the Execution Date, and will not after the Execution Date, make amendments to any employees' terms of employment, except bona fide amendments in the ordinary course of ordinary business.

ANNEXURE 6 - COMPANY LAST ACCOUNTS

A1 Minerals Limited**Consolidated Statement of Comprehensive Income
For the year ended 30 June 2011**

	Note	Consolidated		Company	
		2011	2010	2011	2010
		\$	\$	\$	\$
Continuing Operations:					
Revenue	2(a)	19,469,478	2,769,155	19,469,478	2,769,155
Other Income / (loss)	2(b)	128,108	(241,770)	128,108	(241,770)
		<u>19,597,586</u>	<u>2,527,385</u>	<u>19,597,586</u>	<u>2,527,385</u>
Cost of Sales	2(c)	<u>(24,424,887)</u>	<u>(4,477,915)</u>	<u>(24,424,887)</u>	<u>(4,477,915)</u>
Gross Profit / (Loss)		(4,827,301)	(1,950,530)	(4,827,301)	(1,950,530)
Depreciation	2(d)	(2,300,560)	(410,707)	(2,300,560)	(410,707)
Impairment	2(e)	-	-	-	-
Finance costs	2(f)	(204,008)	(71,113)	(204,008)	(71,113)
Exploration costs	2(g)	(108,314)	(105,906)	(108,314)	(105,906)
Other expense	2(h)	(1,850,279)	(1,630,408)	(1,950,279)	(1,630,408)
Share based payments	2(i)	(797,319)	(1,731,843)	(797,319)	(1,731,843)
Profit before income tax expense		<u>(10,187,778)</u>	<u>(5,900,505)</u>	<u>(10,187,778)</u>	<u>(5,900,505)</u>
Income tax expense	5	-	-	-	-
Net Loss Attributable to Members of the Company		<u>(10,187,778)</u>	<u>(5,900,505)</u>	<u>(10,187,778)</u>	<u>(5,900,505)</u>
Basic earnings / (loss) per share	6	(5.09)	(3.50)		

A1 Minerals Limited
ABN 44 100 727 491

Consolidated Statement of Financial Position
as at 30 June 2011

	Note	Consolidated		Company	
		2011	2010	2011	2010
		\$	\$	\$	\$
Current assets					
Cash and cash equivalents	6	232,743	439,303	232,743	439,303
Trade and other receivables	7	337,019	775,836	337,019	775,836
Stock	8	1,333,967	51,496	1,333,967	51,496
Total Current Assets		1,903,730	1,266,635	1,903,730	1,266,635
Non current assets					
Trade and other receivables	7	688,670	293,598	3,046,959	2,766,017
Property, plant and equipment	9	23,923,659	22,321,572	23,923,659	22,321,572
Exploration and evaluation expenditure	10	11,515,650	11,594,966	7,831,366	7,696,678
Other financial assets	11			1,546,004	1,546,004
Total Non-Current Assets		36,027,879	34,210,166	36,147,987	34,330,271
TOTAL ASSETS		37,931,609	35,476,791	38,051,717	35,596,906
Current liabilities					
Trade and other payables	11	18,316,368	6,896,406	18,316,368	6,896,412
Interest bearing liabilities	12	448,298	418,091	448,298	418,091
Total Current Liabilities		18,764,653	7,314,498	18,764,653	7,314,503
Non current liabilities					
Interest bearing liabilities	12	743,176	1,178,220	743,176	1,178,220
Provisions	13	890,809	676,815	890,809	676,815
Total Non-Current Liabilities		1,633,985	1,855,035	1,633,985	1,855,035
TOTAL LIABILITIES		20,398,639	9,169,531	20,398,639	9,169,538
NET ASSETS		17,532,970	26,307,259	17,653,078	26,427,367
Equity					
Issued Capital	14	35,103,213	34,467,042	35,103,213	34,467,042
Option Premium Reserve	16	3,776,137	3,386,797	3,776,137	3,386,797
Accumulated losses	18	(21,346,379)	(11,566,580)	(21,226,271)	(11,446,472)
TOTAL EQUITY		17,532,970	26,307,259	17,653,078	26,427,367
	Check		0		0

The accompanying notes form part of these financial statements

A1 Minerals Limited
ABN 44 100 727 491

Statement of changes in Equity
for the year ended 30 June 2011

Consolidated	Note	Issued Capital \$	Accumulated losses \$	Option Reserve \$	Total \$
Balance as at 1st July 2009		20,838,735	(5,668,075)	1,654,954	16,827,614
Profit / (loss) for the year	15		(5,900,505)		(5,900,505)
Net change in the fair value of available for sale financial assets					-
Income tax relating to components of other comprehensive income					-
Total comprehensive income for the year		20,838,735	(11,568,580)	1,654,954	10,927,109
Shares issued during the year	14	13,648,307			13,648,307
Recognition of share based payments	16			1,731,843	1,731,843
Transfer on cancellation of options	16				-
Balance as at 30 June 2010		34,487,042	(11,568,580)	3,386,797	26,307,259
Balance as at 1st July 2010		34,487,042	(11,568,580)	3,386,797	26,307,259
Profit / (loss) for the year	15		(10,187,778)		(10,187,778)
Net change in the fair value of available for sale financial assets					-
Income tax relating to components of other comprehensive income					-
Total comprehensive income for the year		34,487,042	(21,754,358)	3,386,797	16,119,481
Shares issued during the year	14	616,174			616,174
Recognition of share based payments	16			797,319	797,319
Transfer on cancellation of options			407,979	(407,979)	-
Balance as at 30 June 2011		35,103,216	(21,346,379)	3,776,137	17,532,973

A1 Minerals Limited
ABN 44 100 727 491

Statement of Cash Flows
For the Year Ended 30 June 2011

Note	Consolidated		Company	
	2011	2010	2011	2010
	\$	\$	\$	\$
Cash flows from operating activities				
Receipts from customers	19,608,368	2,312,078	19,608,368	2,312,078
Interest received	29,401	98,361	29,401	98,361
Interest paid	(204,008)	(71,113)	(204,008)	(71,113)
Royalty	(314,805)	-	(314,805)	-
Payments to suppliers and employees	(13,161,866)	(2,688,909)	(13,161,866)	(2,688,909)
Net cash provided by/(used) in operating activities	5,967,094	(347,583)	5,957,094	(347,583)
Cash flows from investing activities				
Proceeds from sale of non current assets	400,000	1,815,925	400,000	1,815,925
Payments to acquire property, plant and equipment	(65,957)	(15,755,681)	(65,957)	(15,755,681)
Payments for development of mine assets	(2,548,034)	-	(2,548,034)	-
Payments to acquire tenements	(355,972)	-	(355,972)	-
Payments for exploration and evaluation	(3,806,010)	-	(3,806,010)	-
Payments to related party	-	-	-	-
Net cash flows (used in) investing activities	(6,374,973)	(13,939,756)	(6,374,973)	(13,939,756)
Cash flows from financing activities				
Proceeds from the issue of shares	685,502	12,634,713	685,502	12,634,713
Share issue costs	(69,332)	(324,107)	(69,332)	(324,107)
Loan from controlled entity	-	-	-	-
Proceeds from borrowings	212,709	-	212,709	-
Repayment of borrowings	(617,547)	(160,282)	(617,547)	(160,282)
Net cash flows from financing activities	211,333	12,150,324	211,333	12,150,324
Net decrease in cash and cash equivalents	(206,546)	(2,137,015)	(206,546)	(2,137,015)
Cash and cash equivalents at the beginning of the financial year	439,302	2,576,318	439,302	2,576,318
Cash and cash equivalents at the end of the financial year	232,756	439,303	232,756	439,303

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Notes to the Financial Statements
For the Year Ended 30 June 2011

2 REVENUE

Note	Consolidated		Company	
	2011	2010	2011	2010
	\$	\$	\$	\$
(a) Revenue				
Sale of gold	19,127,168	2,626,911	19,127,168	2,626,911
Sale of by products	354,334	29,588	354,334	29,588
Interest receivable	99,334	107,003	99,334	107,003
Other income	2,724	(6,843)	2,724	5,843
	<u>19,683,478</u>	<u>2,769,159</u>	<u>19,683,478</u>	<u>2,769,159</u>
(b) Other Income / (Loss)				
Net loss on sale of mining tenements:				
Sale of tenements	400,000	1,816,925	400,000	1,816,925
Less:				
Cost of tenements	271,882	2,057,695	271,882	2,057,695
	<u>128,118</u>	<u>(241,770)</u>	<u>128,118</u>	<u>(241,770)</u>
2 COST OF SALES				
(c) Operating costs comprise:				
Employee expenses	3,705,419	242,936	3,705,419	242,948
Electricity and other consumables	847,964	339,937	847,964	336,987
Fuel, power and water	1,618,678	500,558	1,618,678	500,558
Amortisation waste material	10,090,075	813,207	10,090,075	813,207
Amortisation of Beta & Alpha tenements	1,816,848	-	1,816,848	-
Other mining, processing and refining	8,102,187	2,584,217	8,102,187	2,584,217
Royalty	499,810	-	499,810	-
	<u>34,434,877</u>	<u>4,427,915</u>	<u>34,434,877</u>	<u>4,427,915</u>
(d) Depreciation of non current assets:				
Gold plant and mine development	2,027,434	212,734	2,027,434	212,734
Plant and equipment	87,970	41,907	87,970	41,907
Motor vehicles	78,348	88,720	78,348	88,720
SSG equipment	88,327	87,144	88,327	87,144
Office equipment	18,471	20,262	18,471	20,262
	<u>2,300,549</u>	<u>410,767</u>	<u>2,300,549</u>	<u>410,767</u>
(e) Impairment expense:				
Investment in Desorox Resources Ltd				
(f) Finance costs				
Hire purchase contracts	264,008	71,113	264,008	71,113
(g) Exploration costs:				
Exploration costs expensed	108,314	841	108,314	841
Exploration costs written off	-	105,065	-	105,065
	<u>108,314</u>	<u>105,925</u>	<u>108,314</u>	<u>105,925</u>
(h) Other expenses				
Employee expenses	1,433,917	981,366	1,433,917	981,366
Lease allocated to exploration	(187,626)	(558,125)	(187,626)	(558,125)
	<u>448,910</u>	<u>423,241</u>	<u>448,910</u>	<u>423,241</u>
Exploration costs expensed				
Exploration costs written off				
Consulting	181,922	89,093	181,922	89,093
Corporate	816,416	292,031	816,416	292,031
Other administration	821,907	820,041	821,907	820,041
	<u>1,820,245</u>	<u>1,830,408</u>	<u>1,820,245</u>	<u>1,830,408</u>
(i) Employee benefits expense				
Share based payments	787,319	1,731,443	787,319	1,731,443

3 INCOME TAX

- (a) Income tax reconciled in profit and loss
The prima facie tax benefit on the operating result is reconciled to the income tax provision in the financial statements as follows:

Accounting loss before income tax from continuing operations

Income tax benefit calculated at 30%
Share based payments
Impairment expense
Exploration costs written off
Unsettled tax losses and temporary differences not recognised as deferred tax assets

Income tax expense / (benefit) reported in the income statement

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profit under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

- (b) Unrecognised deferred tax assets and liabilities

The following deferred tax assets and liabilities have not been brought to account:
Unrecognised deferred tax assets comprise:
Losses available for offset against future taxable income
Capitalising costs

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Notes to the Financial Statements
For the Year Ended 30 June 2011
Provision for distribution
Accrued expenses and liabilities

Unrecognised deferred tax liabilities comprise:

Exploration expenditure
Prepaid expenses and accrued income

4 SEGMENT REPORTING

The Company operates entirely in the mineral exploration business and 100% of the expenditure and assets employed relate to operations in Australia

5 EARNINGS PER SHARE

	2011	2010
	\$	\$
(Loss)/Profit used in calculation of loss per share	(10,187,778)	(5,900,505)
Basic earning/(loss) per share	Cents: (0.0509)	Cents: (0.0350)
Weighted average number of shares used in the calculation of earnings per share	200,208,335	168,783,285
Options		

6 CASH AND CASH EQUIVALENTS

	Consolidated		Company	
	2011	2010	2011	2010
	\$	\$	\$	\$
(a) Cash Assets				
Cash at bank and on hand	74,482	(25,810)	74,482	(25,810)
Short term deposits	188,281	439,303	188,281	439,303
Total cash and cash equivalents	262,763	439,303	262,763	439,303

Short term deposits are made for varying periods between one day and three months, depending on the immediate cash

(i) Reconciliation of Cash Flow Statement

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and at bank and investments. Cash and cash equivalents as shown in the statement of cash flows is reconciled to the related items in the statement of

	Consolidated		Company	
	2011	2010	2011	2010
	\$	\$	\$	\$
Cash and cash equivalents	262,763	439,303	262,763	439,303
Bank overdrafts				
	262,763	439,303	262,763	439,303

(ii) Reconciliation of Loss for the year to net cash flows from operating activity/ear Profit/(Loss) for the year after income tax

	Consolidated		Company	
	2011	2010	2011	2010
	\$	\$	\$	\$
Profit/(Loss) for the year after income tax	(10,187,778)	(5,900,505)	(10,187,778)	(5,900,505)
Add / (less) non cash items:				
Depreciation	2,300,540	410,707	2,300,540	410,707
Amortisation wear material	10,090,078	813,207	10,090,078	813,207
Amortisation of Bole & Alpha tenements	1,818,548		1,818,548	
Profit on sale of tenements	(128,108)	241,778	(128,108)	241,778
Exploration expenditure expensed and written off	108,314	105,908	108,314	105,908
Share based payments	787,319	(731,843)	787,319	1,731,843
Impairment expense				
Changes in assets and liabilities, net of the effects of the purchase of subsidiaries				
(Increase) / decrease in assets:				
Current receivables	170,274	(587,740)	170,274	(487,740)
Current inventories	(1,262,471)	(81,496)	(1,262,471)	(81,496)
Increase / (decrease) in liabilities:				
Current payables	2,487,008	2,610,557	2,487,008	2,610,557
Employee provisions	4,982	178,189	4,982	178,189
Net cash from/(to) operations	5,957,094	(347,203)	5,957,094	(347,548)

7 TRADE AND OTHER RECEIVABLES

	Consolidated		Company	
	2011	2010	2011	2010
	\$	\$	\$	\$
Current				
Trade receivables	175,845	350,074	175,845	350,074
GST receivable	118	284,461	118	284,461
Other receivables	181,028	141,301	181,028	141,301
	337,010	775,836	337,010	775,836
Non Current				
Loan to controlled entity			2,458,388	2,472,419
Other loans	1,403	1,403	1,403	1,403
Security and environmental bonds	587,187	292,188	587,187	292,188
	588,590	293,591	5,046,989	2,768,017
INVENTORIES				
Inventories	1,333,007	61,496	1,333,007	51,486

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Notes to the Financial Statements
For the Year Ended 30 June 2011

9 PROPERTY, PLANT AND EQUIPMENT

	Consolidated	Office equipment	Site plant & equipment	Motor vehicles	Capitalised Shipping Cost	Mine and processing plant development
(a) 2011						
Cost						
At the beginning of the financial year	25,451,839	141,392	261,367	894,667	3,189,898	20,964,624
Additions	13,997,722	8,642	40,318	35,626	13,292,323	919,913
Capitalised amortisation during pre production phase						
Disposals						
At the end of the financial year	39,449,561	150,034	301,685	930,293	16,482,221	21,884,537
Accumulated depreciation						
At the beginning of the financial year	(3,130,266)	(108,833)	(106,848)	(254,748)	(2,447,003)	(212,794)
Charge for the year	(12,300,635)	(16,471)	(66,327)	(166,326)	(10,090,075)	(2,027,434)
Transferred amortisation to capitalised pre production cost						
Disposals						
At the end of the financial year	(15,430,901)	(125,304)	(173,175)	(421,074)	(12,537,078)	(2,240,228)
Net book value as at 30 June 2011	24,018,660	24,730	128,510	509,219	4,945,143	19,644,309
Check	24,018,660	24,730	128,510	509,219	4,945,144	19,644,309

PROPERTY, PLANT AND EQUIPMENT

	Consolidated	Office equipment	Site plant & equipment	Leased motor vehicles	Capitalised Shipping Cost	Mine and processing plant development
2010						
Cost						
At the beginning of the financial year	3,187,072	109,275	89,656	207,925	3,169,898	2,900,220
Additions	20,630,970	32,121	191,701	696,742	3,169,898	16,630,608
Capitalised amortisation during pre production phase	1,633,796					1,633,796
Disposals						
At the end of the financial year	22,224,246	141,396	281,357	904,667	3,169,898	20,564,624
Accumulated depreciation						
At the beginning of the financial year	(272,556)	(88,731)	(39,704)	(744,121)		(319,734)
Charge for the year	(1,223,914)	(20,202)	(67,144)	(119,627)	(813,207)	(212,734)
Transferred amortisation to capitalised pre production cost	(1,633,796)				(1,633,796)	
Disposals						
At the end of the financial year	(3,130,266)	(108,933)	(106,848)	(254,748)	(2,447,003)	(212,734)
Net book value as at 30 June 2010	21,093,980	52,463	174,509	630,919	722,895	20,351,890

(b) Leased Assets
Property, plant and equipment includes acquisitions under a current finance lease.

	Consolidated 2011	2010	Company 2011	2010
Motor vehicles				
Cost	930,292	894,667	930,292	894,667
Accumulated depreciation	(421,076)	(254,748)	(421,076)	(254,748)
Net book value	509,217	639,919	509,217	639,919
Generators				
Cost	1,030,502	1,030,502	1,030,502	1,030,502
Accumulated depreciation	(89,187)	(10,883)	(89,187)	(10,883)
Net book value	941,315	1,019,619	941,315	1,019,619

10 EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated 2011	2010	Company 2011	2010
Cost				
At the beginning of the financial year	11,094,986	11,607,569	7,488,874	8,053,300
Costs capitalised during the financial year	1,014,472	1,781,384	1,014,472	1,747,375
Transfer cost on sale for investments	(254,721)	(2,049,367)	(254,721)	(2,049,367)
Capitalised costs written off during the financial year	(108,314)	(104,630)	(108,314)	(104,630)
Amortisation of Beta & Alpha tenements - Capitalised costs at the end of the financial year	(1,018,949)		(1,018,949)	
	11,879,674	11,234,966	7,831,362	7,899,678
	(11,016,660)	(14,024)	(7,488,493)	(132,944)

11 OTHER FINANCIAL ASSETS

Investments in controlled entities (1)		770,000	770,000
Debtless Receivables Limited		(770,000)	(770,000)
Less: Impairment allowance			
Debtless Exploration Pty Ltd		1,548,004	1,548,004
		1,548,004	1,548,004

Investment in controlled entities are stated at cost. Refer Note 21

11 PAYABLES

Current				
Trade payables	17,163,432	6,913,064	17,163,432	6,913,071
Salary creditors and accruals	980,187	927,878	980,187	921,679
Employee provisions	182,737	181,882	182,737	181,882
	18,326,356	8,022,824	18,326,356	8,016,632

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Notes to the Financial Statements
For the Year Ended 30 June 2011

12 INTEREST BEARING LIABILITIES

Current:				
Hire purchase liabilities	448,288	416,051	448,294	416,051
Non Current:				
Hire purchase leases	745,174	1,178,220	745,179	1,178,220

13 PROVISIONS

Non Current:				
Employee provisions - Long service leave	33,559	44,065	33,569	44,565
Rehabilitation	667,250	632,250	667,250	632,250
	699,809	676,315	699,809	676,315

14 ISSUED CAPITAL

	Consolidated				2011	2010
	Basic price	No.	No.	\$	\$	\$
Ordinary shares capital issued and fully paid		299,668,424	196,860,042	35,183,213	34,487,042	
Movements in ordinary shares capital:						
On issue at the start of the period		196,860,042	119,866,691	34,487,042	20,338,733	196,860,042
Issued in part consideration for gold processing plant	\$ 0.12					
Share Placement	\$ 0.08					
Share Placement - 24 July 09	\$ 0.09		7,500,000		600,000	
Share purchase plan - 29 July 09	\$ 0.13			22,687,636	2,944,793	
Share Placement - 19 October 09	\$ 0.19			10,474,815	1,950,216	
Issued in consideration of exploration asset (3 October 2009)	\$ 0.15		600,000		75,000	
Share Placement - 17 November 09	\$ 0.19			7,498,631	1,419,024	
Issued in consideration for purchase of camp 15 & 21 December 2009	\$ 0.20		1,441,620		432,448	
Issued 9 Dec 09 the exercise of employee options	\$ 0.20		500,000		100,000	
Issued 9 Dec 09 the exercise of employee options	\$ 0.30		125,000		37,500	
Issued 16 Dec 09 the exercise of employee options	\$ 0.30		257,000		78,000	
Issued 16 Dec 09 the exercise of employee options	\$ 0.20		600,000		160,000	
Issued 16 Dec 09 the exercise of employee options	\$ 0.20		500,000		100,000	
Issued 24 Dec 09 the exercise of employee options	\$ 0.20		500,000		100,000	
Issued 30 Dec 09 the exercise of employee options	\$ 0.20		500,000		100,000	
Issued 5 Jan 10 the exercise of employee options	\$ 0.20		500,000		100,000	
Issued 18 Jan 10 the exercise of employee options	\$ 0.20		760,000		152,000	
Issued 19 Jan 10 the exercise of employee options	\$ 0.20		100,000		20,000	
Issued 22 Jan 10 the exercise of employee options	\$ 0.20		760,000		152,000	
Issued 4 Feb 10 the exercise of employee options	\$ 0.20		1,000,000		200,000	
Issued on 11 Feb 10 in consideration for consultancy	\$ 0.375		1,000,000		375,000	
Issued 17 Feb 10 the exercise of employee options	\$ 0.20		3,250,000		650,000	
Issued 23 Feb 10 the exercise of employee options	\$ 0.20		1,000,000		200,000	
Issued 26 Feb 10 the exercise of employee options	\$ 0.20		760,000		152,000	
Share Placement on 17 Mar 10	\$ 0.25		18,765,600	646,506	3,841,400	
Share purchase plan - 19 August 09	\$ 0.18	3,899,347		(93,351)	(324,187)	(69,322)
Costs associated with issue of shares						
On issue at the end of the reporting period		299,668,424	196,860,042	35,183,213	34,487,042	

15 RETAINED EARNINGS AND RESERVES

Retained losses
Movements of retained losses were as follows:

	Consolidated		Company	
	2011	2010	2011	2010
Balance at the beginning of the year	(11,546,580)	(5,660,075)	(11,448,472)	(5,545,967)
Transfer on cancellation of prior year options	407,978		407,978	
Loss for the reporting period	(10,187,778)	(5,900,003)	(10,187,778)	(5,900,003)
At the end of the reporting period	(21,346,379)	(11,560,078)	(21,228,271)	(11,445,970)

Reserves

	Consolidated		Company	
	2011	2010	2011	2010
Balance at the beginning of the year	3,346,797	1,654,954	3,346,797	1,654,954
Share based payments	797,319	1,731,843	797,319	1,731,843
Transfer on cancellation of prior year options	(407,978)		(407,978)	
Options issued in part consideration for gold plant				
At the end of the reporting period	3,736,137	3,386,797	3,736,137	3,386,797

Nature and purpose of the reserve
Share based payments reserve is used to record the value of equity benefits provided to employees and directors as part of their remuneration.
Sale of gold is contracted at spot to the Perth Mint; hence the effects of foreign currency and hedging on Reserve did not arise.

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Notes to the financial statements
For the Year Ended 30 June 2011

16. SHARE BASED PAYMENT PLANS

Employee Share Option Plan

The contractual life of each option granted is _____ years. There is no cash settlement alternative.

Option Series	Number	Grant Date	Expiry date	Fair value at grant date
---------------	--------	------------	-------------	--------------------------

The following table illustrates the number and weighted average exercise prices of movements in the share options issued during the year

	2011 Number	2011 Weighted average exercise price	2010 Number	2010 Weighted average exercise price
Outstanding at the beginning of the year	18,600,000	\$0.27	27,650,000	\$0.27
Granted prior year (29/06/2010)	5,400,000			
Granted during the year	8,500,000	\$0.35	10,000,000	\$0.35
Forfeited during the year	(3,750,000)			
Exercised during the year			(10,470,000)	\$0.21
Expired during the year	(3,000,000)	\$0.25	(10,315,000)	\$0.35
Outstanding at the end of the year	23,950,000	\$0.30	16,800,000	\$0.30
Exercisable at the end of the year	23,950,000	\$0.29	16,800,000	\$0.30

The outstanding balance as at 30 June 2011 is represented by:

- 2,000,000 options over ordinary shares with an exercise price of 20 cents each, exercisable upon meeting the above conditions and until 30 November 2011
- 1,600,000 options over ordinary shares with an exercise price of 20 cents each, exercisable upon meeting the above conditions and until 23 February 2012
- 9,500,000 options over ordinary shares with an exercise price of 35 cents each, exercisable upon meeting the above conditions and until 30 November 2012
- 2,160,000 options over ordinary shares with an exercise price of 30 cents each, exercisable upon meeting the above conditions and until 6 June 2012
- 6,000,000 options over ordinary shares with an exercise price of 30 cents each, exercisable upon meeting the above conditions and until 29 November 2011
- 2,500,000 options over ordinary shares with an exercise price of 20 cents each, exercisable upon meeting the above conditions and until 29 November 2012

The weighted average remaining contractual life for the share options outstanding as at 30 June 2011 is _____ years (2010: 1.85 years)

The range of exercise prices for options outstanding at the end of the year was 20 to 35 cents (2010: 20 to 35 cents)

The weighted average fair value of options granted during the year was \$ _____ (2010: \$1,475,700)

The fair value of the equity-settled share options granted under both the option and the loan plans is estimated as at the date of the grant using the Black and Scholes model taking into account the terms and conditions upon which the options were

17. FINANCIAL INSTRUMENTS

Information entered directly into Annual Report

18. COMMITMENTS AND CONTINGENCIES

Information entered directly into Annual Report

19. RELATED PARTY DISCLOSURES

Information entered directly into Annual Report

20. PARENT ENTITY DISCLOSURES

Information sourced from Balance Sheet & Profit and Loss. Entered directly into Annual Report

EVENTS AFTER THE BALANCE SHEET

21. DATE

Information sourced from Balance Sheet & Profit and Loss. Entered directly into Annual Report

22. AUDITOR'S REMUNERATION

The auditor of A1 Minerals Limited is HLB Mann Judd.

Amounts received of due and receivable by HLB Mann Judd for:

	2011	2010	2009	2008
an audit or review of the financial report of the entity and any other entity in the Group	49,950	19,950	49,950	(8,950)
other services in relation to the entity and any other entity in the Group:			4,220	
- tax compliance				
- assurance related				
	49,950	19,950	54,170	19,950

Amounts received of due and receivable by related practices of HLB Mann Judd for:

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Notes to the Financial Statements
 For the Year Ended 30 June 2011
 an audit or review of the financial report or
 subsidiaries

Amounts received or due and receivable by
 non H.B. Manufacturing for:

- tax compliance
 - assurance related

	49,950	19,950	64,170	19,950
		5,920		5,920
	49,950	25,870	64,170	25,870

**DIRECTORS' AND EXECUTIVES
 23 DISCLOSURES**

Shareholdings of key management personnel
 30 June 2011

Directors
 John Williams
 Michael Hunt
 Ross Lounsbury

	Bal 1 July 10	Granted	Options exercised	Net change	Bal 30 Jun 11
Directors					
John Williams	8,926,846				

SHAREBASED PAYMENTS

	Share based payments during 2008-09	Options granted during the year	Share based payments during the year	Total Share based payments at end of year
Michael Hunt	0.03004	75,099	2,000,000	346,000
John Williams	0.03004	76,099	8,500,000	1,187,000
Ross Lounsbury			500,000	45,500
Tim Hensley	0.02004	106,585	1,000,000	178,000
Albert Longo	0.02059			
Mark Pitts	0.13621	68,103		68,103
Employees	0.10621	313,272		313,272
	0.04156	10,000,000	4,736,500	2,394,653