



## **DANAE RESOURCES NL**

ABN 11 009 173 880

LEVEL 24, WATERFRONT PLACE, 1 EAGLE STREET, BRISBANE, QLD, AUSTRALIA 4000  
P.O. BOX 7847 WATERFRONT PLACE, BRISBANE QLD, AUSTRALIA 4001

### **DIRECTORS**

J.A. CORCORAN  
D.P. LEWIS  
J.G. BOVARD  
A.T. ROBERTS

### **CHAIRMAN**

MANAGING DIRECTOR

TEL: +61 (0) 7 3220 1348

FAX: +61 (0) 7 3211 9122

### **COMPANY SECRETARY**

B.J. CASSON

The Company announces as follows:

### **PROPOSED NON-RENOUNCEABLE RIGHTS ISSUE**

The terms of the proposed rights issue, previously announced by the Company, have been changed following a review of the funding requirements of the Company over the next 12 months.

The issue will proceed as a non-renounceable rights issue to raise approximately \$3.19 million (including provision for costs of the issue), offering all shareholders the opportunity to subscribe for new shares in Danae.

The offer will be made in a prospectus to be issued by the Company as noted in the indicative timetable below. The offer will be on the basis of 1 New Share for every 4 Shares held by each shareholder at a price of 20 cents each.

Multiplex Mining has agreed, subject to conditions of a standard nature, to underwrite the proposed rights issue and confirms its intention to take-up its full entitlements under the rights issue and thereby retain a controlling shareholding in Danae.

The moneys raised - together with existing working capital raised from the recently announced placement - will be applied for the following purposes:

- (a) contribution to funding of the technical studies for the Zarmitan Gold Project in Uzbekistan, due to proceed following the issue of the formal Decree establishing the joint venture;
- (b) settlement of the acquisition of the rights to the Vostok Copper Project in Kazakhstan;
- (c) funding of leaching test work for the Vostok Copper Project; and
- (d) additional working capital to fund the ongoing working capital requirements of the Company, its subsidiaries and those companies in which it has a substantial interest, and including the costs of the rights issue.

### **PROPOSED RIGHTS ISSUE INDICATIVE TIMETABLE**

The indicative timetable in relation to the proposed transactions is as follows:

Announcement of Offer	21 November 2003
Lodgement of Prospectus	21 November 2003
Record date for rights issue	2 December 2003
Prospectus and Entitlement and Acceptance Forms despatched	5 December 2003
Acceptances close at 5pm	23 December 2003
Despatch date	16 January 2004
Normal reading of New Shares on the ASX expected to commence no later than	17 January 2004



This indicative timetable is based on information available to the Company at the current time. In circumstances where the information set out above changes, the Company will advise Shareholders accordingly.

## **REDEEMABLE PREFERENCE SHARE SUBSCRIPTION AGREEMENTS**

### **Multiplex Mining Pty Limited**

As at the date of this announcement, Danae expects a debt of approx. \$22 million to be owed by the Company to Multiplex Mining Pty Limited (**Multiplex Mining**) by early December 2003. This is based on the current loan balance and other transactions likely to increase the loan prior to settlement of the proposed transaction.

The Company has agreed to enter into a Redeemable Preference Share Subscription Agreement with Multiplex Mining. Pursuant to that agreement, the Company has agreed to issue approx. 22,345,000 'A' Class Preference Shares and 20,000,000 Options to Multiplex Mining at an issue price of \$1.00 per 'A' Class Preference Share.

The consideration due to the Company by Multiplex Mining for the Preference Shares will be set off against the debt due by the Company to Multiplex Mining. The Redeemable Preference Share Subscription Agreement is conditional on obtaining shareholders' approval to the proposed issue at a General Meeting of Shareholders, currently expected to be held on 22 December 2003.

A summary of the terms of the 'A' Class Preference Shares and Options is set out in Annexure A to this announcement. The 'A' Class Preference Shares will have priority as to redemption over the 'B' Class Preference Shares (referred to below) to be issued to BSG Gold.

### **BSG Gold B.V.B.A. S.A.**

The Company has also agreed to enter into a Redeemable Preference Share Subscription Agreement with BSG Gold B.V.B.A. S.A. ("BSG Gold").

Pursuant to that agreement, the Company will agree to issue 3,500,000 'B' Class Preference Shares and 8,500,000 Options to BSG Gold at an issue price of \$1.00 per 'B' Class Preference Share. The consideration of \$3,500,000 is payable by BSG Gold in cash on issue.

These funds will be used by the Company to supplement existing working capital, and funds available from the Rights Issue, to progress work on the company's development projects.

A summary of the terms of the 'B' Class Preference Shares and Options is set out in Annexure A to this announcement. The agreement is conditional, inter alia, on obtaining shareholders' approval to the proposed issue at a General Meeting currently expected to be held on 22 December 2003.

## **ISSUE OF SHARES TO MR DONALD LEWIS UNDER THE COMPANY'S EMPLOYEE INCENTIVE PLAN**

Subject to obtaining shareholder approval, the Company proposes to issue Shares under the plan to Mr Donald Lewis (Managing Director) under the following terms:



- The Company will issue shares to a maximum dollar amount of \$100,000, at an issue price calculated on the weighted average price of the 5 trading days up to and including the day of issue;
- One half of the shares, although issued, will be held in escrow and not vest until the date of incorporation of the Charmitan Mining Company in Uzbekistan (being the proposed joint venture vehicle in respect of the Zarmitan Gold Project).

The purpose of the proposed issue of Shares is to provide Mr Lewis with added incentive for his role as Managing Director and to recognise his contribution to the Company.

For further information on the above matters please contact the Company on +61 7 3220 1348.

**DON LEWIS**  
MANAGING DIRECTOR  
21 November 2003



## Annexure “A”

### Summary of Terms of Preference Shares and Options

#### **‘A’ Class Preference Shares**

**Ranking:** ‘A’ Class Preference Shares rank after all creditors but before holders of ‘B’ Class Preference Shares and Shareholders for return of capital or payment of Dividends on a winding up. No right to participate beyond the Issue Price and all arrears of Dividends. ‘A’ Class Preference Shares rank equally amongst themselves.

**Dividend:** Cumulative preferential dividend at 10% per annum, payable half-yearly in arrears.

**Conversion:** No rights of conversion to equity.

**Other rights:** Same rights as Shareholders to receive notices, reports and to attend meetings.

**Voting:** Holders of ‘A’ Class Preference Shares will not be entitled to speak or to vote at general meetings of the Company except in each of the following circumstances:

- ❖ if at the time of the meeting a Shortfall Amount exists
- ❖ on a proposal to reduce the Company’s share capital
- ❖ on any resolution to approve the terms of a buy-back agreement
- ❖ on any proposal that affects the rights or privileges attached to the ‘A’ Class Preference Shares
- ❖ on any proposal to wind up the Company
- ❖ on any proposal for the disposal of the whole of the Company’s property, business and undertaking
- ❖ during the winding up of the Company

in which case a holder of ‘A’ Class Preference Shares has the same rights as to manner of attendance at general meetings in respect of each ‘A’ Class Preference Shares as those conferred on holders of ordinary shares in the Company and each holder of ‘A’ Class Preference Shares will have:

- ❖ one vote on a show of hands
- ❖ one vote for each fully paid ‘A’ Class Preference Shares held by that holder on a poll

**Listing:** A Class Preference Shares will not be quoted on the ASX.

**Redemption:** Redeemable at the option of the Company at any time on or before the Redemption Date in priority to ‘B’ Class Preference Shares. Any outstanding ‘A’ Class Preference Shares must be redeemed on the Redemption Date.

**Redemption Date:** The earlier of the fifth anniversary of issuance and the date immediately following the Allotment Date, on which the Company raises further capital by way of equity capital raising.



### **'B' Class Preference Shares**

**Ranking:** 'B' Class Preference Shares rank after all creditors and 'A' Class Preference Shares but before Shareholders for return of capital or payment of Dividends on a winding up. No right to participate beyond the Issue Price and all arrears of Dividends. 'B' Class Preference Shares rank equally amongst themselves.

**Dividend:** Cumulative preferential dividend at 10% per annum, payable half-yearly in arrears.

**Conversion:** No rights of conversion to equity.

**Other rights:** Same rights as Shareholders to receive notices, reports and to attend meetings.

**Voting:** Holders of 'B' Class Preference Shares will not be entitled to speak or to vote at general meetings of the Company except in each of the following circumstances:

- ❖ if at the time of the meeting a Shortfall Amount exists
- ❖ on a proposal to reduce the Company's share capital
- ❖ on any resolution to approve the terms of a buy-back agreement
- ❖ on any proposal that affects the rights or privileges attached to the 'B' Class Preference Shares
- ❖ on any proposal to wind up the Company
- ❖ on any proposal for the disposal of the whole of the Company's property, business and undertaking
- ❖ during the winding up of the Company

in which case a holder of 'B' Class Preference Shares has the same rights as to manner of attendance at general meetings in respect of each 'B' Class Preference Shares as those conferred on holders of ordinary shares in the Company and each holder of 'B' Class Preference Shares will have:

- ❖ one vote on a show of hands
- ❖ one vote for each fully paid 'B' Class Preference Shares held by that holder on a poll

**Listing:** 'B' Class Preference Shares will not be quoted on the ASX.

**Redemption:** Redeemable at the option of the Company at any time on or before the Redemption Date but subordinate to redemption of 'A' Class Preference Shares. Any outstanding 'B' Class Preference Shares must be redeemed on the Redemption Date subject to full redemption of any outstanding 'A' Class Preference Shares.

**Redemption Date:** The earlier of the fifth anniversary of issuance and the date immediately following the Allotment Date, on which the Company raises further capital by way of equity capital raising.



## **Options**

- Option Entitlement:*** To subscribe for one Share at an exercise price of 25 cents per Share. Shares issued on exercise of Options will rank pari passu with existing Shares.
- Exercise Period:*** Exercisable at any time on or before the 5<sup>th</sup> anniversary of the date of grant. Options not exercised by this date will lapse.
- Listing:*** The Options will not be quoted on the ASX. Shares issued on exercise of Options will be quoted on the ASX.
- Pro rata issues:*** Option holders are entitled to participate in pro rata issues of the Company's securities by prior exercise of the Options.
- Reconstruction:*** In the event of reconstruction of the Company's issued capital, the number of Options or the exercise price of Options or both will be reconstructed accordingly.

The A Class Preference Shares and the Options will be freely transferable subject to any restrictions imposed by the ASX.

The 'B' Class Preference Shares and the Options will be freely transferable subject to any restrictions imposed by the ASX.

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# **PROSPECTUS**

## **DANAE RESOURCES NL**

### **ABN 11 009 173 880**

#### **Non-Renounceable Rights Issue**

A non-renounceable pro-rata rights issue of approximately 15,938,433 New Shares on the basis of 1 New Share for every 4 Shares held, at an issue price of 20 cents for each New Share

The Offer closes at 5.00pm on 23 December 2003, unless extended or brought forward

Underwritten by Multiplex Mining Pty Limited  
ACN 076 112 984

#### **Important Information**

This document is important and should be read in its entirety.  
If after reading this prospectus you have any questions about the New Shares being offered under this prospectus or any other matter, you should consult your professional adviser.

**An investment in the New Shares offered by this prospectus should be considered speculative.**

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## CORPORATE DIRECTORY

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### BOARD OF DIRECTORS

John Corcoran, B Ec, LLB (Non-Executive Chairman)  
Donald Lewis BE, M Eng (Managing Director)  
John Bovard BE, F Aus IMM (Non-Executive Director)  
Andrew Roberts B Com, MBA (Non-Executive Director)

### COMPANY SECRETARY

Barry Casson CA, MAICD

### REGISTERED OFFICE

Level 24  
Waterfront Place  
1 Eagle Street  
Brisbane Queensland 4000 Australia  
Tel: +61 7 3220 1348  
Fax: +61 7 3211 9122  
Website: [www.danaeresources.com](http://www.danaeresources.com)  
Email address: [info@danaeresources.com](mailto:info@danaeresources.com)

### SOLICITORS

Deacons  
1 Alfred Street  
Circular Quay  
SYDNEY NSW 2000  
Australia

### POSTAL ADDRESS

PO Box 7847  
Waterfront Place  
Brisbane Queensland 4001 Australia

### ASX CODE

The Company's shares are listed under the code DNS on the Australian Stock Exchange

### SHARE REGISTRY

Pitcher Partner Registries  
(formerly Douglas Heck & Burrell Registries)  
Level 22  
HSBC Building  
300 Queen Street  
Brisbane Queensland 4000 Australia  
Tel: +61 7 3228 4219  
Fax: +61 7 3221 3149

### UNDERWRITER

Multiplex Mining Pty Limited  
Level 24  
Waterfront Place  
1 Eagle Street  
Brisbane Queensland 4000 Australia  
Tel: +61 7 3220 1348  
Fax: +61 7 3211 9122

### AUDITORS

Grant Thornton  
Chartered Accountants  
Business Advisors and Consultants  
4<sup>th</sup> Floor  
Grant Thornton House  
King George Square  
102 Adelaide Street  
Brisbane Queensland 4000 Australia  
Tel: +61 7 3222 0200  
Fax: +61 7 3222 0444



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## A LETTER FROM THE CHAIRMAN

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**Danae Resources NL**  
**ABN 11 009 173 880**

21 November 2003

Dear Shareholder

The Directors of Danae Resources NL are pleased to offer you the opportunity to subscribe for New Shares through the offer of a non-renounceable pro-rata rights issue contained in this prospectus. The offer is for 1 New Share for every 4 Shares held by you on the Record Date, at an issue price of 20 cents for each New Share.

The Offer has been conditionally underwritten by Multiplex Mining.

### **Purpose of Offer**

The Offer will raise approximately \$3.19 million which will, in addition to the existing working capital of the Company, be applied for the following purposes:

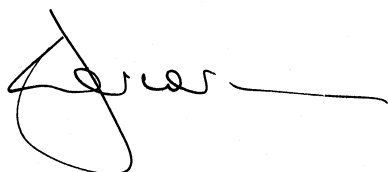
- the acquisition of the Vostok Copper Project in Kazakhstan as approved by shareholders at the general meeting of the Company held on 17 February 2003
- the funding of leaching test work for the Vostok Copper Project in Kazakhstan
- assisting the initial funding for the technical development studies for the Zarmitan Gold Project in Uzbekistan
- other working capital requirements, including the costs of this Issue

### **Details of Offer**

Details of the Offer are contained in this prospectus and I urge you to read this document thoroughly. The offer closes at 5.00 pm (Brisbane time) on 23 December 2003.

If you have any queries concerning the Offer or the action you are required to take, please contact your professional adviser or the Company Secretary, Barry Casson, on 61-7-3220 1348.

Yours faithfully



John Corcoran  
Chairman

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Capitalised terms used in this prospectus are defined in the Glossary in section 9.

### Important Notice

An investment in the New Shares offered under this prospectus should be considered speculative. Applicants should read this prospectus in its entirety before deciding whether to apply for the New Shares. If, after reading this prospectus, you have any questions as to how to deal with this prospectus, you should contact your stockbroker, solicitor, accountant or other professional adviser.

### Important Information

1. This prospectus is dated 21 November 2003. The expiry date of this prospectus is 13 months after the date of issue of this prospectus. No New Shares will be issued on the basis of this prospectus after the expiry date of this prospectus.
2. A copy of this prospectus was lodged with ASIC on 21 November 2003.
3. This prospectus was prepared and issued by Danae Resources NL ("**Danae**"). Danae is responsible for the contents of this prospectus. Neither ASIC nor the ASX takes any responsibility for the contents of this prospectus.
4. This prospectus does not constitute an offer in any place where, or to any person to whom, it would not be lawful to make an offer. The distribution of this prospectus in jurisdictions outside the Commonwealth of Australia may be restricted by law, and shareholders in those jurisdictions should seek advice on and observe all applicable restrictions. Any failure to comply with applicable restrictions may constitute a violation of applicable securities laws.
5. Application for quotation of the New Shares on the ASX will be made within 7 days after the date of this prospectus.
6. The Offer is of a non-renounceable pro-rata rights issue, so that any New Shares offered to you under this prospectus, which you choose not to take up, will revert to the Underwriter. You are not entitled to sell or otherwise transfer your Entitlement.
7. The Offer has been conditionally underwritten by Multiplex Mining Pty Limited ("**Multiplex Mining**") on the terms and conditions of the underwriting, which are summarised in section 7 of this prospectus.

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## 1. THE OFFER

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### 1.1 INTRODUCTION

This prospectus contains an offer under a non-renounceable pro-rata rights issue to holders of ordinary Shares in the Company, who are resident in Australia and New Zealand, to take up New Shares in the Company at a subscription price of 20 cents for each New Share, payable in full on application. The Offer applies to shareholdings as at the Record Date, being 5.00pm (Brisbane time) on 2 December 2003.

The purpose of the Offer is to raise additional capital of approximately \$3.19 million which, together with the existing working capital of the Company, will be applied for the following purposes:

- the acquisition of the Vostok Copper Project in Kazakhstan as approved by shareholders at the general meeting of the Company held on 17 February 2003
- the funding of leaching test work for the Vostok Copper Project in Kazakhstan
- assisting the initial funding for the technical development studies for the Zarmitan Gold Project in Uzbekistan
- other working capital requirements, including the costs of this Issue

Further details about the purpose of the Offer can be found in section 3 of this prospectus.

If you are a shareholder, this document is important and requires your immediate attention. It should be read in its entirety. Please read carefully the instructions on the accompanying Entitlement and Acceptance Form regarding the acceptance of your Entitlement. If you are in doubt as to the course you should follow, you should consult your stockbroker, solicitor, accountant or other professional adviser immediately.

### 1.2 DETAILS OF THE OFFER

The Company currently has 63,753,732 fully paid ordinary shares on issue. The Company is offering for subscription, under a non-renounceable pro-rata rights issue, approximately 15,938,433 New Shares in the Company on the basis of 1 New Share for every 4 Shares held, with fractional entitlements rounded up to the nearest whole New Share.

The subscription price for each New Share is 20 cents.

The last market sale price for Shares on the last trading day before the date of this prospectus was 28 cents.

#### Timetable for the Offer

Announcement of Offer	21 November 2003
Lodgement of prospectus	21 November 2003
Record Date to determine entitlements to the New Shares	2 December 2003
Prospectus and Entitlement and Acceptance Forms despatched	5 December 2003

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Acceptances close at 5pm	23 December 2003
Statements for New Shares expected to be despatched by no later than	16 January 2004
Normal trading of New Shares on the ASX expected to commence by no later than	17 January 2004

These dates are indicative only and may vary. The Directors may alter the closing date, and any subsequent date, in their discretion, subject to the requirements of the Official Listing Rules of the ASX and the *Corporations Act 2001*.

### **Subscription Price**

Each New Share is offered at a subscription price of 20 cents payable in full on acceptance.

The last market sale price for Shares on the last trading day before the date of this prospectus was 28 cents.

### **Your Entitlement**

The Company is making a non-renounceable pro-rata rights issue of New Shares on the basis of 1 New Share for every 4 Shares held.

Your Entitlement is calculated as at the Record Date, being 5.00pm (Brisbane time) on 2 December 2003, and is shown on the Entitlement and Acceptance Form accompanying this prospectus. Fractional entitlements to New Shares will be rounded up to the nearest whole New Share.

### **Issue Amount**

The total number of New Shares to be issued under the Offer will be approximately 15,938,433 New Shares, to raise approximately \$3.19 million, before costs of the Offer.

### **Entitlements and Acceptances**

The Offer may be accepted in whole or in part prior to the Closing Date. The Directors reserve the right to vary the timetable for the Offer, subject to the ASX Listing Rules, including extending the offer period. You can only accept the Offer by completing the Entitlement and Acceptance Form accompanying this prospectus.

Instructions for completion and lodgement of acceptances are set out on the back of the enclosed Entitlement and Acceptance Form. Acceptance must not exceed your Entitlement as shown on that form. There is no minimum subscription.

Applications must be accompanied by payment in full of 20 cents per New Share.

Rights not accepted will be dealt with by the Underwriter to the issue in accordance with the terms of the Underwriting Agreement.

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### 1.3 ACTION REQUIRED BY SHAREHOLDERS

Shareholders may:

- **Take up their Entitlement in full**

If you wish to take up all of your Entitlement, please complete the Entitlement and Acceptance Form that accompanies this prospectus in accordance with the instructions set out on the back of the form. Forward the completed form, together with your cheque for the amount shown on the form, in the reply paid envelope to reach the Company's share registry, at Level 22, HSBC Building, 300 Queen Street, Brisbane, Queensland, 4000 or GPO Box 35, Brisbane, Queensland, 4001 by 5.00pm (Brisbane time) on the Closing Date or such later date as the Directors determine.

Cheques in Australian currency, should be made payable to "**Danae Resources NL – Share Issue Account**" and crossed "not negotiable".

- **Take up part of their Entitlement**

If you wish to take up part only of your Entitlement, please complete the Entitlement and Acceptance Form that accompanies this prospectus by inserting the number of New Shares for which you wish to accept the Offer under this prospectus (being less than your Entitlement as specified on the Entitlement and Acceptance Form). Forward the completed form, together with your cheque for the amount shown on the form, in the reply paid envelope to reach the Company's share registry, at Level 22, HSBC Building, 300 Queen Street, Brisbane, Queensland, 4000 or GPO Box 35, Brisbane, Queensland, 4001 by 5.00pm (Brisbane time) on the Closing Date or such later date as the Directors determine.

Cheques in Australian currency, should be made payable to "**Danae Resources NL – Share Issue Account**" and crossed "not negotiable".

- **Ignore the Offer**

If you do not wish to take up any part of your Entitlement to New Shares, you are not required to take any action, in which case you will receive no New Shares and your rights will lapse.

- **If you have sold your Danae Shares**

If you have sold all your Shares in Danae send this document to the purchaser or agent through whom you made the sale, for delivery to the purchaser.

If the number of Shares which you held on 2 December 2003 was not as shown in the Entitlement and Acceptance Form because you had sold some or all of your Shares, or for any other reason, contact the Company's share registry or the Company without delay.

If you have any queries concerning your Entitlement, please contact the share registry, Pitcher Partner Registries, telephone 61-7-3228 4219 or contact your stockbroker, solicitor, accountant or other professional adviser.

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Entitlement and Acceptance Forms and accompanying cheques may be lodged at any time before the Closing Date. Applications received after the Closing Date will not be accepted. The Company is not responsible for any postal or delivery delays.

#### 1.4 SHAREHOLDERS RESIDENT OUTSIDE AUSTRALIA AND NEW ZEALAND

The Offer is extended only to shareholders with registered addresses in Australia and New Zealand. The Company considers it would be unreasonable to extend the Offer to shareholders with registered addresses in other jurisdictions ("**Excluded Shareholders**") having regard to the small number of those shareholders, the small number and value of securities that would be offered in other jurisdictions and the costs of complying with legal and regulatory requirements in other jurisdictions.

Based on the number of Shares held by Excluded Shareholders as at the date of this prospectus, Excluded Shareholders would have been entitled to take up approximately 91,674 New Shares if they were entitled to participate in the Offer.

It is the responsibility of any person who comes into possession of this prospectus outside Australia or New Zealand to ensure there is full compliance with all laws of any relevant jurisdiction. Any person not in Australia or New Zealand who is considering taking up rights and shareholders who are resident outside Australia and New Zealand should consult their professional advisers as to whether or not any governmental or other consents are required, or if other formalities need to be observed, to enable them to apply for New Shares under this prospectus.

This prospectus does not constitute an offer in the USA or in any place in which, or to any person to whom, it would not be lawful to make an offer.

#### 1.5 MARKET PRICES OF SHARES ON THE ASX

The highest and lowest market sale price of the Shares during the 3 months immediately preceding 21 November 2003 (being the date of lodgement of this prospectus) and the last market sale price on that date is set out below.

<b>3 month high</b>	<b>3 month low</b>	<b>Last market sale price</b>
30 cents (20 November 2003)	17 cents (21, 22, 25, 26, 27 and 28 August 2003)	28 cents (20 November 2003)

#### 1.6 OPENING AND CLOSING DATES

This prospectus will be despatched by no later than 5 December 2003 and the Offer will close on 23 December 2003.

#### 1.7 ISSUE

The New Shares will be issued as soon as practicable after the Closing Date and in any event not later than 10 days after that date.

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No New Shares will be issued on the basis of this prospectus later than 13 months after the date of issue of this prospectus.

No New Shares will be issued pursuant to this prospectus until permission is granted by ASX for quotation of the New Shares. Application moneys will be held in a subscription account until issue. This account will be established and kept by the Company on behalf of the applicant.

Interest earned on the application moneys will be for the benefit of the Company and will be retained by the Company irrespective of whether New Shares are issued.

#### **1.8 ASX LISTING**

Application will be made no later than 7 days after the date of this prospectus for the New Shares offered under this prospectus to be granted official quotation by ASX. If the New Shares are not admitted to official quotation within 3 months after the date of this prospectus, all application monies received will be returned in accordance with the *Corporations Act 2001*.

ASX takes no responsibility for the contents of this prospectus.

#### **1.9 TERMS OF THE NEW SHARES**

The terms and conditions of issue of the New Shares are set out in section 7 of this prospectus. The New Shares will rank equally with existing Shares and the rights and liabilities attaching to the New Shares are summarised in section 7 of this prospectus.

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## **2. THE COMPANY AND ITS ASSETS**

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### **2.1 SUMMARY**

Over the next year the Company will continue to progress its key projects and investments comprising:

- (1) its prospective 50% interest in the Zarmitan Gold Project in Uzbekistan;
- (2) subject to completion of the acquisition of the Vostok Copper Project in Kazakhstan, its 100% interest in that project; and
- (3) its 33.15% interest in Greenwich which holds the Sappes Gold Project in Greece.

As reported previously the Company's wholly owned subsidiary, Manor Resources NL is endeavouring to progress the sale of its mining tenements at Bulong.

### **2.2 ZARMITAN GOLD PROJECT (50% INTEREST)**

Following extensive and lengthy negotiations, drafting of the Shareholders' Agreement in respect of the Zarmitan Gold Project has been agreed between the Company and the negotiating team representing the two Uzbekistan government owned enterprises that will hold a combined 50% interest in the Zarmitan Gold Project joint venture post execution of the Shareholders' Agreement.

Under the Shareholders' Agreement, the Company, through its subsidiary Multiplex Development Zarmitan Limited, will hold the remaining 50% interest in the Zarmitan Gold Project joint venture. The joint venture will be established as the Charmitan Mining Company following execution of the Shareholders' Agreement.

The draft Shareholders' Agreement has been lodged with the Cabinet of Ministers of Uzbekistan, together with the draft of the Government decree required to authorise execution of the Shareholders' Agreement and the establishment of the Charmitan Mining Company joint venture, for review and approval by the relevant Uzbek Government Ministries. The Company is awaiting the outcome of this review so that the draft decree and Shareholders' Agreement can be finalised.

Charmitan Mining Company will hold the Zarmitan Gold Project. In order to maintain its 50% interest, Multiplex Development Zarmitan Limited is required within 18 months of execution of the Shareholders' Agreement, or such further period as may be allowed under the terms of the Shareholders' Agreement, to:

- (1) prepare the following documentation in respect of the Zarmitan Gold Project:
  - (a) a final business plan; and
  - (b) a technical economical study,  
detailing the financial, economic and development parameters for the proposed development of the project; and
- (2) procure an offer of finance to Charmitan Mining Company to develop the project.



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The above documentation, based in part on the technical development studies described in Section 3, address the development of an underground mining operation and construction of processing facilities and infrastructure sufficient to treat 1 million tonnes per annum of ore using carbon-in-leach technology. The average annual output from this proposed development is approximately 236,000 ounces gold over an estimated mine life of 15 years.

The Company will commence preparation of the above documentation upon execution of the Shareholders' Agreement. Funds raised pursuant to this Offer will, in part, be used to progress this program of work with further details set out in Section 3 below.

Following satisfaction of the above obligations:

- (a) the assets comprising the Zarmitan Gold Project will be transferred by the two Uzbekistan government owned enterprises to Charmitan Mining Company in exchange for shares in that company;
- (b) the technical economical study and other documentation will be contributed by the Company in exchange for shares in Charmitan Mining Company; and
- (c) the Company will acquire, on a deferred consideration basis, shares from the Uzbekistan government enterprises for US\$8 million, the effect of which will be that the Company will retain 50% of the shares in Charmitan Mining Company.

## **2.3 VOSTOK COPPER PROJECT (RIGHT TO 100% INTEREST)**

The sub-surface use contract for the Vostok Copper Project was executed by Multiplex Resources (Kazakhstan) Limited ("MRK") and the relevant Ministry of the government of Kazakhstan in September 2003.

Upon acquisition of MRK in accordance with the terms of the Vostok Copper Project Acquisition Agreement (summarised in Section 7.13 of this prospectus), the Company, through MRK, will have the exploration and development rights to the Vostok Copper Project under the terms of the sub-surface use contract. The project is an exploration opportunity based around a possible in-situ leachable copper resource of approximately 2 million tonnes of copper. This estimate has not been prepared in accordance with the Joint Ore Reserves Committee ("JORC") Code and has not been validated by the Company.

The project is comprised of two partly drilled adjacent deposits.

The proposed development strategy involves in-situ leaching or, alternatively, an open pit mining operation with surface solvent extraction electrowinning (SXEW) heap leaching.

As the capital cost of in-situ leaching is significantly less than a heap leach project, the Company will focus on the potential of the in-situ leaching project.

Upon completion of this Issue, the Company will proceed to complete the acquisition of MRK in accordance with the terms of the Vostok Copper Project Acquisition Agreement (summarised in Section 7.13 of this prospectus).

## **2.4 GREENWICH RESOURCES PLC (33.15% INTEREST)**

Greenwich continues to focus on the advancement of the Sappes Gold Project in Greece.

As reported previously, the Environmental Impact Study ("EIS") for the Sappes Gold Project was prepared and submitted to the Ministry of the Environment in Athens in August 2001. The

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approval process has been advanced through the conduct of public hearings in the local region where the project is located.

Following these public hearings, the regional review of the EIS has been completed and the EIS has been returned to Athens for final decision in the approval process.

The Company subscribed for £1.5 million of Variable Rate Convertible Unsecured Loan Stock 2006 issued by Greenwich on 2 July 2003. Pending receipt of the final decision in relation to the EIS, the funds raised by Greenwich are to be used to commence a drilling programme to expand the resource base of the Sappes Gold Project and for general working capital purposes.

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### **3. PURPOSE OF THE OFFER**

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#### **3.1 SUMMARY**

The purpose of the Offer is to raise capital of approximately \$3.19 million which, together with the existing working capital of the Company, will be applied for the following purposes:

- the acquisition of the Vostok Copper Project in Kazakhstan as approved by shareholders at the general meeting of the Company on 17 February 2003
- the funding of leaching test work for the Vostok Copper Project in Kazakhstan
- contribution towards the initial funding for the technical development studies for the Zarmitan Gold Project in Uzbekistan
- other working capital requirement, including the costs of this Offer

The Company has also agreed, subject to shareholders' approval, to issue 3,500,000 Preference Shares to BSG Gold to raise a further \$3,500,000. Such approval is to be sought at the General Meeting of the Company to be held on 22 December 2003. These funds will be directed towards the further technical programs contemplated for the Zarmitan Gold Project upon execution of the Shareholders' Agreement.

#### **3.2 ACQUISITION OF VOSTOK COPPER PROJECT**

In order to capitalise on the Company's commitment to Central Asia and the synergies of having assets in addition to the Zarmitan Gold Project in the region, the Company has agreed, with approval of its shareholders, to acquire from Multiplex Mining the rights to the Vostok Copper Project, located on the southern shores of Lake Balkhash in Kazakhstan for \$1,500,000. Completion of that acquisition is conditional on, inter alia, Danae raising at least \$4,500,000 by way of the Offer and other capital raising initiatives.

#### **3.3 LEACHING TEST WORK FOR VOSTOK COPPER PROJECT**

The proposed development strategy for the Vostok Copper Project involves the production of copper by in-situ acid and acid-ferric sulphate-oxygen leaching of the Vostok deposits. Alternatively, development may be progressed by conventional open pit/solvent extraction electrowinning (SXEW) heap leaching.

In order to test the viability of the preferred in-situ leaching option, which will have substantially lower development capital cost, part of the funds raised in this Offer will be used to conduct the initial drilling and testing programme. The expenditure commitment under the sub-surface use contract is US\$300,000 (approximately A\$430,000) in each of the first two years after execution of the contract.

The drilling and testing programme will comprise:

- (1) completion of up to nine (9) diamond drill holes to assess the copper oxide and chalcocite resources of the prospect known as Vostok 3 to a depth of approximately 200 metres below the surface;

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- (2) completion of laboratory test work on core samples to determine the suitability of the core samples for in-situ and heap leaching; and
  - (3) subject to the successful completion of (1) and (2) above and environmental approval by the relevant Kazak authorities, establishment of a in-situ leach test “array” in the oxide copper zone at Vostok 3 to make an initial assessment of whether in-situ leaching is a technically and commercially viable mining method for this prospect.

### **3.4 ZARMITAN GOLD PROJECT TECHNICAL DEVELOPMENT STUDIES**

Following execution of the Shareholders’ Agreement, Multiplex Development Zarmitan Limited, a wholly owned subsidiary of the Company, is required to complete in accordance with the laws of Uzbekistan and the Shareholders’ Agreement preparation of the following documentation in respect of the Zarmitan Gold Project:

- (1) a final business plan; and
- (2) a technical economical study,

detailing the financial, economic and development parameters for the proposed development of the Zarmitan Gold Project. Further, Multiplex Development Zarmitan Limited is required to procure an offer to Charmitan Mining Company (in which Multiplex Development Zarmitan Limited will hold a 50% interest) to finance the development of the Zarmitan Gold Project.

The funds allocated from the Issue, combined with other working capital, will be applied to:

- (a) complete the final business plan and technical economical study as required under the Shareholders’ Agreement;
- (b) collect existing baseline environmental data from relevant Uzbekistan government and non-government sources and to conduct baseline studies required for preparation of the EIS;
- (c) liaise with the Uzbekistan regulatory authorities to confirm the scope and requirements of the EIS;
- (d) compile a financial model of the Zarmitan Gold Project for inclusion in the technical economical study; and
- (e) complete an information memorandum to be used to secure conditional project finance.

### **3.5 ADDITIONAL WORKING CAPITAL**

The remaining proceeds from the Issue will be used to meet the costs of the Issue together with other working capital requirements of the Company, its subsidiaries and those companies in which it has a substantial interest.

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## 4. RISK FACTORS

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### 4.1 RISK FACTORS

The New Shares offered under this prospectus are considered speculative because of the nature of the business of the Company. Before applying for New Shares, you should consider whether the New Shares are suitable securities for you to acquire, having regard to your own investment objectives and financial circumstances.

Prospective investors should carefully consider the following factors, among others, affecting the proposed activities of the Company prior to making an investment, as well as all other matters described or referred to in this document.

The Directors consider that the following summary, which is not exhaustive, represents major risk factors of which potential investors need to be aware:

- The Company will require additional financial resources to continue funding its future expansion. The Company may in the future raise additional funds through public or private financing. No assurance can be given that any additional financing will be available or that, if available, it will be available on terms favourable to the Company or its shareholders
- Notwithstanding statutory subscription rights, if additional funds are raised through the issue of equity securities, the percentage ownership of the current shareholders of the Company may be reduced and those securities may have rights, preferences or privileges ranking in priority to those of holders of Shares
- If adequate funds are not available to satisfy either short or long-term capital requirements, the Company may be required to limit its operations significantly
- Mining is inherently speculative, and involves a degree of financial risk. The development of mineral deposits normally requires substantial investment. Investment of that nature involves a degree of risk with regards to the outcome. The resource estimates provided by the Directors may not be achieved for a variety of reasons, including climatic, political, trade union unrest or defective plant and equipment
- The success of the Company also depends on the delineation of economically mineable reserves, access to required development capital, movements in resource prices, securing and maintaining title to its exploration and mining tenements and obtaining and retaining all consents and approvals necessary for the conduct of its exploration activities
- Whether a deposit will continue to be or will be commercially viable in a mining operation depends on a number of factors, such as the size, grade, and metallurgy of the particular ore-body, prices of the commodity being exploited, currency fluctuations, proximity to infrastructure, financing costs and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, import and export regulations and environmental protection. The effect of these factors cannot always be accurately predicted, but any combination of these factors could make a deposit uneconomic

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- Environmental legislation may change in a manner that may require stricter standards and a heightened degree of responsibility for companies and their directors and employees. There may also be unforeseen environmental liabilities resulting from exploration and mining activities and these liabilities may be costly to remedy
  - The Company, as a participant in mining activities, may become subject to liability from hazards that cannot be insured against or against which it may elect not to be insured because of high premium costs or other reasons. The Company may incur liabilities to third parties (in excess of any insurance cover) arising from pollution or other damage or injury
  - The Company could be affected by unforeseen events outside its control, including natural disasters and political unrest and/or government legislation or policy, particularly in connection with environmental and regulatory issues which may interrupt or prevent exploration, mine development or production operations
  - Any investment made by the Company in the resource sector may be subject to fluctuations in the value of metals and minerals
  - Resource estimates are expressions of judgement based on knowledge, experience and industry practice. Estimates, which were valid when made, may change significantly when new information becomes available

In addition, resource estimates are necessarily imprecise and depend to some extent on interpretation, which may prove to be inaccurate. Should the Company encounter mineralisation or formations different from those predicted by past drilling, sampling and similar examinations, resource estimates may have to be adjusted and mining plans may have to be altered in a way that could affect the Company's operations

- The operations of the Company may be disrupted by a variety of risks and hazards which are beyond the control of the Company, including environmental hazards, industrial accidents, technical failures, labour disputes, unusual or unexpected rock formations, flooding and extended interruptions due to inclement or hazardous weather conditions, fire, explosions and other incidents beyond the control of the Company. These risks and hazards could also result in damage to, or destruction of, production facilities, personal injury, environmental damage, business interruption, monetary losses and possible legal liability
- The Company's earnings will be closely related to resource prices. Resource prices fluctuate and are affected by numerous factors beyond the control of the Company. These factors include world demand for certain resources, forward selling or other hedging techniques used by producers, and production cost levels in major resource producing regions. Resource prices are also affected by macroeconomic factors such as expectations regarding inflation, interest rates and global and regional demand for, and supply of resources as well as general global economic conditions. These factors may have an adverse effect on the Company's exploration, development and production activities, as well as on its ability to fund those activities
- The Company's projects are subject to various laws and regulations regarding environmental matters and the discharge of hazardous wastes and materials. As with all mining projects, these projects would be expected to have a variety of environmental impacts should development proceed. The Company currently conducts its activities and intends to conduct its future activities in an environmentally responsible manner and in accordance with applicable laws

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- The Company, along with its subsidiaries, has been active in Greece, Kazakhstan and Uzbekistan for a significant period and is therefore subject to foreign country risk
  - As with many underdeveloped emerging market countries, Kazakhstan, Uzbekistan and Greece have limited services available to mining operations. Accordingly, additional logistical support is required in more traditional areas of operation
  - The market price of Shares can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and resource stocks in particular. Neither Danae nor the Directors warrant the future performance of the Company or any return on an investment in the Company
  - Although the Directors believe that the mining interests of the Company will have a reasonable prospect of being capable of commercial exploitation, there is no guarantee they will be so. The exploration and development of mineral deposits involve significant risks, including the commercial viability of mineral deposits. This depends on the following: the size, grade, ore characteristics and proximity of the deposit to infrastructure; metal and other natural resource prices; unusual or unexpected formations or other geological conditions; regulatory developments; market conditions; pollution or other hazards; available permits and other factors beyond the control of the Company
  - The Company operates in Australia, England, Greece, Kazakhstan and Uzbekistan and as such is subject to the tax laws of those jurisdictions as they may be applicable, enforced or interpreted from time to time. Interpretations taken by the Company in the past or in the future may be subsequently challenged by the relevant tax authorities. The Company can give no assurance as to whether changes in law or its interpretation will adversely affect the Company in the future
  - As an Australian-based company with prospective revenue producing assets in Greece, Kazakhstan and Uzbekistan, the Company will be exposed to:
    - (1) changes in Greek, Kazakhstan and Uzbekistan taxation regimes which may result in the Company's net income being adversely affected; and
    - (2) the Company's anticipated income being denominated in either United States, Greek, Kazakhstan and Uzbekistan currencies, which will therefore be subject to exchange rate fluctuations when expressed in Australian dollars
  - The Sappes Gold Project in Greece is currently awaiting approval from Greek authorities. There is a risk that such approval may not be forthcoming or that, once approved, under Greek law any citizen or associations of citizens may appeal against any government act or decision (including the approval of the EIS). The Company does not know whether approval will be granted or, if so, whether such an appeal will be made
  - The Shareholders' Agreement in relation to the Zarmitan Gold Project has been drafted with the agreement of the negotiating team for the two Uzbekistan government owned enterprises which will hold 50% of the Zarmitan Gold Project following execution of the Shareholders' Agreement. The draft of the Shareholders' Agreement has been lodged with the Cabinet of Ministers of Uzbekistan for review and comment. The Shareholders' Agreement will be executed subject to the outcome of this review process and subject to issue of the decree by the government of Uzbekistan authorising the execution of the

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Shareholders' Agreement and the incorporation of Charmitan Mining Company, which will hold the Zarmitan Gold Project, by the Ministry of Justice of Uzbekistan. The timing and outcome of such review, comment, approval and execution is within the control of the Uzbekistan authorities and the Company cannot confirm whether such will occur in a timely fashion

- The Shareholders' Agreement provides for the transfer to Charmitan Mining Company of the assets comprising the Zarmitan Gold Project upon acceptance of the final business plan to be prepared by the Company and upon the availability of financing to develop the project. Completion of the final business plan and the availability of finance will depend upon market conditions at the time. No guarantee as to completion of the final business plan or availability of finance can be given at this time

**These risks do not necessarily comprise all those faced by the Company and are not presented in any particular order. Applicants subscribing for shares should consult their stockbroker, solicitor, accountant or other professional adviser before deciding whether to accept the Offer pursuant to this prospectus.**



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## 5. EFFECT OF THE OFFER ON THE COMPANY

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### 5.1 Principal Effects

Assuming 15,938,433 New Shares are issued, the principal effects of the Issue will be as follows:

- (1) cash reserves will initially increase by approximately \$3.19 million (before expenses of the Offer) to enable the Company to pursue its objectives out of which \$1.5 million will be used to effect settlement with Multiplex Mining of the acquisition of the Vostok Project. The remainder will be held for additional working capital purposes and expended as outlined in this prospectus;
- (2) the number of Shares on issue will increase to approximately 79,692,165;
- (3) the Company will have sufficient working capital to enable the Company to effect settlement with Multiplex Mining of the acquisition of the Vostok Copper Project for \$1.5 million, to complete the leaching test work for the Vostok Copper Project and - subject to the execution of the Shareholders' Agreement by the Company - to assist in the initial funding for the technical development studies for the Zarmitan Gold Project; and
- (4) the remainder of the cash reserves will be held for other working capital requirements.

Further details of the effect of the Issue are set out below. In addition to the above, the Company proposes to raise additional capital to assist in the initial funding for the technical development studies for the Zarmitan Gold Project from the proposed issue of Preference Shares by the Company pursuant to the BSG Gold Preference Share Subscription Agreement and the MXM Preference Share Subscription Agreement.

### 5.2 Capital Structure

#### Issued Capital

Current number of Shares	63,753,732
Proposed number of New Shares	15,938,433
Total number of Shares following the rights issue	79,692,165

The Company has also agreed, subject to Shareholders' approval:

- (1) to issue 25,845,000 Preference Shares as follows:
  - (a) to Multiplex Mining – 22,345,000 'A' Class Preference Shares;
  - (b) to BSG Gold – 3,500,000 'B' Class Preference Shares; and
- (2) to issue \$300,000 worth of ordinary shares to certain employees pursuant to the Company's Employee Incentive Plan. The price of each ordinary share will be calculated at the weighted average price of the Company's shares over the 5 trading days up to and including the day of issue.

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## **Options on Issue**

As at the date of this prospectus the Company has not granted any options to subscribe for ordinary shares.

The Company has also agreed, subject to Shareholders' approval, to issue 28,500,000 Options as follows:

- (1) to Multiplex Mining – 20,000,000 Options; and
- (2) to BSG Gold – 8,500,000 Options.

### **5.3 Financial Position**

The effect of the Issue on the Company's financial position is set out in section 6 of this prospectus.

### **5.4 Dependency on Multiplex Mining**

The effect of the Issue and the subsequent issue of the Preference Shares described above will be to reduce the Company's dependency on Multiplex Mining for its ongoing financial support and allow the termination of the management agreement with Multiplex Mining resulting in annual savings of \$900,000 to the Company. With the termination of the management agreement, the Company will establish and rely on its own management infrastructure, although the Company may continue to operate from premises occupied by Multiplex Mining.

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## **6. FINANCIAL INFORMATION**

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The following pro-forma statement of financial position has been based on the unaudited Statement of Financial Position of the Company and its controlled entities as at 31 August 2003. It has been adjusted to reflect the impact of the Offer and as otherwise described in the notes set out below.

The Offer will result in approximately 15,938,433 New Shares being added to the issued capital of the Company. The main effect on the Company will be the injection of a further \$3.19 million gross cash receipts to the Company out of which \$1.5 million will be used to satisfy the liabilities to Multiplex Mining of \$1.5 million for the Vostok Copper Project. The remainder will be used by the Company as additional working capital.

The pro-forma statement also reflects the effect of the proposed issue of the Preference Shares to Multiplex Mining and BSG Gold described in Section 5.2 above.

## Pro-forma Statement of Financial Position

	Unaudited Management Accounts 31 August 2003	Material Sub Event (Note 1)	Proceeds Of Share Placement	Proceeds of 1:4 Rights Issue (Note 2)	Acquire Multiplex Kazakhstan (Note 3)	Settle Vostok Acquisition (Note 4)	<u>Actual Pro Forma prior to Preference Share Issue</u>	Proceeds of 'B' Class Preference Share Issue (Note 5)	Conversion of Multiplex Mining Facility (Note 5)	Proposed Pro-Forma after Preference Share Issue
Cash	51,718		1,663,141	2,950,686	5	(1,500,000)	3,165,550	3,500,000		6,665,550
Receivables	74,606						74,606			74,606
<b>Total Current Assets</b>	<b>126,324</b>	<b>-</b>	<b>1,663,141</b>	<b>2,950,686</b>	<b>5</b>	<b>(1,500,000)</b>	<b>3,240,156</b>	<b>3,500,000</b>	<b>-</b>	<b>6,740,156</b>
Receivables	462,043						462,043			462,043
Convertible Loan Stock	3,693,672						3,693,672			3,693,672
Investments (Greenwich)	13,007,516						13,007,516			13,007,516
Property, Plant & Equipment	7,297						7,297			7,297
Other Assets	2,134,423				923,026		3,057,449			3,057,449
Other Assets (Goodwill on Acq)	-				576,969		576,969			576,969
<b>Total Non-Current Assets</b>	<b>19,304,951</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,499,995</b>	<b>-</b>	<b>20,804,946</b>	<b>-</b>	<b>-</b>	<b>20,804,946</b>
<b>TOTAL ASSETS</b>	<b>19,431,275</b>	<b>-</b>	<b>1,663,141</b>	<b>2,950,686</b>	<b>1,500,000</b>	<b>(1,500,000)</b>	<b>24,045,102</b>	<b>3,500,000</b>	<b>-</b>	<b>27,545,102</b>
Payables	38,189				1,500,000	(1,500,000)	38,189			38,189

	Unaudited Management Accounts 31 August 2003	Material Sub Event (Note 1)	Proceeds Of Share Placement	Proceeds of 1:4 Rights Issue (Note 2)	Acquire Multiplex Kazakhstan (Note 3)	Settle Vostok Acquisition (Note 4)	<u>Actual Pro Forma prior to Preference Share Issue</u>	Proceeds of 'B' Class Preference Share Issue (Note 5)	Conversion of Multiplex Mining Facility (Note 5)	Proposed Pro-Forma after Preference Share Issue
<b>Total Current Liabilities</b>	<b>38,189</b>	-	-	-	1,500,000	(1,500,000)	38,189	-	-	38,189
Payables	4,312,500	244,355					4,556,855		(4,556,855)	-
Interest Bearing Liabilities	17,220,158	567,987					17,788,145	3,500,000	4,556,855	25,845,000
Provisions	100,000						100,000			100,000
<b>Total Non-Current Liabilities</b>	<b>21,632,658</b>	<b>812,342</b>	-	-	-	-	<b>22,445,000</b>	<b>3,500,000</b>	-	<b>25,945,000</b>
<b>TOTAL LIABILITIES</b>	<b>21,670,847</b>	<b>812,342</b>	-	-	1,500,000	(1,500,000)	<b>22,483,189</b>	<b>3,500,000</b>	-	<b>25,983,189</b>
<b>NET ASSETS</b>	<b>(2,239,572))</b>	<b>(812,342)</b>	<b>1,663,141</b>	<b>2,950,686</b>	-	-	<b>1,561,913</b>	-	-	<b>1,561,913</b>
Contributed Equity	27,274,063		1,663,141	2,950,686			31,887,890			31,887,890
Accumulated Losses	(29,513,635)	(812,342)					(30,325,977)			(30,325,977)
<b>TOTAL EQUITY</b>	<b>(2,239,572))</b>	<b>(812,342)</b>	<b>1,663,141</b>	<b>2,950,686</b>	-	-	<b>1,561,913</b>	-	-	<b>1,561,913</b>

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## Notes

1. Material events subsequent to 31 August 2003 are as follows:
  - Multiplex Mining management fees incurred and capitalised to the loan account in the amount of \$244,355;
  - Loan account interest incurred and capitalised in the amount of \$472,473;
  - Expenditure incurred by Multiplex Mining on behalf of Danae and capitalised to the loan account in the amount of \$69,514; and
  - Funding advanced by Multiplex Mining in the amount of \$26,000.
2. Reflects funds received from Rights Issue of \$3.19 million, if fully subscribed, net of estimated expenses of \$237,000.
3. Reflects acquisition of the Vostok Copper Project as follows:
  - Other Assets - Goodwill on acquisition - \$576,969; and
  - Other Assets – Deferred Vostok Copper Project expenditure \$923,026.
4. Payments made to Multiplex Mining for the acquisition price for the Vostok Copper Project - \$1,500,000.
5. Increase in interest bearing liabilities before expenses of \$8,056,855 on issue of 'A' Class and 'B' Class Preference Shares to Multiplex Mining and BSG Gold respectively.

Whilst this pro-forma statement of financial position is included for illustrative purposes, the actual assets and liabilities of the Company and its controlled entities after the issue of the 'A' Class Preference Shares, 'B' Class Preference Shares and the Options are likely to vary according to the ongoing investing and operating activities of the Company and its controlled entities over the period.

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## 7. ADDITIONAL INFORMATION

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### 7.1 TERMS OF THE NEW SHARES

The terms and conditions of issue of the New Shares are as follows:

- (1) the subscription price is 20 cents for each New Share;
- (2) the New Shares may be subscribed for at any time before 5.00pm (Brisbane time) on 23 December 2003; and
- (3) New Shares issued under the Offer will rank *pari passu* with existing Shares in all respects.

### 7.2 RIGHTS AND LIABILITIES ATTACHING TO NEW SHARES

The following is a broad summary (though not necessarily an exhaustive or definitive statement) of the rights and liabilities attaching to all Shares, including New Shares issued under the Offer. Full details are contained in the constitution of the Company, the *Corporations Act 2001* and the ASX Listing Rules.

To obtain a definitive assessment of the rights and liabilities that attach to the New Shares in any specific circumstances, shareholders should seek their own legal advice:

#### **General Meetings**

Subject to the Constitution, each member entitled to vote at a general meeting is entitled to receive notice of that general meeting.

#### **Voting Rights**

At a meeting of shareholders, each holder of ordinary shares entitled to vote may vote in person or by proxy or attorney or, being a corporation, by a representative duly authorised under the *Corporations Act*, and has one vote on a show of hands and one vote per fully paid ordinary share on a poll.

#### **Dividend Rights**

Shareholders have the right to participate in dividends (if any) as determined by the Directors.

#### **Rights on Winding-Up**

If the Company is wound up, the liquidator may, with the sanction of a special resolution, divide among the members in kind the whole or any part of the property of the Company and may for that purpose set the value the liquidator considers fair upon any property to be so divided and may determine how the division is to be carried out as between the members or different classes of members.

#### **Transfer of Shares**

- (1) Except where required or permitted by law, the Listing Rules, the SCH Business Rules or these rules, there is no restriction on the transfer of shares.

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- (2) Subject to the Constitution, the Company and the directors must not in any way prevent, delay or interfere with the generation of a proper SCH transfer or the registration of a paper-based transfer in registrable form of any securities.

### **Variation of Rights**

Rights attached to shares in a class of shares may be varied or cancelled only:

- (1) by special resolution of the Company; and
- (2) either:
- (a) by special resolution passed at a meeting of the members holding shares in the class; or
  - (b) with the written consent of members with at least 75% of the votes in the class.

### **7.3 DIVIDEND POLICY**

Danae does not anticipate paying dividends for the forthcoming financial year.

### **7.4 CHESS**

The New Shares will participate from the date of commencement of quotation in CHESS (the Clearing House Electronic Subregister System operated by the ASX Settlement and Transfer Corporation Pty Limited (ACN 008 504 532). They may be held in uncertificated form (that is, no certificate is issued) on the CHESS subregister under sponsorship of a broker or on the issuer-sponsored subregister.

If a shareholder wishes to hold their Shares on the CHESS subregister under sponsorship of a broker, the shareholder should provide their HIN ("**Holder Identification Number**") in the space provided in the Entitlement and Acceptance Form accompanying this prospectus. If a shareholder does not provide a HIN, their Shares will be held on the issuer-sponsored subregister.

Arrangements can be made at any subsequent time to convert a shareholder's holding from the issuer-sponsored subregister to the CHESS subregister under sponsorship of a broker, or the reverse, by contacting the Company's share registry and/or the shareholder's broker.

### **7.5 ASX LISTING, CONTINUOUS DISCLOSURE AND DOCUMENTS AVAILABLE FOR INSPECTION**

This prospectus is used by the Company in accordance with section 713 of the *Corporations Act 2001*.

The New Shares to be issued under this prospectus are in a class of securities that are continuously quoted securities. This means that the Company's fully paid ordinary shares in the same class as offered by this prospectus are listed on a registered securities exchange, being the Australian Stock Exchange, and were quoted continuously for the past 12 months. It also means that the Company has been subject to the continuous disclosure requirements under the *Corporations Act 2001* and that the ASX Listing Rules require continuous disclosure to the ASX of any information held by the Company which a reasonable person would expect to have a material effect on the price or value of the Shares.



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As a disclosing entity, the Company has issued this prospectus in accordance with the provisions of the *Corporations Act 2001* applicable to prospectuses for continuously quoted securities.

The Company states that:

- (1) as a disclosing entity under the continuous disclosure regime, it is subject to regular reporting and disclosure obligations;
- (2) copies of documents lodged with ASIC in relation to the Company may be obtained from, or inspected at, an ASIC office; and
- (3) any person may request, and the Company will provide free of charge, a copy of each of the following documents during the application period under this prospectus:
  - (a) the annual financial report for the year ended 30 June 2003, being the most recent annual report lodged with ASIC by the Company;
  - (b) any half-year financial report lodged with the ASIC by the Company after the lodgement of the annual financial report for the year ended 30 June 2003 and before the date of this prospectus (not applicable in this case); and
  - (c) any continuous disclosure notices given by the Company since the lodgement of the annual financial report referred to in (a) above and before the date of this prospectus.

Having taken such precautions and having made such enquiries as are reasonable, the Company believes that it has complied with the general and specific disclosure requirements of the ASX as applicable from time to time throughout the 12 months before the issue of this prospectus. No information has been excluded from any continuous disclosure notice given by the Company in accordance with the ASX Listing Rules which is information that investors and their professional advisers would reasonably require for the purpose of making an informed assessment of:

- (1) the assets and liabilities, financial position and performance, profits and losses and prospects of the Company; and
- (2) the rights and liabilities attaching to the New Shares.

As this prospectus is issued under section 713 of the *Corporations Act 2001*, it is required to contain information investors and their professional advisers would reasonably require to make an informed assessment of:

- (1) the effect of the Offer on the Company; and
- (2) the rights and liabilities attaching to the New Shares.

As such, this prospectus is not required to provide information regarding the assets and liabilities, financial position and performance, profits and losses and prospects of the Company on the basis that such information is available through continuous disclosure notices given by the Company in accordance with its obligations under the ASX Listing Rules and the *Corporations Act 2001*.

Prospective investors and their professional advisers are encouraged to review the Company's annual report for the year ended 30 June 2003 and quarterly releases issued over the last year, in particular for information relating to the Zarmitan Gold Project and the Company's investment in Greenwich.

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ASX maintains files containing publicly disclosed information about all listed companies. The Company's file is available for inspection at ASX during normal office hours. In addition, copies of documents lodged by, or in relation to, the Company with ASIC may be obtained from, or inspected at, any Regional Office of ASIC.

As required by section 713(4) of the *Corporations Act 2001*, the Company will provide free of charge, to a person who asks for it after the date of this prospectus until the date of expiration of the application period under this prospectus:

- (1) the annual financial report of the Company most recently lodged with the ASIC, being the report for the financial year ended 30 June 2003;
- (2) any half-year financial report lodged with the ASIC by the Company after the lodgement of the annual financial report for the year ended 30 June 2003 and before the date of this prospectus (not applicable in this case);
- (3) any continuous disclosure notices given by the Company after lodgement of the annual financial report on 23 October 2003, and before the date of this prospectus.

The Company lodged the annual financial report for the year ended 30 June 2003 on 23 October 2003. The Company has made the following announcements to the ASX since 30 June 2003:

Date	Description of Document
07/07/2003	Subscription for Greenwich Resources Loan Stock
31/07/2003	Fourth Quarter Activities & Cashflow Report
31/07/2003	Confirmation of Subscription – Greenwich Resources Loan Stock
26/08/2003	Managing Director Appointment
24/09/2003	Signing of the Vostok Mineral Use Contract in Kazakhstan
24/09/2003	Full Year Accounts
10/10/2003	Appendix 3B - Placement
21/10/2003	First Quarter Activities & Cash flow Report
23/10/2003	Annual Report
23/10/2003	Notice of Annual General Meeting
23/10/2003	Top 20 Shareholders
03/11/2003	Becoming a Substantial Holder

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## 7.6 INTERESTS OF DIRECTORS

Other than as set out below or elsewhere in this prospectus, no director:

- has or had at any time in the last 2 years an interest in the formation or promotion of the Company, or in any property acquired or proposed to be acquired by the Company in connection with the Offer or promotion of the Company, or the Offer; or
- has been paid or agreed to be paid an amount, or has been given or agreed to be given any other benefit, either to induce him to become, or to qualify him as a Director, or otherwise for services rendered by him in connection with the formation or promotion of the Company or the Offer.

### Interests in Securities

The Directors (and their associates) have the following interests in securities of the Company adjusted for the effect of the consolidation of shares as at the date of this prospectus:

Director	Shares		Executive Options
	Direct Interest	Indirect Interest	
John Corcoran	-	1,750,000	-
John Bovard	-	-	-
Andrew Roberts	-	-	-
Donald Lewis	-	-	-

### Remuneration

Information about Directors' fees and income is contained in the 30 June 2003 Annual Report, and payments continue to be made on the basis set out in that Report.

In addition, the Company will issue to Donald Lewis, subject to obtaining shareholder approval, \$100,000 worth of ordinary shares pursuant to the Company's Employee Incentive Plan. The price of each ordinary share will be calculated at the weighted average price of the Company's shares over the 5 trading days up to and including the day of issue.

## 7.7 INTERESTS OF ADVISERS

Other than as set out in this prospectus, no person named in this prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of this prospectus has or had at any time in the last 2 years an interest in the formation or promotion of the Company, or in any property acquired or proposed to be acquired by the Company in connection with the Offer or the formation or promotion of the Company, or in the Offer, or has been paid or agreed to be paid any amount or agreed to be given any other benefit, either to induce him to become, or to qualify him as a Director, or otherwise for services rendered by him in connection with the formation or promotion of the Company or the Offer.

Grant Thornton has acted as auditor to the Company. Grant Thornton has or will receive approximately \$4,600 (plus disbursements) for the provision of services relating to the Offer.

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Grant Thornton has received approximately \$106,000 (including GST and disbursements) for services provided over the past 2 years in relation to various other accounting matters.

Grant Thornton Corporate (NSW) Pty Ltd has prepared the pro-forma Statement of Financial Position in section 6. Grant Thornton Corporate (NSW) Pty Ltd has not and will not receive any fees for the provision of services relating to the Offer. Grant Thornton Corporate (NSW) Pty Ltd has not received any fees for services provided over the past 2 years in relation to accounting matters.

Deacons has acted as solicitor to the Company in connection with the Offer. Deacons has or will receive approximately \$35,000 (including disbursements) for these services. Deacons has received approximately \$416,000 (including GST and disbursements) for advice provided over the past 2 years in relation to various other corporate, financing and resource matters.

Multiplex Mining has acted as the underwriter to the Company in connection with the Offer. Multiplex Mining has or will receive approximately \$73,000 for these services. Multiplex Mining has received or has become entitled to receive payments of approximately \$12,200,000 over the past 2 years in relation to various other corporate, financing and resource matters, including reimbursement of salaries and other administration costs, management fees, interest payments and loan repayments.

Pitcher Partner Registries has acted as the share registry to the Company in connection with the Offer. Pitcher Partner Registries has or will receive approximately \$2,600 (plus disbursements) for these services. Pitcher Partner Registries has received approximately \$14,000 (including GST and disbursements) for similar services provided over the past 2 years.

## 7.8 SHAREHOLDER INFORMATION

### Substantial Shareholders

The following information is extracted from the register of substantial shareholders of the Company as at 10 October 2003.

<u>Name of Shareholder</u>	<u>Number of Shares</u>	<u>%</u>
Multiplex Mining Pty Limited	29,290,900	45.94
BSG Gold	8,315,704	13.04

### Distribution of Shareholders as at 10 October 2003

<u>Size of Holding</u>	<u>Holders</u>
1-1,000	122
1,001 - 5,000	261
5,001 - 10,000	128
10,001 – 100,000	222
100,000 - 99,999,999	<u>41</u>
Total Shareholders	<u>774</u>

### Twenty Largest Shareholders as at 10 October 2003

<u>Name of Shareholder</u>	<u>Number of Shares</u>	<u>%</u>
Multiplex Mining Pty Limited	29,290,900	45.94
BSG Gold BVBA SA	8,315,704	13.04
Zero Nominees Pty Ltd	2,890,000	4.53
J A Corcoran & Associates Pty Limited	1,750,000	2.74

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<u>Name of Shareholder</u>	<u>Number of Shares</u>	<u>%</u>
Mr Michael Edward Constable	1,351,885	2.12
Ninallo Pty Ltd	1,060,000	1.66
ANZ Nominees Limited	862,200	1.35
Mr Graeme Beeck and Mrs Barbara Beeck	720,000	1.12
Mr Keith William Sheppard	680,000	1.06
Mr Peter Mc Donald Ingleby	620,000	0.97
SAS Financial Services Pty Ltd	551,724	0.86
Stormin Pty Ltd	360,000	0.56
Mr Robert Gregory Looby	290,940	0.45
Canonbar Investments Pty Ltd	280,600	0.44
D F Lynton-Brown Pty Ltd	280,000	0.43
Sumita Pty Ltd	275,862	0.43
Mr John Clements Love and Mrs Jeanette Galloway Love	269,552	0.42
Trowbridge Pty Ltd	260,975	0.40
Rev Brian James McCombie	253,000	0.39
Dr Peter John Carroll	234,225	0.36
<b>Total of Top 20 Holders</b>	<b>50,597,567</b>	<b>79.36</b>

## 7.9 LITIGATION

Other than as set out below, neither the Company, nor any of its subsidiaries, are involved in any legal proceedings which have had a significant effect on the financial position of the Company in the last 12 months, or which are likely to have a significant effect on the future results; nor is the Company aware that any such proceedings are pending or threatened.

Manor Resources NL is a respondent in a native title Federal Court matter, the applicant of which is the Karonie People #4. This matter was filed on 4 June 1998 and will not be heard prior to March 2004. A final judgment has not yet been handed down.

## 7.10 EXPENSES OF THE OFFER

The total expenses of the Offer payable by the Company are estimated as approximately \$237,000. These expenses include listing fees, legal fees, printing and other miscellaneous expenses and will be borne by the Company.

## 7.11 APPLICATION MONEYS AND INTEREST

Moneys received from an Applicant on account of New Shares offered under this prospectus will, until those New Shares are issued, be held by the Company in a bank account established and kept by the Company for the purpose of depositing application moneys.

If, after the New Shares are issued, the Company is liable to repay application moneys under section 723 of the *Corporations Act 2001*, the Company will keep the application moneys in a separate account.

To the fullest extent permitted by law, each applicant agrees that application moneys do not bear interest as against the Company and that any interest earned in respect of the application moneys paid into that account or kept in the separate account belongs to the Company, irrespective of whether or not all or any of the New Shares applied for by that applicant are issued to that applicant.

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## 7.12 UNDERWRITER

The Offer has been conditionally underwritten by Multiplex Mining, for an underwriting fee of 5% of the aggregate amount underwritten, plus outgoings.

A copy of the Underwriting Agreement may be inspected at any time during office hours at the registered office of the Company or the Sydney office of Deacons, the Company's solicitors.

The Underwriter may terminate the Underwriting Agreement if any of the following events occur, between the date of the Underwriting Agreement and the date of allotment of the New Shares or a date specified in the relevant paragraph below, without cost or liability to the Underwriter, provided that in the reasonable opinion of the Underwriter the occurrence of that event has or could have a material adverse effect on the outcome of the Offer or could give rise to civil liability of the Underwriter under section 1041I of the *Corporations Act 2001*.

The terminating events are set out below:

(1) **S&P/ASX 200 falls**

the S&P/ASX 200 closes below 2,900 points for a total of 3 Business Days (which need not be consecutive) between the date of the Underwriting Agreement and the Closing Date;

(2) **defective prospectus**

a material statement, material report, material representation, material matter or thing of a material nature contained in the prospectus is found to be or becomes false or misleading or there is a material omission from the prospectus;

(3) **adverse change**

any material adverse change in the condition, financial or otherwise, or in the assets, earnings, business, operations or prospects of the Company;

(4) **capital structure**

a Relevant Company alters, or announces its intention to alter, its capital structure other than as previously disclosed by the Company without the prior written consent of the Underwriter;

(5) **takeover offer or asset acquisition**

the Company makes, or announces its intention to make, a takeover offer for any company, or enters into arrangements to acquire an asset offering shares in the Company as consideration (except as otherwise agreed by the Underwriter);

(6) **information**

any information supplied by a Relevant Company or on its behalf is or becomes false or misleading in a material respect;

(7) **charge**

the Relevant Company charges or agrees to charge, the whole, or a substantial part of its business or property;

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**(8) hostilities**

there is an outbreak of hostilities (whether war has been declared or not) or a major escalation in existing hostilities involving any one or more of:

- (a) Australia;
- (b) the United Kingdom;
- (c) the United States of America;
- (d) any of the republics formerly comprising the Union of Soviet Socialist Republics;
- (e) Iraq; or
- (f) any member country of the Organisation of Petroleum Exporting Countries,

other than hostilities presently existing;

**(9) change in law**

any of the following occurs which does or is likely to prohibit, restrict or regulate the Offer or materially reduces the level or likely level of Valid Applications (as defined in the Underwriting Agreement):

- (a) the introduction of legislation into the parliament of the Commonwealth of Australia or of any State or Territory of Australia;
- (b) the public announcement of prospective legislation or policy by the Federal Government or the Government of any State or Territory; or
- (c) the adoption by ASIC or its delegates or the Reserve Bank of Australia of any regulations or policy;

**(10) breach of law**

any material contravention by a Relevant Company or any person who is an officer of the Company of any material provision of the *Corporations Act 2001* or any other legislation of the Commonwealth of Australia or its states or territories or the Official Listing Rules of the ASX;

**(11) financial assistance**

a Relevant Company seeks the approval of shareholders under section 260B of the *Corporations Act 2001*, without the prior written consent of the Underwriter;

**(12) business**

a Relevant Company:

- (a) disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property; or
- (b) ceases or threatens to cease to carry on business,

in either case without the prior written consent of the Underwriter;

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(13) **insolvency**

any of the following occurs with respect to a Relevant Company:

- (a) a receiver or administrator or other external controller is appointed to all or any parts of its assets or undertaking;
- (b) it enters into a scheme of arrangement with its creditors or any class of them or indicates its intention to do so;
- (c) it suspends payments of its debts or is unable to pay its debts or is insolvent within the meaning of regulation 7.5.02 of the *Corporations Regulations 2001* and Part 5.4 of the *Corporations Act 2001*; or
- (d) a provisional liquidator is appointed;

(14) **breach of significant contracts**

a significant or material contract referred to in the prospectus is, without the prior consent of the Underwriter:

- (a) breached by a Relevant Company;
- (b) terminated (whether by breach or otherwise);
- (c) altered or amended in any way; or
- (d) found to be void or voidable;

(15) **default**

the Company is in default of any of the terms and conditions of the Underwriting Agreement or breaches any warranty or covenant given or made by the Company under the Underwriting Agreement and that default or breach is either incapable of remedy or is not remedied within 5 Business Days after it occurs;

(16) **constitution altered**

the constitution or any other constituent document of a Relevant Company is amended, or a Relevant Company announces its intention to amend such documents other than as previously disclosed by the Company, without the prior written consent of the Underwriter, which consent must not be unreasonably withheld;

(17) **indictable offence**

a director of the Company is charged with an indictable offence relating to a financial or corporate matter;

(18) **no Certificate**

there is a failure to deliver a certificate as required under the terms of the Underwriting Agreement;



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(19) **court ordered disclosure**

an application is made by ASIC under section 1324B of the *Corporations Act 2001* concerning the prospectus and the application is not dismissed or withdrawn before a shortfall notice is given;

(20) **withdrawal of consents etc.**

any person, other than the Underwriter, gives a notice under section 730 of the *Corporations Act 2001*;

(21) **supplementary/replacement prospectus**

the Underwriter reasonably forms the view that a supplementary or replacement prospectus must be lodged with ASIC under the *Corporations Act 2001* and the Company does not lodge a supplementary prospectus or a replacement prospectus (as the case may be) in the form and content and within the time reasonably required by the Underwriter or the Underwriter reasonably forms the view that a supplementary prospectus or a replacement prospectus may prejudice the Offer;

(22) **stop order**

ASIC issues a stop order including an interim order under section 739 of the *Corporations Act 2001* or gives written notice setting a date for hearing in relation to the prospectus under section 739 and the stop order or notice is not withdrawn or the matter resolved to the Underwriter's reasonable satisfaction within 10 Business Days of the issue of the stop order or the giving of the notice;

(23) **failure to obtain listing**

6 weeks (or any longer period reasonably agreed by the parties) elapses after the date of issue of the prospectus, without permission having been granted by the ASX (subject to the usual conditions) for the Shares to be quoted on the ASX;

(24) **breach of warranties**

there is a material breach of any of the warranties or covenants of the Company under the Underwriting Agreement;

(25) **failure to comply**

a Relevant Company fails to comply with any of the following:

- (a) a clause of its constitution;
- (b) a statute;
- (c) any policy or guideline of ASIC or any other requirement, order or request made by or on behalf of ASIC or any governmental agency; or
- (d) any agreement entered into by it; or

(26) **prejudicial publication**

without the approval of the Underwriter the Company makes any statement or publishes or issues by any means any notice circular or advertisement relating to the Company or its

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activities or the Offer which is prejudicial to the prospects of the Offer being fully subscribed by persons other than the Underwriter.

## **Relevant Interest**

### **Multiplex Mining**

By underwriting the Offer, Multiplex Mining has agreed to subscribe for any shortfall under the Offer.

The *Corporations Act 2001* allows, as an exception, persons to acquire a 'relevant interest' in the issued voting shares of a company where the person's voting power increases from a starting point that is above 20% and below 90% if:

- the acquisition results from an issue of securities under a disclosure document where the issue is to a person who is an underwriter to the issue; and
- the disclosure document discloses the effect that the acquisition would have on the person's voting power in the Company.

In accordance with this exception, Multiplex Mining will be allowed to increase its relevant interest and voting power in the Company. In the event that no eligible shareholders take up their entitlements and BSG Gold does not satisfy its sub-underwriting obligations, Multiplex Mining's interest will increase from 45.94% to 54.15%.

This example illustrates an extreme event only and the actual extent to which its interest is increased will depend on the shortfall amount resulting from eligible shareholders not taking up their entitlements and the extent to which BSG Gold satisfies its obligation under the Sub-underwriting Agreement.

### **BSG Gold**

By sub-underwriting the Offer, BSG Gold has agreed to subscribe for any shortfall under the Offer.

The *Corporations Act 2001* allows as an exception, persons to acquire a "relevant interest" in the issued voting shares of a company where the person's voting power increases from a starting point that is below 20% to above 20% if:

- the acquisition results from an issue of Securities under a disclosure document where the issue is to a person who is a sub-underwriter to the issue; and
- the disclosure document discloses the effect that the acquisition would have on the person's voting power in the Company.

In accordance with this exception, BSG Gold will be allowed to increase its relevant interest and voting power in the Company. In the event no eligible shareholders take up their entitlements, BSG Gold's interest will increase from 13.04% to 21.25%.

This example illustrates an extreme event only and the actual extent to which its interest is increased will depend on the shortfall amount resulting from eligible shareholders not taking up their entitlements.

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## 7.13 MATERIAL CONTRACTS

### Vostok Copper Project Acquisition Agreement

The Company has entered into an acquisition agreement with Multiplex Mining pursuant to which the Company has agreed to purchase the entire issued share capital of MRK and the debt due by MRK to Multiplex Mining for in aggregate A\$1,500,000 on the following terms and conditions:

- (1) the conditions precedent to completion of the acquisition are:
  - (a) no material adverse change affecting the structure, business, financial trading position of MRK or in relation to the condition, assets or liabilities, profitability or prospects of MRK occurring;
  - (a) the Company not having become aware of any materially misleading statement or omission having been made by Multiplex Mining;
  - (b) the parties having obtained all necessary consents to the change of control of MRK under the laws of England and Kazakhstan;
  - (c) the acquisition being approved by shareholders of the Company;
  - (d) the Company raising at least A\$4.5 million by way of the Offer; and
  - (e) Multiplex Mining providing reasonable evidence from the Government of the Republic of Kazakhstan of the right to negotiate until April 2003.
- (2) the continuation by Multiplex Mining of the obligation to negotiate the draft contract in good faith with the government of the Republic of Kazakhstan and any other competent bodies;
- (3) the non occurrence of an event of force majeure; and
- (4) the Company's right to claim for breach of Multiplex Mining's warranties is limited as follows:
  - (a) the Company must give written notice to Multiplex Mining of the general nature of the claim within 12 months of the completion date;
  - (b) the aggregate in respect of all claims must exceed A\$100,000; and
  - (c) the maximum aggregate amount which the Company may recover from Multiplex Mining in respect of all claims is the purchase price.

The conditions precedent must be satisfied by 31 January 2004 or such later date as may be agreed by the Company and Multiplex Mining.

Completion will occur on or before 31 January 2004, subject to the conditions precedent being satisfied.

### Vostok Contract

The Contract for Conducting Exploration and Subsequent Mining of Ores which contain Polymetals in the Territory of the Balkash District of Almaty Oblast including Vostok 1, 2, 3 Deposits between the Ministry of Energy and Mineral Resources of the Republic of Kazakhstan ("**Ministry**") and MRK dated 17 September 2003 ("**Contract**") allows MRK to conduct

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exploration for and subsequently mine polymetal ores in the territory of the Balkash District of Almaty Oblast in Kazakhstan on an exclusive basis.

The Contract is valid for 31 years comprising 6 years for exploration and 25 years for mining. The term of the Contract may be extended by agreement of the parties.

At its own discretion, MRK has the right to dispose of, sell or export the extracted mineral raw materials or products from their processing to any third party, subject to the requirements of relevant legislation of the Republic of Kazakhstan.

The Contract allows MRK to construct any facilities for production or required for conducting work associated with exploration and also provides MRK with the right to have granted to it all licences, permits and approvals necessary to enable it to discharge its obligations or exercise its rights under the Contract in accordance with relevant legislation in the Republic of Kazakhstan.

Under the Contract MRK is obliged to commence the work program agreed by the parties within 3 months of the date of registration of the Contract. MRK must use the most effective methods and technologies when conducting exploration and subsequent mining, based on standards accepted in world practice.

MRK is required to comply with technological schedules and plans approved in accordance with the established procedure of conducting exploration, for mining and processing of minerals, for storage and transport of minerals or products of their processing and for other activities necessary to carry out the intent of the Contract which ensure the safety of personnel and population. MRK must also comply with all relevant legislation in the Republic of Kazakhstan concerning underground resources and environmental protection.

MRK is required to use equipment, materials and finished products manufactured in the Republic of Kazakhstan as long as they meet required standards. Similarly, Kazakhstani enterprises and organisations are required to be used for the execution of works and services when performing exploration and subsequent mining.

At least 1% of the annual budget must be allocated for training of Kazakhstani personnel employed for works during the exploration period and any extensions of it.

MRK is required to pay all relevant taxes, special payments made by subsoil users, a bonus for commercial discovery at the rate of 0.1% of the value of approved recoverable reserves, a royalty on each type of mineral, payments for use of land and use of surface water resources.

MRK has the right to terminate the Contract at any time on giving 30 days' written notice. The Contract can be terminated ahead of time by the Ministry in certain circumstances including the bankruptcy of MRK, if the Contract is invalid under legislation on subsoil use or in the event that MRK does not commence operations on subsoil use within the period established by the Contract.

The minimum expenditure for the work program for years 1 and 2 is US\$300,000 for each year, increasing to US\$600,000 in year 3, US\$800,000 in year 4 and US\$1 million in each of years 5 and 6.

### **Multiplex Mining Redeemable Preference Share Subscription Agreement**

Under the MXM Preference Share Subscription Agreement made 23 October 2003 between the Company and Multiplex Mining, the Company agreed to issue 22,345,000 Preference Shares and 20,000,000 Options to Multiplex Mining at an issue price of \$1.00 per Preference Share and in consideration of the termination of the Management Agreement between the Company and

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Multiplex Mining. The agreement is conditional on obtaining shareholders' approval to the proposed issue at the General Meeting to be held on 22 December 2003.

The consideration due to the Company by Multiplex Mining for the Preference Shares and the Options will be set off against the debt due by the Company to Multiplex Mining which, as at 8 December 2003 is projected to be approximately \$22.345 million.

### **BSG Gold Redeemable Preference Share Subscription Agreement**

Under the BSG Gold Preference Share Subscription Agreement made 29 October 2003 between the Company and BSG Gold, the Company agreed to issue 3,500,000 Preference Shares and 8,500,000 Options to BSG Gold at an issue price of \$1.00 per Preference Share. The agreement is conditional on obtaining shareholders' approval to the proposed issue at the General Meeting to be held on 22 December 2003.

The consideration of \$3,500,000 is payable in cash on issue.

### **BSG Gold Share Subscription Agreement**

Under the Subscription Agreement dated 7 October 2003 between the Company and BSG Gold, the Company agreed to issue to BSG Gold 8,315,704 Shares at an issue price of 20 cents per Share raising in aggregate \$1,663,141.

Copies of the agreements referred to above and the Constitution may be inspected free of charge by any person at the registered office of the Company for a period of 12 months within 7 days after the lodgement of this prospectus with ASIC.

## **7.14 CONSENTS**

Grant Thornton has given and not withdrawn its consent to be named in this prospectus as auditor to Danae. It has not authorised or caused the issue of this prospectus or any part of it and makes no representation regarding and takes no responsibility for, any statements in or omissions from any part of this prospectus.

Grant Thornton Corporate (NSW) Pty Ltd has given and not withdrawn its consent to be named in this prospectus. It has not authorised or caused the issue of this prospectus or any part of it and makes no representation regarding and takes no responsibility for, any statements in or omissions from any part of this prospectus.

Grant Thornton Corporate (NSW) Pty Ltd consents to the pro-forma Statement of Financial Position prepared by it in section 6, in the form and context in which it appears, and has not withdrawn its consent as at the date of lodgement of this prospectus.

Deacons has given and not withdrawn its consent to be named in this prospectus as solicitor to Danae. It has not authorised or caused the issue of this prospectus or any part of it and makes no representation regarding and takes no responsibility for, any statements in or omissions from any part of this prospectus.

Multiplex Mining has given and not withdrawn its consent to be named in this prospectus as underwriter for the Offer. It has not authorised or caused the issue of this prospectus or any part of it and makes no representation regarding and takes no responsibility for, any statements in or omissions from any part of this prospectus.

Pitcher Partner Registries has given and not withdrawn its consent to be named in this prospectus as share registry to Danae. It has not authorised or caused the issue of this

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prospectus or any part of it and makes no representation regarding and takes no responsibility for, any statements in or omissions from any part of this prospectus.

Each of the parties referred to in this section:

- (1) does not make, or purport to make, any statement in this prospectus, nor is any statement in this prospectus based on any statement of those parties, other than as specified in this section; and
- (2) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of the prospectus other than a reference to its name and a statement included in this prospectus with the consent of that party as specified in this section.

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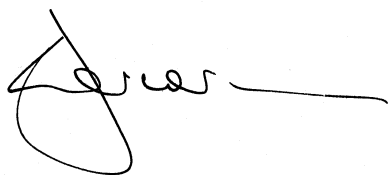
## 8. DIRECTORS' STATEMENT

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### 8.1 Directors' Statement

Each Director has given, and has not withdrawn, before the date of this prospectus, his consent to the lodgement of this prospectus with ASIC and to the issue of this prospectus in accordance with section 720 of the *Corporations Act 2001*.

Dated 21 November 2003

A handwritten signature in black ink, appearing to read 'John Corcoran', with a long horizontal line extending to the right.

John Corcoran  
Chairman

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## 9. GLOSSARY

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### Glossary

\$ or A\$	Australian Dollars unless otherwise stated
Applicant	A person who, or body corporate which, submits an Application
Application Price	The application price is 20 cents, being the amount payable in respect of each New Share applied for under the Offer
ASIC	Australian Securities and Investments Commission
ASX or Australian Stock Exchange	Australian Stock Exchange Limited ACN 008 624 691
Business Day	business day as defined in the Official Listing Rules of the ASX
BSG Gold Preference Share Subscription Agreement	The agreement between the Company and BSG Gold dated 29 October 2003
Closing Date	The date on which the Offer closes, being 23 December 2003 or such other earlier or later date as determined by the Company
Charmitan Mining Company	The closed joint-stock company referred to as the "Charmitan Mining Company" to be established under the laws of Uzbekistan in which the Company's wholly owned subsidiary Multiplex Development Zarmitan Limited will hold a 50% interest
Company	Danae Resources NL ABN 11 009 173 880
Directors	The directors of the Company
Entitlement	The entitlement to participate in the Offer, as shown on the Entitlement and Acceptance Form
Entitlement and Acceptance Form	The entitlement and acceptance form accompanying this prospectus
Greenwich	Greenwich Resources Plc, a company incorporated in England with the Company Number 1862971 and listed on the London Stock Exchange
Issue	The issue of New Shares under this prospectus



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Manor Resources	Manor Resources NL ACN 009 280 086
MRK	Multiplex Resources (Kazakhstan) Limited – a company incorporated in England and with the Company Number 03773661
MXM Preference Share Subscription Agreement	The agreement between the Company and Multiplex Mining dated 23 October 2003
New Shares	The Shares offered under this prospectus
Offer	The offer of New Shares under this prospectus
Options	An option to acquire a Share in the Company at an exercise price of 25 cents each exercisable on or before the fifth anniversary of being issued
Preference Shares	The Series ‘A’ and Series ‘B’ redeemable cumulative Preference Shares of \$1.00 each redeemable on or before the fifth anniversary of being issued and carrying a fixed cumulative dividend of 10% per annum
Record Date	2 December 2003
Relevant Company	The Company and its subsidiaries (if any)
Sappes Gold Project	The proposed underground gold project located in north-eastern Greece in respect of which Greenwich holds the rights
Share	A fully paid ordinary share in the capital of the Company
Shareholders’ Agreement	The agreement to be entered into between The State Committee of the Republic of Uzbekistan for Geology and Mineral Resources, Navoi Mining and Metallurgy Combine, and Multiplex Development Zarmitan Limited establishing Charmitan Mining Company and regulating the rights and entitlements in and to the Zarmitan Gold Project
Subscription Agreement	The agreement between the Company and BSG Gold dated 7 October 2003
Sub-underwriter or BSG Gold	BSG Gold BVBA S.A. (formerly known as Tikana Development S.A.) or its nominee being a related party
Underwriter or Multiplex Mining	Multiplex Mining Pty Limited ACN 076 112 984
Underwriting Agreement	The agreement between the Company and the Underwriter dated on or about the date of this prospectus

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Vostok Copper Project

The proposed copper mine located on the southern shores of Lake Balkhash in Kazakhstan in respect of which MRK holds the rights

Zarmitan Gold Project

The underground gold project located approximately 70 kilometres north of Samarkand in south-eastern Uzbekistan



## **LODGEMENT INSTRUCTIONS**

You can deal with your Entitlement in one of the following ways:

### **1. ACCEPT YOUR ENTITLEMENT IN FULL**

If you wish to accept your Entitlement in full:

- a) Complete the panel overleaf. If the form is not completed properly you will be treated as having applied for the number of New Shares covered by your remittance.
- b) Attach your cheque, made payable to "Danae Resources NL – Share Issue Account", to this Entitlement and Acceptance Form and deliver or post them to The Share Registry, Danae Resources NL, Pitcher Partner Registries, Level 22, HSBC Building, 300 Queen Street, Brisbane Qld 4000, or GPO Box 35, Brisbane Qld 4001.

**YOUR FORM AND PAYMENT MUST BE RECEIVED BEFORE 5.00 PM BRISBANE TIME ON 23 DECEMBER 2003.**

### **2. ACCEPT PART OF YOUR ENTITLMENT AND ALLOW THE BALANCE TO REVERT TO THE UNDERWRITER**

- a) Complete the panel overleaf by inserting the number of New Shares you wish to accept, the total amount payable and the details of your cheque.
- b) Attach your cheque, made payable to "Danae Resources NL – Share Issue Account", to this Entitlement and Acceptance Form and deliver or post them to The Share Registry, Danae Resources NL, Pitcher Partner Registries, Level 22, HSBC Building, 300 Queen Street, Brisbane Qld, 4000, or GPO Box 35, Qld 4001.

**YOUR FORM AND PAYMENT MUST BE RECEIVED BEFORE 5.00 PM BRISBANE TIME ON 23 DECEMBER 2003.**

### **3. DO NOT ACCEPT ALL OR ANY PART OF YOUR ENTITLEMENT AND ALLOW THE BALANCE TO REVERT TO THE UNDERWRITER**

If you do not wish to take up your Entitlement or any portion thereof you need not take any action. New Shares not taken up under will be issued in accordance with the terms of the Underwriting Agreement.

## **GENERAL INFORMATION**

- a) Entitlement and Acceptance Forms do not require signing.
- b) Applications will only be accepted on this Entitlement and Acceptance Form.
- c) All times referred to in this form are Brisbane times.

## **PAYMENT**

Application for New Shares must be accompanied by the application money of \$0.20 per New Share. **Payments must be made in Australian currency by cheque drawn on an Australian bank and be made payable to "Danae Resources NL – Share Issue Account" and crossed "not negotiable".**

Where acceptances and payment have not been received before 5.00pm, Brisbane time, on 23 December 2003, the offer herein contained shall be deemed to have been declined wholly, or as to any number of New Shares not applied for, or for which the appropriate payment has not been made.

## **LODGING OF ENTITLEMENT AND ACCEPTANCE FORM**

Attach your cheque, made payable to "Danae Resources NL - Share Issue Account", to this Entitlement and Acceptance Form and deliver or post them to The Share Registry, Danae Resources NL, Pitcher Partners Registries, Level 22, HSBC Building, 300 Queen Street, Brisbane, Qld 4000, or GPO Box 35, Brisbane Qld 4001.

**YOUR FORM AND PAYMENT MUST BE RECEIVED BEFORE 5.00PM (BRISBANE TIME) ON 23 DECEMBER 2003.**

# Appendix 3B

## New issue announcement, application for quotation of additional securities and agreement

*Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.*

Introduced 1/7/96. Origin: Appendix 5. Amended 1/7/98, 1/9/99, 1/7/2000, 30/9/2001, 11/3/2002.

Name of entity

**DANAE RESOURCES NL**

ABN

11 009 173 880

We (the entity) give ASX the following information.

### 1. Part 1 – All issues

*You must complete the relevant sections (attach sheets if there is not enough space).*

- |   |   |   |
|---|---|---|
| 1 | *Class of *securities issued or to be issued  | Ordinary shares   |
| 2 | Number of *securities issued or to be issued (if known) or maximum number which may be issued | The maximum number of new shares which may be issued is not more than approximately 15,938,433. |

3	Principal terms of the *securities (eg, if options, exercise price and expiry date; if partly paid *securities, the amount outstanding and due dates for payment; if *convertible securities, the conversion price and dates for conversion)	Ordinary shares – right to vote at and attend general meetings and all rights of holders of ordinary shares as required under the Corporations Act 2001.
4	<p>Do the *securities rank equally in all respects from the date of allotment with an existing *class of quoted *securities?</p> <p>If the additional securities do not rank equally, please state:</p> <ul style="list-style-type: none"> <li>the date from which they do</li> <li>the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment</li> <li>the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment</li> </ul>	Yes
5	Issue price or consideration	20 cents per share
6	<p>Purpose of the issue</p> <p>(If issued as consideration for the acquisition of assets, clearly identify those assets)</p>	<p>To raise funds for the following purposes:</p> <ul style="list-style-type: none"> <li>(a) the acquisition of the rights to the Vostok Copper Project;</li> <li>(b) the funding of the leaching test work for the Vostok Copper Project;</li> <li>(c) assisting the initial funding for technical development studies for the Zarmitan Gold Project;</li> <li>(d) other working capital requirements including costs of the rights issue.</li> </ul>

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7	Dates of entering *securities into uncertificated holdings or despatch of certificates	16 January 2004
---	--	-----------------

		Number	*Class
8	Number and *class of all *securities quoted on ASX ( <i>including</i> the securities in clause 2 if applicable)	Not more than 77,942,165.	Ordinary shares

		Number	*Class
9	Number and *class of all *securities not quoted on ASX ( <i>including</i> the securities in clause 2 if applicable)	1,750,000	Ordinary shares

10	Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)	Nil
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## 2. Part 2 – Bonus issue or pro rata issue

11	Is security holder approval required?	No
----	---------------------------------------	----

12	Is the issue renounceable or non-renounceable?	Non-renounceable
----	--	------------------

13	Ratio in which the *securities will be offered	1:4
----	--	-----

14	*Class of *securities to which the offer relates	Ordinary shares
----	--	-----------------

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15	*Record date to determine entitlements	2 December 2003
16	Will holdings on different registers (or subregisters) be aggregated for calculating entitlements?	N/A
17	Policy for deciding entitlements in relation to fractions	Fractional entitlements to new shares will be rounded up to the nearest whole new share
18	Names of countries in which the entity has *security holders who will not be sent new issue documents  <small>Note: Security holders must be told how their entitlements are to be dealt with. Cross reference: rule 7.7.</small>	United Arab Emirates, Germany, United Kingdom, Hong Kong, USA, New Caledonia and Kazakhstan.
19	Closing date for receipt of acceptances or renunciations	23 December 2003
20	Names of any underwriters	Multiplex Mining Pty Limited ACN 076 112 984
21	Amount of any underwriting fee or commission	An underwriting fee of 5% of the underwritten component of the Offer
22	Names of any brokers to the issue	N/A
23	Fee or commission payable to the broker to the issue	N/A
24	Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of *security holders	N/A
25	If the issue is contingent on *security holders' approval, the date of the meeting	N/A



26	Date entitlement and acceptance form and prospectus or Product Disclosure Statement will be sent to persons entitled	5 December 2003
27	If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders	N/A
28	Date rights trading will begin (if applicable)	N/A
29	Date rights trading will end (if applicable)	N/A
30	How do *security holders sell their entitlements <i>in full</i> through a broker?	N/A
31	How do *security holders sell <i>part</i> of their entitlements through a broker and accept for the balance?	N/A
32	How do *security holders dispose of their entitlements (except by sale through a broker)?	N/A
33	*Despatch date	16 January 2004

### 3. Part 3 – Quotation of securities

*You need only complete this section if you are applying for quotation of securities*

34 Type of securities  
(tick one)

(a) ☒ Securities described in Part 1

---

(b) ☐ All other securities

Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

3.1 Entities that have ticked box 34(a)

(1) Additional securities forming a new class of securities

*(If the additional securities do not form a new class, go to 43)*

*Tick to indicate you are providing the information or document*

35 ☐ If the \*securities are \*equity securities, the names of the 20 largest holders of the additional \*securities, and the number and percentage of additional \*securities held by those holders

36 ☐ If the \*securities are \*equity securities, a distribution schedule of the additional \*securities setting out the number of holders in the categories –

1 –	1,000
1,001 –	5,000
5,001 –	10,000
10,001 –	100,000
100,001 and over	

37 ☐ A copy of any trust deed for the additional \*securities

*(now go to 43)*

---

3.2 Entities that have ticked box 34(b)

38 Number of securities for which \*quotation is sought

N/A

39 Class of \*securities for which quotation is sought

N/A

40 Do the \*securities rank equally in all respects from the date of allotment with an existing \*class of quoted \*securities?

N/A

If the additional securities do not rank equally, please state:

- the date from which they do
- the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment
- the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment

41 Reason for request for quotation now

N/A

Example: In the case of restricted securities, end of restriction period

(if issued upon conversion of another security, clearly identify that other security)

---

	Number	*Class
42    Number and *class of all *securities quoted on ASX (including the securities in clause 38)	N/A	

(now go to 43)

---

3.3 All entities

(1) Fees

43 Payment method (*tick one*)

☐ Cheque attached

☐ Electronic payment made

Note: Payment may be made electronically if Appendix 3B is given to ASX electronically at the same time.

☐ Periodic payment as agreed with the home branch has been arranged

Note: Arrangements can be made for employee incentive schemes that involve frequent issues of securities.

(2) Quotation agreement

**Schedule 1** \*Quotation of our additional \*securities is in ASX's absolute discretion.  
ASX may quote the \*securities on any conditions it decides.

**Schedule 2** We warrant the following to ASX.

- A. The issue of the \*securities to be quoted complies with the law and is not for an illegal purpose.
- B. There is no reason why those \*securities should not be granted \*quotation.
- C. An offer of the \*securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.

Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty.

- D. Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any \*securities to be quoted and that no-one has any right to return any \*securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the \*securities be quoted.
- E. We warrant that if confirmation is required under section 1017F of the Corporations Act in relation to the \*securities to be quoted, it has been provided at the time that we request that the \*securities be quoted.

- 
- F. If we are a trust, we warrant that no person has the right to return the \*securities to be quoted under section 1019B of the Corporations Act at the time that we request that the \*securities be quoted.

**Schedule 3** We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.

**Schedule 4** We give ASX the information and documents required by this form. If any information or document not available now, will give it to ASX before \*quotation of the \*securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.



Sign here:

Dated:

21 November 2003

.....  
(Company secretary)

Print name:

Barry Casson  
.....  
=====

---

**THIS DOCUMENT IS IMPORTANT**

If you do not understand it or are in any doubt about how to act, you should consult your stockbroker, solicitor, accountant or other professional adviser immediately.

**DANAE RESOURCES NL**  
ABN 11 009 173 880

**NOTICE OF GENERAL MEETING**

Incorporating

**EXPLANATORY MEMORANDUM**

and

**PROXY FORM**

and

**INDEPENDENT EXPERT'S REPORT**



**A Meeting of Shareholders of Danae Resources NL  
will be held on Monday 22 December 2003  
at the Terrace Room, Royal on the Park, Cnr Alice & Albert Streets,  
Brisbane QLD 4000,  
commencing at 10.00am**

If you are unable to attend the meeting, you are requested to complete the form of proxy (enclosed) and return it to the Company as soon as possible and in any event so it is received by the Company Secretary at the place specified in the proxy form by 10.00am on Thursday 18 December 2003.

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**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. YOU SHOULD CAREFULLY READ THIS DOCUMENT. IF YOU ARE IN DOUBT AS TO THE ACTION YOU SHOULD TAKE IN RELATION TO THIS DOCUMENT OR THERE IS ANY MATTER YOU DO NOT UNDERSTAND YOU SHOULD CONTACT YOUR PROFESSIONAL ADVISERS FOR ADVICE.**



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## SECTION 1

Dear Shareholder

Attached is the Notice of General Meeting of members of Danae Resources NL ABN 11 009 173 880 ("**Danae**" or "**Company**") to be held on Monday 22 December at the Terrace Room, Royal on the Park, Cnr Alice & Albert Streets, Brisbane, Queensland commencing at 10 am.

### **PLACEMENT AND RIGHTS ISSUE**

The Company has recently completed a placement of 8,315,704 shares to BSG Gold B.V.B.A S.A. (formerly known as Tikana Development S.A.) ("BSG Gold") at an issue price of 20 cents per share to raise \$1,663,141. The Company has also progressed the rights issue foreshadowed last December on a 1 for 4 basis to raise approximately \$3,187,687 through the issue of an additional 15,938,433 shares at an issue price of 20 cents each.

Multiplex Mining has agreed to underwrite the Rights Issue and BSG Gold has agreed to sub-underwrite the Rights Issue.

### **ISSUE OF 'A' CLASS AND 'B' CLASS PREFERENCE SHARES AND OPTIONS**

To further supplement the working capital raised by the Company through the placement and the rights issue, the Company has agreed with Multiplex Mining and BSG Gold to subscribe for 'A' Class and 'B' Class Preference Shares respectively and Options as follows:

	<b>Preference Shares ( 'A' Class/'B' Class )</b>	<b>Options</b>	<b>Consideration</b>
<b>(a) BSG Gold</b>	3,500,000 ('B' Class)	8,500,000	\$3,500,000
<b>(b) Multiplex Mining</b>	22,345,000 ('A' Class)	20,000,000	\$22,345,000

In consideration for the issue of 'B' Class Preference Shares and Options, BSG Gold will be paying \$3,500,000 cash to the Company. In consideration for the issue of 'A' Class Preference Shares and Options, Multiplex Mining has agreed to set off the amount due of \$22,345,000 against the debt due by the Company to Multiplex Mining and to terminate the Management Agreement with the Company.

The Board is seeking shareholder approval to facilitate the issue of the 'A' Class and 'B' Class Preference Shares to Multiplex Mining and BSG Gold respectively.

### **ISSUE OF SHARES TO MR DONALD LEWIS UNDER THE COMPANY'S EMPLOYEE INCENTIVE PLAN**

The Company previously established the Danae Resources Limited Employee Incentive Plan. Subject to obtaining shareholder approval, the Company proposes to issue Shares under the plan to Mr Donald Lewis (Director). Details of the issue of those Shares are set out in the Explanatory Memorandum accompanying the Notice of Meeting.

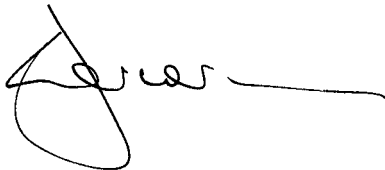
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In summary, the meeting will deal with the following matters:

- the ratification of the Placement to BSG Gold
- the proposed issue of 'A' Class Preference Shares and Options to Multiplex Mining
- the proposed issue of 'B' Class Preference Shares and Options to BSG Gold
- the proposed issue of Shares to Mr Donald Lewis

We look forward to your attendance at the General Meeting to be held on Monday 22 December 2003. If you are unable to attend the General Meeting personally please complete the enclosed Form of Proxy and return it to reach the Company's registered office by no later than 10 am on Thursday 18 December 2003.

On behalf of the Board

A handwritten signature in black ink, appearing to read 'John Corcoran', with a long horizontal line extending to the right.

**John Corcoran**  
Chairman

21 November 2003

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## SECTION 2

### **NOTICE OF GENERAL MEETING**

**NOTICE IS GIVEN** that a general meeting of the members of Danae Resources NL ABN 11 009 173 880 ("**Danae**" or "**Company**") will be held on Monday 22 December 2003 at the Terrace Room, Royal on the Park, Cnr Alice & Albert Streets, Brisbane, Queensland, commencing at 10 am.

#### **RESOLUTIONS**

**1. Placement to BSG Gold**

To consider and if thought fit to pass, with or without amendment, the following resolution as an ordinary resolution:

*"That, for the purposes of Listing Rule 7.4 and for all other purposes, the Company ratifies the issue of 8,315,704 fully paid ordinary shares in the Company at 20 cents per share to BSG Gold B.V.B.A S.A. (formerly known as Tikana Development S.A.) ("BSG Gold") on 10 October 2003 as described in the Explanatory Memorandum which is attached to and forms part of the notice of this meeting."*

**2. Issue of 'A' Class Preference Shares and Options to Multiplex Mining**

To consider and if thought fit to pass, with or without amendment, the following resolution as a special resolution:

*"That, for the purposes of Listing Rules 7.1, 10.1 and 10.11, Sections 208 and 611 (Item 7) of the Corporations Act and Rule 107 of the Constitution and for all other purposes, the Company approves:*

- (a) the entry into of the Multiplex Subscription Agreement with Multiplex Mining Pty Limited ("Multiplex Mining") by the Company on the terms described in the Explanatory Memorandum which is attached to and forms part of this Notice of Meeting;*
- (b) the issue by the Company of 22,345,000 'A' Class Preference Shares and 20,000,000 Options in the Company to Multiplex Mining at an issue price of \$1.00 for each 'A' Class Preference Share and in consideration of the termination of the Management Agreement with Multiplex Mining;*
- (c) the issue by the Company to Multiplex Mining of 20,000,000 Shares upon exercise of the 20,000,000 Options issued to Multiplex Mining; and*
- (d) the variation of rights attaching to Shares held by the Shareholders as a result of the issue of 'A' Class Preference Shares to Multiplex Mining."*

---

### 3. Issue of 'B' Class Preference Shares and Options to BSG Gold

To consider and if thought fit to pass, with or without amendment, the following resolution as a special resolution:

*"That, subject to the passing of Resolution 2 provided for in this notice of Meeting, for the purposes of Listing Rules 7.1 and 10.1, Section 611 (Item 7) of the Corporations Act and Rule 107 of the Constitution and for all other purposes, Company approves:*

- (a) the entry into the BSG Gold Subscription Agreement with BSG Gold B.V.B.A S.A. (formerly known as Tikana Development S.A.) ("BSG Gold") by the Company on the terms described in the Explanatory Memorandum which is attached to and forms part of this Notice of Meeting;*
- (b) the issue by the Company of 3,500,000 'B' Class Preference Shares and 8,500,000 Options in the Company to BSG Gold at an issue price of \$1.00 for each 'B' Class Preference Share and for no additional consideration in respect of the Options;*
- (c) the issue by the Company to BSG Gold of 8,500,000 Shares upon exercise of the 8,500,000 Options issued to BSG Gold; and*
- (d) the variation of rights attaching to Shares held by the Shareholders as a result of the issue of 'B' Class Preference Shares to BSG Gold."*

### 4. Issue of Shares to Mr Donald Lewis

To consider and if thought fit to pass, with or without amendment, the following resolution as an ordinary resolution:

*"That, for the purposes of Listing Rules 7.1 and 10.14 and all other purposes, the Company approves and authorises the issue of shares to the value of \$100,000 under the Company's Employee Incentive Plan to Mr Donald Lewis (or his nominee) on and subject to the terms and conditions described in the Explanatory Memorandum which is attached to and forms part of this Notice of Meeting."*

The specific details of the background to the resolutions to be put before the General Meeting are set out in the Explanatory Memorandum which is attached to and forms part of this Notice of Meeting.

### PROXIES

- 1. Each Shareholder has a right to appoint a proxy.
- 2. A Shareholder who is entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If no proportion or number is specified, then each proxy may exercise one-half of the votes. Fractions of votes will be disregarded.
- 3. Where a Shareholder appoints more than one proxy, neither proxy is entitled to vote on a show of hands.

- 
4. A proxy need not be a Shareholder of the Company.
  5. To be effective, the Company must receive the completed proxy form and, if the form is signed by the Shareholder's attorney, the authority under which the proxy form is signed (or a certified copy of the authority) by no later than 10 am on Thursday 18 December 2003:
    - (1) at its registered office at Level 24, Waterfront Place, 1 Eagle Street, Brisbane Queensland, 4000 Australia;
    - (2) by faxing it to the registered office on fax number (07) 3211 9122; or
    - (3) at its share registry, Pitcher Partner Registries, Level 22 HSBC Building, 300 Queen Street Brisbane Queensland, 4000 Australia (facsimile (07) 3221 3149).
  6. Proxies given by corporate Shareholders must be executed in accordance with their constitutions, or under the hand of a duly authorised officer or attorney.
  7. A proxy may decide whether to vote on any motion, except where the proxy is required by law or the constitution to vote, or abstain from voting, in their capacity as proxy. If a proxy is directed how to vote on an item of business, the proxy may vote on that item only in accordance with the direction. If a proxy is not directed how to vote on an item of business, the proxy may vote as he or she thinks fit.

## VOTING

1. A proxy form is enclosed with this Notice of Meeting. If an additional proxy form is required, the Company's share register will supply it on request.
2. Neither BSG Gold nor any associate of BSG Gold may cast a vote on Resolutions 1 and 3. Accordingly, the Company will disregard any vote cast on Resolutions 1 and 3 by BSG Gold or any associate of BSG Gold.

However, a person is not prevented from casting a vote, and the Company need not disregard a vote cast, on Resolutions 1 and 3 if:

- (1) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form (so long as it is not cast on behalf of BSG Gold or any associate of BSG Gold); or
  - (2) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides (so long as it is not cast by or on behalf of BSG Gold or any associate of BSG Gold).
3. Neither Multiplex Mining nor any associate of Multiplex Mining may cast a vote on Resolution 2. Accordingly, the Company will disregard any vote cast on Resolution 2 by Multiplex Mining or any associate of Multiplex Mining.

However, a person is not prevented from casting a vote, and the Company need not disregard a vote cast, on Resolution 2 if:

- (1) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form (so long as it is not cast on behalf of Multiplex Mining or any associate of Multiplex Mining); or

- 
- (2) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides (so long as it is not cast by or on behalf of Multiplex Mining or any associate of Multiplex Mining).
4. Neither Donald Lewis nor any associate of Donald Lewis may cast a vote on Resolution 4. Accordingly, the Company will disregard any vote cast on Resolution 4 by Donald Lewis or any associate of Donald Lewis.

However, a person is not prevented from casting a vote, and the Company need not disregard a vote cast, on Resolution 4 if:

- (1) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form (so long as it is not cast on behalf of Donald Lewis or any associate of Donald Lewis); or
- (2) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides (so long as it is not cast by or on behalf of Donald Lewis or any associate of Donald Lewis).

The Company has determined, in accordance with regulation 7.11.37 of the *Corporations Regulations 2001*, that the shares of the Company that are quoted on the Australian Stock Exchange as at 10 am on Friday 19 December 2003 will be taken for the purposes of the general meeting to be held by the persons who held them at that time. Accordingly those persons will be entitled to attend and vote at the meeting.

## **OTHER**

Words that are defined in the Explanatory Memorandum and Glossary have the same meaning when used in this Notice of Meeting unless the context requires or the definitions in the Glossary provide otherwise.

*“ordinary resolution”* means a Resolution passed by a simple majority of Shareholders on a show of hands or by a simple majority of votes given on a poll.

*“special resolution”* means a Resolution passed by a majority of 75% of Shareholders present on a show of hands or by a majority of 75% of votes given on a poll.

## **BY ORDER OF THE BOARD**



**Barry Casson**  
Company Secretary

Dated 21 November 2003  
Brisbane, Queensland

---

## SECTION 3

### **EXPLANATORY MEMORANDUM**

This Explanatory Memorandum has been prepared to assist members with their consideration of the resolutions proposed for the General Meeting of Danae Resources NL ABN 11 009 173 880 ("**Danae**" or "**Company**") to be held on Monday 22 December 2003 at the Terrace Room, Royal on the Park, Cnr Alice & Albert Streets, Brisbane, Queensland, commencing at 10 am. It should be read in conjunction with the Notice of Meeting.

#### **The Resolutions**

##### **1. Resolution 1 – Ratification of Placement to BSG Gold**

- 1.1 On 10 October 2003 the Company raised \$1,663,141 through the issue of 8,315,704 Shares at 20 cents each to BSG Gold.
- 1.2 Listing Rule 7.1 prohibits the issue of securities by a company which exceeds 15% of the shares on issue during the 12 months prior to the date of the agreement to issue them without shareholder approval. ASX Listing Rule 7.4 provides that issues of securities made without approval under Listing Rule 7.1 are treated as having been made with approval for the purpose of Listing Rule 7.1 if shareholders subsequently approve the issues.
- 1.3 In order to maintain flexibility during the upcoming 12 month period to issue securities to raise capital Shareholder approval is sought for the issue of the 8,315,704 Shares issued to BSG Gold for the purposes of Listing Rule 7.4.

##### **2. Resolution 2 – Issue of Preference Shares and Options to Multiplex Mining**

###### **2.1 Purpose of approval**

Over many years Multiplex Mining - as major shareholder of the Company - has advanced funds to the Company to finance its working capital requirements. As at 30 June 2003, Multiplex Mining had advanced \$20,770,370, taking into account the additional \$3,693,672 advanced to the Company early in July 2003 to fund the Company's obligations to subscribe for the convertible loan stock issued by Greenwich Resources Plc.

As part of the Company's efforts to obtain further funding, the Company has agreed with Multiplex Mining and BSG Gold to subscribe for 'A' Class and 'B' Class Preference Shares respectively and Options as follows:

	<b>Preference Shares (‘A’ Class/‘B’ Class)</b>	<b>Options</b>
<b>(a) BSG Gold</b>	3,500,000 (‘B’ Class)	8,500,000
<b>(b) Multiplex Mining</b>	22,345,000 (‘A’ Class)	20,000,000

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The consideration due to the Company by Multiplex Mining for the 'A' Class Preference Shares of \$22,345,000 and the Options will be set off against the debt due by the Company to Multiplex Mining. In addition Multiplex Mining has agreed to terminate the Management Agreement with the Company. The balance of the loan (if any) due by the Company to Multiplex Mining will be repaid to Multiplex Mining by the Company.

The Company has also announced a 1 for 4 rights issue at 20 cents per Share to raise an additional \$3,187,687 approximately. Multiplex Mining has agreed to underwrite the rights issue.

Shareholder approval is sought for the issue of the 'A' Class Preference Shares and the Options for the purposes of Listing Rules 7.1, 10.1 and 10.11 and sections 208 and 611 (Item 7) of the *Corporations Act*.

Subject to the passing of Resolutions 2 and 3, the Company will be authorised to issue 22,345,000 'A' Class Preference Shares and 20,000,000 Options to Multiplex Mining. As the 'A' Class Preference Shares only carry limited rights to vote, the issue of the 'A' Class Preference Shares will not alter the entitlement of Multiplex Mining to Shares in the Company.

Following the issue of the 'A' Class Preference Shares and assuming Multiplex Mining takes up its entitlement under the Rights Issue, Multiplex Mining will be entitled to the following percentage of the issued capital of the Company:

	Number of Ordinary Shares	Percentage of Issued Capital	Number of Options
<b>Multiplex Mining</b>	36,613,625	45.94%	20,000,000

A summary of the terms of the 'A' Class Preference Shares and Options is set out below:

(1) **'A' Class Preference Shares**

- (a) **Ranking:** 'A' Class Preference Shares rank after all creditors but before holders of 'B' Class Preference Shares and Shareholders for redemption and return of capital on a winding up. 'A' Class Preference Shares rank equally with 'B' Class Preference Shares for payment of Dividends but in priority to Shares and other shares in the Company that rank below 'A' Class Preference Shares and 'B' Class Preference Shares. No right to participate beyond the Issue Price and all arrears of Dividends. 'A' Class Preference Shares rank equally amongst themselves.
- (b) **Dividend:** Cumulative preferential dividend at 10% per annum, payable half-yearly in arrears.
- (c) **Conversion:** No rights of conversion to equity.
- (d) **Other rights:** Same rights as Shareholders to receive notices, reports and to attend meetings.



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- (e) **Voting:** Holders of 'A' Class Preference Shares will not be entitled to speak or to vote at general meetings of the Company except in each of the following circumstances:

- if at the time of the meeting a Shortfall Amount exists
- on a proposal to reduce the Company's share capital
- on any resolution to approve the terms of a buy-back agreement
- on any proposal that affects the rights or privileges attached to the 'A' Class Preference Shares
- on any proposal to wind up the Company
- on any proposal for the disposal of the whole of the Company's property, business and undertaking
- during the winding up of the Company

in which case a holder of 'A' Class Preference Shares has the same rights as to manner of attendance at general meetings in respect of each 'A' Class Preference Share as those conferred on holders of ordinary shares in the Company and each holder of 'A' Class Preference Shares will have:

- one vote on a show of hands
- one vote for each fully paid 'A' Class Preference Share held by that holder on a poll

- (f) **Listing:** 'A' Class Preference Shares will not be quoted on the ASX.

- (g) **Redemption:** Redeemable at the option of the Company at any time on or before the Redemption Date in priority to 'B' Class Preference Shares. Any outstanding 'A' Class Preference Shares must be redeemed on the Redemption Date.

- (h) **Redemption Date:** The earlier of the 5<sup>th</sup> anniversary of the Allotment Date and the date immediately following the Allotment Date, on which the Company issues new shares for the purpose of using the proceeds of the new issue to redeem 'A' Class Preference Shares.

(2) **Options**

- (a) **Option Entitlement:** To subscribe for one Share at an exercise price of 25 cents per Share. Shares issued on exercise of Options will rank pari passu with existing Shares.

- (b) **Exercise Period:** Exercisable at any time on or before the 5<sup>th</sup> anniversary of the date of grant. Options not exercised by this date will lapse.

- (c) **Listing:** The Options will not be quoted on the ASX. Shares issued on exercise of Options will be quoted on the ASX.

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- (d) **Pro rata issues:** Option holders are entitled to participate in pro rata cash issues of the Company's securities by prior exercise of the Options only.
  - (e) **Reconstruction:** In the event of reconstruction of the Company's issued capital or bonus issue of securities, the number of Options or the exercise price of Options or both will be reconstructed accordingly.

Capitalised terms used in the above summary but not otherwise defined in this Explanatory Memorandum or the Glossary are defined in the terms and conditions of 'A' Class Preference Shares and the Options set out in Schedules 1 and 3 respectively of this Explanatory Memorandum.

The 'A' Class Preference Shares and the Options will be freely transferable subject to any restrictions imposed by the ASX.

Other than as provided under Listing Rule 14.11, Multiplex Mining and its associates and any person who might obtain a benefit, except a benefit solely in the capacity as a security holder, are not permitted to vote in relation to Resolution 2.

## 2.2 Section 208 of the *Corporations Act*

Part 2E.1 of the *Corporations Act* exists to protect a public company's resources and the interests of its members by requiring that financial benefits to related parties that could diminish its resources are disclosed and approved by the shareholders in advance, in general meeting. The Company issuing the 'A' Class Preference Shares and the Options to Multiplex Mining may constitute the giving of a financial benefit under section 208 of the *Corporations Act*. Multiplex Mining is a related party of the Company.

Section 208(1)(b) of the *Corporations Act* prohibits the Company from giving a financial benefit to a related party unless the transaction falls within one of the exceptions provided for in sections 210 to 216. One such exception is the giving of the financial benefit on arm's length terms.

The Company has agreed to issue the 'A' Class Preference Shares and the Options to Multiplex Mining. The Directors commissioned Grant Thornton Corporate (NSW) Pty Ltd ("Grant Thornton Corporate Finance") to prepare an independent expert's report on the fairness and reasonableness of the proposed issue ("**Report**"). A copy of the Report is attached in Schedule 4 to this Explanatory Memorandum.

In the circumstances, the Directors invite the Shareholders to consider the Report. Shareholders should note the conclusion set out in the Report is that the terms of the issue of the 'A' Class Preference Shares and Options are considered fair and reasonable to the non-associated shareholders of the Company.

In addition to the information contained in the Report, the Company provides the following information to Shareholders to assist them in deciding whether or not it is in the Company's interest to pass Resolution 2:

### (1) Related Party

The related party to whom Resolution 2 would permit financial benefits to be given is Multiplex Mining.

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**(2) Nature of Financial Benefit**

The nature of the financial benefit if Resolution 2 is passed is the issue of up to 22,345,000 'A' Class Preference Shares and 20,000,000 Options and the termination of the Management Agreement.

**(3) Recommendation of the Directors**

Each of the Directors (other than Messrs Corcoran, Lewis and Roberts) recommends the issue of the 'A' Class Preference Shares and the Options as they consider the issue to be in the best interests of the Company.

**(4) Other Information**

If Resolution 2 is passed and the 'A' Class Preference Shares and the Options are issued to Multiplex Mining, the percentage shareholding in the Company of the existing Shareholders would be diluted by the issue of up to 20,000,000 Shares to Multiplex Mining if the Options are exercised.

**2.3 ASX Listing Rule 7.1**

Listing Rule 7.1 restricts new issues of equity securities in the Company in certain circumstances. To permit the issue of the Options to Multiplex Mining, the approval of the Shareholders is required under Listing Rule 7.1.

**2.4 ASX Listing Rule 10.1**

Listing Rule 10.1 prohibits the acquisition of a substantial asset from a related party without the approval by ordinary resolution of holders of ordinary securities. The related party and any associates of the related party may not vote on the resolution.

An entity is a "related party" of a public company if it controls the public company. Multiplex Mining, as the holder of 46% (following dilution by the Placement made to BSG Gold on 10 October 2003) of the issued share capital in the Company, controls the Company. Accordingly, Multiplex Mining is a related party of the Company.

An asset is "substantial" if its value is, or the value of the consideration for it is, in the ASX's opinion, 5% or more of the equity interests of the Company as set out in the latest accounts given to the ASX. For this purpose, the equity interests of the Company comprise the sum of paid up capital, reserves, and accumulated profits or losses, disregarding redeemable preference share capital and outside equity interests, as shown in the Company's consolidated financial statements.

As Multiplex Mining is a related party of the Company and the Company proposes to acquire a substantial asset from Multiplex Mining (which includes the subscription for the 'A' Class Preference Shares and the Options), the Company must seek the approval of its Shareholders in accordance with Listing Rule 10.1.

Listing Rule 10.10 sets out a number of matters that must be included in the Notice of Meeting proposing an approval under Listing Rule 10.1. For the purposes of Listing Rule 10.10, the following information is provided in relation to Resolution 2:

- (1) Neither Multiplex Mining nor any associate of Multiplex Mining may cast a vote on Resolution 2. Accordingly, the Company will disregard any vote cast on Resolution 2 by Multiplex Mining or any associate of Multiplex Mining.

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However, a person is not prevented from casting a vote, and the Company need not disregard a vote cast, on Resolution 2 if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form (so long as it is not cast on behalf of Multiplex Mining or any associate of Multiplex Mining); or
  - (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides (so long as it is not cast by or on behalf of Multiplex Mining or any associate of Multiplex Mining).
- (2) A report on the transaction from an independent expert is provided in Schedule 4.

## **2.5 ASX Listing Rule 10.11**

Listing Rule 10.11 requires the Shareholders of the Company to approve by ordinary resolution the issue of securities (the definition of which includes preference shares and options) to a related party of the Company. As indicated above Multiplex Mining is a related party of the Company.

## **2.6 Rule 107 of the Constitution**

As the Company currently has one class of shares (namely, Shares), the issue of 'A' Class Preference Shares and 'B' Class Preference Shares to Multiplex and BSG Gold respectively is deemed to vary the rights attached to the existing class of Shares.

The variation of rights attaching to Shares in these circumstances is required to be approved by a special resolution of the Shareholders in accordance with Rule 107 of the Constitution.

## **2.7 Sections 606 and 611 (Item 7) of the Corporations Act**

The effect of section 606 of the *Corporations Act* (insofar as it is relevant for this transaction) is to prohibit an acquisition of shares in a company if this will increase the "voting power" (as that term is defined in the *Corporations Act*) of any person to 20% or more of that company's voting shares. In the absence of Shareholder approval, the exercise of the Options would contravene the provisions of section 606 of the *Corporations Act*. Multiplex Mining would increase, on issue of the 20,000,000 Shares, its relevant interest to approximately 56.79% of the voting shares of the Company.

Section 611 (Item 7) of the *Corporations Act* allows shareholders in general meeting to agree to an issue of shares in their company where that issue would otherwise be prohibited by section 606 of the *Corporations Act*. Section 611 (Item 7) and Policy Statement 74 set out the information which should be provided to shareholders in relation to Resolutions put to shareholders for the purpose of section 611 (Item 7) of the *Corporations Act*. This information includes:

- (1) the identity of the persons proposing to acquire the Danae Shares and their Associates;
- (2) the maximum extent of the increase in Multiplex Mining's voting power in Danae that would result from the acquisition;

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- (3) the voting power that Multiplex Mining would have as a result of the acquisition;
  - (4) the maximum extent of the increase in the voting power of each of Multiplex Mining's Associates that would result from the acquisition; and
  - (5) the voting power that each of Multiplex Mining's Associates would have as a result of the acquisition.

This information is set out in Table 1. Relevant matters are also described in the Expert's Report set out in Schedule 4 to this Explanatory Memorandum.

**Table 1**

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8	Column 9	Column 10	Column 11	Column 12	Column 13
Name and Address of Interested Party	Where Interested Party is a Company, Name and Address of Associates under Section 11 of the <i>Corporations Act</i>	Name and Address of any other Associates of Interested Party under the <i>Corporations Act</i>	No of Danae Shares held before exercise of Options by Interested Party	No of Danae Shares in which Associates have voting power	No of Danae Shares to be issued on exercise of Options	No of Danae Shares held after issue of Shares in Column 6	Voting power of Interested Parties before issue of shares in Column 6	Extent of increase in voting power of Interested Parties resulting from issue of shares to Interested Parties in Column 6	Voting power of Interested Parties resulting from issue of shares to Interested Parties in Column 6	Voting power of Associates before issue of shares to Interested Parties in Column 6	Extent of increase in voting power of Associates resulting from issues of shares to Interested Parties in Column 6	Voting power of Associates resulting from issue of shares to Interested Parties in Column 6
Multiplex Mining Pty Ltd of Level 24, Waterfront Place, 1 Eagle Street, Brisbane	John Anthony Corcoran of 7 Milton Avenue Mosman; J.A. Corcoran & Associates Pty Limited of 7 Milton Avenue, Mosman; Each member of the Multiplex Group	Each other Interested Party referred to in Column 1	36,613,625	2,187,500	20,000,000	56,613,625	45.94%	10.84%	56.78%	2.74%	nil	2.17%
Multiplex Constructions Pty Ltd and its subsidiaries of 173 Mounts Bay Road, Perth	Each member of the Multiplex Group	Each other Interested Party referred to in Column 1	nil	38,801,125	nil	nil	nil	nil	nil	48.68%	10.3%	58.98%
John Charles Roberts of 173 Mounts Bay Road, Perth	Associates of John Charles Roberts	Each other Interested Party referred to in Column 1	nil	38,801,125	nil	nil	nil	nil	nil	48.68%	10.3%	58.98%

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8	Column 9	Column 10	Column 11	Column 12	Column 13
Name and Address of Interested Party	Where Interested Party is a Company, Name and Address of Associates under Section 11 of the <i>Corporations Act</i>	Name and Address of any other Associates of Interested Party under the <i>Corporations Act</i>	No of Danae Shares held before exercise of Options by Interested Party	No of Danae Shares in which Associates have voting power	No of Danae Shares to be issued on exercise of Options	No of Danae Shares held after issue of Shares in Column 6	Voting power of Interested Parties before issue of shares in Column 6	Extent of increase in voting power of Interested Parties resulting from issue of shares to Interested Parties in Column 6	Voting power of Interested Parties resulting from issue of shares to Interested Parties in Column 6	Voting power of Associates before issue of shares to Interested Parties in Column 6	Extent of increase in voting power of Associates resulting from issues of shares to Interested Parties in Column 6	Voting power of Associates resulting from issue of shares to Interested Parties in Column 6
Andrew Timothy Roberts of 1 Kent Street, Sydney	Associates of Andrew Timothy Roberts	Each other Interested Party referred to in Column 1	nil	38,801,125	nil	nil	nil	nil	nil	48.68%	10.3%	58.98%
J.A. Corcoran & Associates Pty Limited of 7 Milton Avenue, Mosman	John Corcoran of 7 Milton Avenue, Mosman and his Associates; Multiplex Mining Pty Ltd of Level 24, Waterfront Place, 1 Eagle Street, Brisbane	nil	2,187,500	nil	nil	2,187,500	2.74%	nil	2.17%	nil	nil	nil

### Assumptions

Table 1 is prepared on the assumptions that between the date of this Shareholder Explanatory Memorandum and the date of the exercise of the Options:

- The Associates of each Interested Party as listed in Columns 2 and 3 remain unchanged;
- Each Interested Party and its Associates does not acquire any Danae Shares other than the Danae Shares to be issued to each Interested Party and its Associates on exercise of the Options listed in Column 6 of Table 1;
- Each Interested Party and its Associates does not dispose of any Danae Shares;
- The Options held by Multiplex Mining are all exercised at the same time and no other Options (including those held by BSG Gold) on issue are exercised;
- Multiplex Mining and BSG Gold take up their entitlements under the Rights Issue and BSG Gold and the public subscribe for the remaining Shares the subject of the Rights Issue; and
- J.A. Corcoran & Associates Pty Limited takes up its entitlement to 437,500 Shares under the Rights Issue.

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## SECTION 611 (ITEM 7) INFORMATION

- (a) The proposed allottee of up to 20,000,000 Shares in the Company is Multiplex Mining.
- (b) As at the date of this Explanatory Memorandum Multiplex Mining is entitled to 29,290,900 Shares in the Company and on completion of the Rights Issue will be entitled to 36,613,625 shares in the Company.
- (c) The Company understands that Multiplex Mining:
  - (i) has no intention of making any changes to the business of the Company beyond those described in this Explanatory Memorandum;
  - (ii) has no present intention of injecting further capital into the Company;
  - (iii) does not propose that any property be transferred between the Company and any person associated with either of them except as described in this Explanatory Memorandum;
  - (iv) has no intention to redeploy the fixed assets of the Company;
  - (v) has no intention to change significantly the financial or dividend policies of the Company; and
  - (vi) has no intentions with regard to the continued employment of the current employees of the Company.
- (d) The terms and timing of the allotment of the 'A' Class Preference Shares and Options are summarised on pages 8 to 10 of this Explanatory Memorandum.
- (e) The reasons for the proposed allotment are provided for on pages 7 and 8 of this Explanatory Memorandum.
- (f) Other than Messrs Corcoran, Lewis and Roberts, no Director of the Company has an interest in Resolution 2, save for the interest they share in common with other Shareholders arising out of their shareholdings in the Company.

### 2.8 Independent Expert's Report

ASIC Policy Statement 74 recommends that shareholders be provided with an analysis of whether the proposal to be presented is fair and reasonable.

The Directors have commissioned an independent expert, Grant Thornton Corporate Finance, to prepare a report on whether the proposal is fair and reasonable to shareholders not associated with Multiplex Mining. In its report, Grant Thornton conclude that the transaction is fair and reasonable. A copy of the report is contained in Schedule 4 of this Notice of Meeting, which Shareholders should read carefully.

The Directors recommend that Shareholders approve the proposal for the following reasons:

- the Company will have access to the funds necessary to advance its projects
- the Company will be able to borrow money to advance its projects in the future



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In light of these reasons and the conclusions of the independent expert, the Directors (other than Messrs Corcoran, Lewis and Roberts) unanimously recommend that Shareholders approve the proposal. None of the Directors voted against the Board Resolution to put the proposal to Shareholders for approval.

This Explanatory Memorandum and the Report are intended to provide the necessary information as set out in Policy Statement 74 for Shareholders to make a decision on the transaction proposed in Resolution 2.

### 3. Resolution 3 – Issue of Shares and Options to BSG Gold

#### 3.1 Purpose of Approval

As indicated above, BSG Gold has agreed to subscribe for 3,500,000 'B' Class Preference Shares and 8,500,000 Options at a consideration of \$1.00 per 'B' Class Preference Share.

The consideration is payable in cash to the Company. Subject to the passing of Resolutions 2 and 3, the Company will be authorised to issue 3,500,000 'B' Class Preference Shares and 8,500,000 Options to BSG Gold.

As the 'B' Class Preference Shares only carry limited rights to vote, the issue of the Preference Shares will not alter the entitlement of BSG Gold to Shares in the Company.

Following the issue of the 'A' Class and 'B' Class Preference Shares and assuming BSG Gold and Multiplex Mining take up their entitlements under the Rights Issue and BSG Gold takes up the shortfall under the Rights Issue which BSG Gold has agreed to sub-underwrite, namely 6,536,782 Shares (assuming theoretically no take up by the Shareholders other than BSG Gold and Multiplex Mining), BSG Gold will be entitled to the following maximum percentage of the issued capital of the Company:

	Number of Ordinary Shares	Percentage of Issued Capital	Number of Options
<b>BSG Gold</b>	16,931,412	21.25%	8,500,000

A summary of the terms of the 'B' Class Preference Shares is set out below:

- (1) **Ranking:** 'B' Class Preference Shares rank after all creditors and 'A' Class Preference Shares but before Shareholders for redemption and return of capital on a winding up. 'B' Class Preference Shares rank equally with 'A' Class Preference Shares for payment of Dividends but in priority of Shares and other shares in the Company that rank below 'B' Class Preference Shares. No right to participate beyond the Issue Price and all arrears of Dividends. 'B' Class Preference Shares rank equally amongst themselves.
- (2) **Dividend:** Cumulative preferential dividend at 10% per annum, payable half-yearly in arrears.
- (3) **Conversion:** No rights of conversion to equity.
- (4) **Other rights:** Same rights as Shareholders to receive notices, reports and to attend meetings.

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- (5) **Voting:** Holders of 'B' Class Preference Shares will not be entitled to speak or to vote at general meetings of the Company except in each of the following circumstances:

- if at the time of the meeting a Shortfall Amount exists
- on a proposal to reduce the Company's share capital
- on any resolution to approve the terms of a buy-back agreement
- on any proposal that affects the rights or privileges attached to the 'B' Class Preference Shares
- on any proposal to wind up the Company
- on any proposal for the disposal of the whole of the Company's property, business and undertaking
- during the winding up of the Company

in which case a holder of 'B' Class Preference Shares has the same rights as to manner of attendance at general meetings in respect of each 'B' Class Preference Share as those conferred on holders of ordinary shares in the Company and each holder of 'B' Class Preference Shares will have:

- one vote on a show of hands
- one vote for each fully paid 'B' Class Preference Share held by that holder on a poll

- (6) **Listing:** 'B' Class Preference Shares will not be quoted on the ASX.
- (7) **Redemption:** Redeemable at the option of the Company at any time on or before the Redemption Date but subordinate to redemption of 'A' Class Preference Shares. Any outstanding 'B' Class Preference Shares must be redeemed on the Redemption Date subject to full redemption of any outstanding 'A' Class Preference Shares.
- (8) **Redemption Date:** The earlier of the 5<sup>th</sup> anniversary of the Allotment Date and the date immediately following the Allotment Date, on which the Company issues new shares for the purpose of using the proceeds of the new issue to redeem 'B' Class Preference Shares.

Capitalised terms used in the above summary but not otherwise defined in this Explanatory Memorandum or the Glossary are defined in the terms and conditions of 'B' Class Preference Shares set out in Schedule 2 of this Explanatory Memorandum.

The 'B' Class Preference Shares and the Options will be freely transferable subject to any restrictions imposed by the ASX.

A summary of the terms of the Options is set out on page 10 of this Explanatory Memorandum.

Other than as provided under Listing Rule 14.11, BSG Gold and its associates and any person who might obtain a benefit except a benefit solely in the capacity as a security bidder are not permitted to vote in relation to Resolution 3.

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### 3.2 **ASX Listing Rule 7.1**

Listing Rule 7.1 restricts new issues of equity securities in the Company in certain circumstances. To permit the issue of the Options to BSG Gold, the approval of the Shareholders is required under Listing Rule 7.1.

### 3.3 **ASX Listing Rule 10.1**

Listing Rule 10.1 prohibits the acquisition of a substantial asset from a substantial shareholder without the approval by ordinary resolution of holders of ordinary securities. The substantial shareholder and any associates of the substantial shareholder may not vote on the resolution.

BSG Gold is a substantial Shareholder of the Company.

An asset is “substantial” if its value is, or the value of the consideration for it is, in the ASX’s opinion, 5% or more of the equity interests of the Company as set out in the latest accounts given to the ASX. For this purpose, the equity interests of the Company comprise the sum of paid up capital, reserves, and accumulated profits or losses, disregarding redeemable preference share capital and outside equity interests, as shown in the Company’s consolidated financial statements.

As BSG Gold is a substantial shareholder of the Company and the Company proposes to acquire a substantial asset from BSG Gold (which includes the subscription for the ‘B’ Class Preference Shares and the Options), the Company must seek the approval of its Shareholders in accordance with Listing Rule 10.1.

Listing Rule 10.10 sets out a number of matters that must be included in the Notice of Meeting proposing an approval under Listing Rule 10.1. For the purposes of Listing Rule 10.10, the following information is provided in relation to Resolution 3:

- (1) Neither BSG Gold nor any associate of BSG Gold may cast a vote on Resolution 3. Accordingly, the Company will disregard any vote cast on Resolution 3 by BSG Gold or any associate of BSG Gold.

However, a person is not prevented from casting a vote, and the Company need not disregard a vote cast, on Resolution 3 if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form (so long as it is not cast on behalf of BSG Gold or any associate of BSG Gold); or
  - (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides (so long as it is not cast by or on behalf of BSG Gold or any associate of BSG Gold).
- (2) A report on the transaction from an independent expert is provided in Schedule 4.

### 3.4 **Rule 107 of the Constitution**

As the Company currently has one class of shares (namely, Shares), the issue of ‘A’ Class Preference Shares and ‘B’ Class Preference Shares to Multiplex and BSG Gold respectively is deemed to vary the rights attached to the existing class of Shares.

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The variation of rights attaching to Shares in these circumstances is required to be approved by a special resolution of the Shareholders in accordance with Rule 107 of the Constitution.

### 3.5 **Sections 606 and 611 (Item 7) of the *Corporations Act***

The effect of section 606 of the *Corporations Act* (insofar as it is relevant for this transaction) is to prohibit an acquisition of shares in a company if this will increase the “voting power” (as that term is defined in the *Corporations Act*) of any person to 20% or more of that company’s voting shares. In the absence of Shareholder approval, the exercise of the Options would contravene the provisions of section 606 of the *Corporations Act*. BSG Gold would increase on issue of the 8,500,000 Shares its relevant interest to approximately 28.84% of the voting shares of Danae.

Section 611 (Item 7) of the *Corporations Act* allows shareholders in general meeting to agree to an issue of shares in their company where that issue would otherwise be prohibited by section 606 of the *Corporations Act*. Section 611 (Item 7) and Policy Statement 74 set out the information which should be provided to shareholders in relation to Resolutions put to shareholders for the purpose of section 611 (Item 7) of the *Corporations Act*. This information includes:

- (1) the identity of the persons proposing to acquire the Danae Shares and their Associates;
- (2) the maximum extent of the increase in BSG Gold’s voting power in Danae that would result from the acquisition;
- (3) the voting power that BSG Gold would have as a result of the acquisition;
- (4) the maximum extent of the increase in the voting power of each of BSG Gold’s Associates that would result from the acquisition; and
- (5) the voting power that each of BSG Gold’s Associates would have as a result of the acquisition.

This information is set out in Table 1. Relevant matters are also described in the Expert’s Report set out in Schedule 4 to this Explanatory Memorandum.

**Table 1**

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8	Column 9	Column 10	Column 11	Column 12	Column 13
Name and Address of Interested Party	Where Interested Party is a Company, Name and Address of Associates under Section 11 of the <i>Corporations Act</i>	Name and Address of any other Associates of Interested Party under the <i>Corporations Act</i>	No of Danae Shares held before exercise of Options by Interested Party	No of Danae Shares in which Associates have voting power	No of Danae Shares to be issued on exercise of Options	No of Danae Shares held after issue of Shares in Column 6	Voting power of Interested Parties before issue of shares in Column 6	Extent of increase in voting power of Interested Parties resulting from issue of shares to Interested Parties in Column 6	Voting power of Interested Parties resulting from issue of shares to Interested Parties in Column 6	Voting power of Associates before issue of shares to Interested Parties in Column 6	Extent of increase in voting power of Associates resulting from issues of shares to Interested Parties in Column 6	Voting power of Associates resulting from issue of shares to Interested Parties in Column 6
BSG Gold of Akara Building, 24 de Castro Street, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands	BSG Resources Limited of 47 Esplanade, St Helier, Jersey JE1 0BD, Channel Islands;  Nysco Management Corp. of Akara Building, 24 de Castro Street, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands;  Balda Foundation of Heilig Kreuz 6, 9480 Vaduz, F Leichtenstein	Each other Interested Party referred to in Column 1	16,931,412	nil	8,500,000	25,431,412	21.25%	7.59%	28.84%	nil	nil	nil

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8	Column 9	Column 10	Column 11	Column 12	Column 13
Name and Address of Interested Party	Where Interested Party is a Company, Name and Address of Associates under Section 11 of the <i>Corporations Act</i>	Name and Address of any other Associates of Interested Party under the <i>Corporations Act</i>	No of Danae Shares held before exercise of Options by Interested Party	No of Danae Shares in which Associates have voting power	No of Danae Shares to be issued on exercise of Options	No of Danae Shares held after issue of Shares in Column 6	Voting power of Interested Parties before issue of shares in Column 6	Extent of increase in voting power of Interested Parties resulting from issue of shares to Interested Parties in Column 6	Voting power of Interested Parties resulting from issue of shares to Interested Parties in Column 6	Voting power of Associates before issue of shares to Interested Parties in Column 6	Extent of increase in voting power of Associates resulting from issues of shares to Interested Parties in Column 6	Voting power of Associates resulting from issue of shares to Interested Parties in Column 6
BSG Resources Limited of 47 Esplanade, St Helier, Jersey JE1 0BD, Channel Islands	BSG Gold of Akara Building, 24 de Castro Street, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands;  Nysco Management Corp. of Akara Building, 24 de Castro Street, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands;  Balda Foundation of Heilig Kreuz 6, 9480 Vaduz, F Leichtenstein	Each other Interested Party referred to in Column 1	nil	16,931,412	nil	nil	nil	nil	nil	21.25%	7.59%	28.84%

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8	Column 9	Column 10	Column 11	Column 12	Column 13
Name and Address of Interested Party	Where Interested Party is a Company, Name and Address of Associates under Section 11 of the <i>Corporations Act</i>	Name and Address of any other Associates of Interested Party under the <i>Corporations Act</i>	No of Danae Shares held before exercise of Options by Interested Party	No of Danae Shares in which Associates have voting power	No of Danae Shares to be issued on exercise of Options	No of Danae Shares held after issue of Shares in Column 6	Voting power of Interested Parties before issue of shares in Column 6	Extent of increase in voting power of Interested Parties resulting from issue of shares to Interested Parties in Column 6	Voting power of Interested Parties resulting from issue of shares to Interested Parties in Column 6	Voting power of Associates before issue of shares to Interested Parties in Column 6	Extent of increase in voting power of Associates resulting from issues of shares to Interested Parties in Column 6	Voting power of Associates resulting from issue of shares to Interested Parties in Column 6
Nysco Management Corp. of Akara Building, 24 de Castro Street, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands	BSG Gold of Akara Building, 24 de Castro Street, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands;  BSG Resources Limited of 47 Esplanade, St Helier, Jersey JE1 0BD, Channel Islands;  Balda Foundation of Heilig Kreuz 6, 9480 Vaduz, F Leichtenstein	Each other Interested Party referred to in Column 1	nil	16,931,412	nil	nil	nil	nil	nil	21.25%	7.59%	28.84%
Balda Foundation of Heilig Kreuz 6, 9480 Vaduz, F Leichtenstein	BSG Gold of Akara Building, 24 de Castro Street, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands	Each other Interested Party referred to in Column 1	nil	16,931,412	nil	nil	nil	nil	nil	21.25%	7.59%	28.84%

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### **Assumptions**

Table 1 is prepared on the assumptions that between the date of this Shareholder Explanatory Memorandum and the date of the exercise of the Options:

- (a) The Associates of each Interested Party as listed in Columns 2 and 3 remain unchanged;
- (b) Each Interested Party and its Associates does not acquire any Danae Shares other than the Danae Shares to be issued to each Interested Party and its Associates on exercise of the Options listed in Column 6 of Table 1;
- (c) Each Interested Party and its Associates does not dispose of any Danae Shares;
- (d) The Options held by BSG Gold are all exercised at the same time and no other Options (including those held by Multiplex Mining) on issue are exercised; and
- (e) Multiplex Mining and BSG Gold take up their entitlements under the Rights Issue and BSG Gold subscribes for the remaining Shares the subject of the Rights Issue assuming no take up of any Shares by the public.



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## SECTION 611 (ITEM 7) INFORMATION

- (a) The proposed allottee of up to 8,500,000 Shares in the Company is BSG Gold.
- (b) As at the date of this Explanatory Memorandum BSG Gold is entitled to 8,315,704 Shares in the Company and on completion of the Rights Issue could be entitled to up to 16,931,412 shares in the Company.
- (c) The Company understands that BSG Gold:
  - (i) has no intention of making any changes to the business of the Company beyond those described in this Explanatory Memorandum;
  - (ii) has no present intention of injecting further capital into the Company;
  - (iii) does not propose that any property be transferred between the Company and any person associated with either of them except as described in this Explanatory Memorandum;
  - (iv) has no intention to redeploy the fixed assets of the Company;
  - (v) has no intention to change significantly the financial or dividend policies of the Company; and
  - (vi) has no intentions with regard to the continued employment of the current employees of the Company.
- (d) The terms and timing of the allotment of the 'B' Class Preference Shares and Options are summarised on pages 17 and 18 of this Explanatory Memorandum.
- (e) The reasons for the proposed allotment are provided for on page 17 of this Explanatory Memorandum.
- (f) Other than Messrs Corcoran, Lewis and Roberts, no Director of the Company has an interest in Resolution 3, save for the interest they share in common with other Shareholders arising out of their shareholdings in the Company.

### 3.6 Independent Expert's Report

ASIC Policy Statement 74 recommends that shareholders be provided with an analysis of whether the proposal to be presented is fair and reasonable.

The Directors have commissioned an independent expert, Grant Thornton ("**Grant Thornton**"), to prepare a report on whether the proposal is fair and reasonable to shareholders not associated with BSG Gold. In its report, Grant Thornton concludes that the transaction is fair and reasonable. A copy of the report is contained in Schedule 4 of this Notice of Meeting, which Shareholders should read carefully.

The Directors recommend that Shareholders approve the proposal for the following reasons:

- the Company will have access to the funds necessary to advance its projects
- the Company will be able to borrow money to advance its projects in the future

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In light of these reasons and the conclusions of the independent expert, the Directors (other than Messrs Corcoran, Lewis and Roberts) unanimously recommend that Shareholders approve the proposal. None of the Directors voted against the Board Resolution to put the proposal to Shareholders for approval.

This Explanatory Memorandum and the Report are intended to provide the necessary information as set out in Policy Statement 74 for Shareholders to make a decision on the transaction proposed in Resolution 3.

#### **4. Effect of Resolutions 2 and 3 on Company**

##### **4.1 Capital Structure**

The existing capital structure of the Company as at the date of this Notice of Meeting is as follows:

<b>Share Capital</b>	
Ordinary Shares Fully Paid	53,008,028
Employee Ordinary Shares Fully Paid	2,430,000
	<u>55,438,028</u>

As a result of the proposed issue of the 'A' Class Preference Shares, 'B' Class Preference Shares and the Options and the issue of the Shares the subject of the Rights Issue, the proposed capital structure of the Company will be as follows:

<b>Share Capital</b>	
Ordinary Shares Fully Paid	77,262,165
Employee Ordinary Shares Fully Paid	2,430,000
	<u>79,692,165</u>
'A' Class Preference Shares	22,345,000
'B' Class Preference Shares	3,500,000
Options	28,500,000

##### **4.2 Pro-forma Statement of Financial Position**

The following pro-forma statement of financial position has been based on the unaudited Statement of Financial Position of the Company and its controlled entities as at 31 August 2003. It has been adjusted to reflect the impact of the offer pursuant to the Rights Issue which is to be undertaken by the Company and as otherwise described in the notes set out below.

The main effect on the Company of Resolutions 2 and 3 will be the injection of a further \$3,500,000 gross cash receipts to the Company and the restructuring of the balance sheet of the Company.

### Pro-forma Statement of Financial Position

	Unaudited Management Accounts 31 August 2003	Material Sub Event (Note 1)	Proceeds Of Share Placement	Proceeds of 1:4 Rights Issue (Note 2)	Acquire Multiplex Kazakhstan (Note 3)	Settle Vostok Acquisition (Note 4)	<u>Actual Pro Forma prior to Preference Share Issue</u>	Proceeds of 'B' Class Preference Share Issue (Note 5)	Conversion of Multiplex Mining Facility (Note 5)	Issue of Shares to Mr Donald Lewis	Proposed Pro-Forma after Preference Share Issue
Cash	51,718		1,663,141	2,950,686	5	(1,500,000)	3,165,550	3,500,000			6,665,550
Receivables	74,606						74,606			100,000	174,606
<b>Total Current Assets</b>	<b>126,324</b>	<b>-</b>	<b>1,663,141</b>	<b>2,950,686</b>	<b>5</b>	<b>(1,500,000)</b>	<b>3,240,156</b>	<b>3,500,000</b>	<b>-</b>	<b>-</b>	<b>6,840,156</b>
Receivables	462,043						462,043				462,043
Convertible Loan Stock	3,693,672						3,693,672				3,693,672
Investments (Greenwich)	13,007,516						13,007,516				13,007,516
Property, Plant & Equipment	7,297						7,297				7,297
Other Assets	2,134,423				923,026		3,057,449				3,057,449
Other Assets (Goodwill on Acq)	-				576,969		576,969				576,969
<b>Total Non-Current Assets</b>	<b>19,304,951</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,499,995</b>	<b>-</b>	<b>20,804,946</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20,804,946</b>
<b>TOTAL ASSETS</b>	<b>19,431,275</b>	<b>-</b>	<b>1,663,141</b>	<b>2,950,686</b>	<b>1,500,000</b>	<b>(1,500,000)</b>	<b>24,045,102</b>	<b>3,500,000</b>	<b>-</b>	<b>100,000</b>	<b>27,645,102</b>
Payables	38,189				1,500,000	(1,500,000)	38,189				38,189
<b>Total Current Liabilities</b>	<b>38,189</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,500,000</b>	<b>(1,500,000)</b>	<b>38,189</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>38,189</b>

	Unaudited Management Accounts 31 August 2003	Material Sub Event (Note 1)	Proceeds Of Share Placement	Proceeds of 1:4 Rights Issue (Note 2)	Acquire Multiplex Kazakhstan (Note 3)	Settle Vostok Acquisition (Note 4)	<u>Actual Pro Forma prior to Preference Share Issue</u>	Proceeds of 'B' Class Preference Share Issue (Note 5)	Conversion of Multiplex Mining Facility (Note 5)	Issue of Shares to Mr Donald Lewis	Proposed Pro-Forma after Preference Share Issue
Payables	4,312,500	244,355					4,556,855		(4,556,855)		-
Interest Bearing Liabilities	17,220,158	567,987					17,788,145	3,500,000	4,556,855		25,845,000
Provisions	100,000						100,000				100,000
<b>Total Non-Current Liabilities</b>	<b>21,632,658</b>	<b>812,342</b>	-	-	-	-	<b>22,445,000</b>	<b>3,500,000</b>	-		<b>25,945,000</b>
<b>TOTAL LIABILITIES</b>	<b>21,670,847</b>	<b>812,342</b>	-	-	<b>1,500,000</b>	<b>(1,500,000)</b>	<b>22,483,189</b>	<b>3,500,000</b>	-	-	<b>25,983,189</b>
<b>NET ASSETS</b>	<b>(2,239,572))</b>	<b>(812,342)</b>	<b>1,663,141</b>	<b>2,950,686</b>	-	-	<b>1,561,913</b>	-	-	-	<b>1,661,913</b>
Contributed Equity	27,274,063		1,663,141	2,950,686			31,887,890			100,000	31,987,890
Accumulated Losses	(29,513,635)	(812,342)					(30,325,977)				(30,325,977)
<b>TOTAL EQUITY</b>	<b>(2,239,572))</b>	<b>(812,342)</b>	<b>1,663,141</b>	<b>2,950,686</b>	-	-	<b>1,561,913</b>	-	-	<b>100,000</b>	<b>1,661,913</b>

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## Notes

1. Material events subsequent to 31 August 2003 are as follows:
  - Multiplex Mining management fees incurred and capitalised to the loan account in the amount of \$244,355;
  - Loan account interest incurred and capitalised in the amount of \$472,473;
  - Expenditure incurred by Multiplex Mining on behalf of Danae and capitalised to the loan account in the amount of \$69,514; and
  - Funding advanced by Multiplex Mining in the amount of \$26,000.
2. Reflects funds received from Rights Issue of \$3.19 million, if fully subscribed, net of estimated expenses of \$237,000.
3. Reflects acquisition of the Vostok Copper Project as follows:
  - Other Assets - Goodwill on acquisition - \$576,969
  - Other Assets – Deferred Vostok Copper Project expenditure \$923,026
4. Payments made to Multiplex Mining for the acquisition price for the Vostok Copper Project - \$1,500,000
5. Increase in interest bearing liabilities before expenses of \$8,056,855 on issue of 'A' Class and 'B' Class Preference Shares to Multiplex Mining and BSG Gold respectively.

Whilst this pro-forma statement of financial position is included for illustrative purposes, the actual assets and liabilities of the Company and its controlled entities after the issue of the 'A' Class Preference Shares, 'B' Class Preference Shares and the Options are likely to vary according to the ongoing investing and operating activities of the Company and its controlled entities over the period.

## 5. Resolution 4 – Issue of Shares to Donald Lewis

### 5.1 *Proposed issue*

It is proposed that the Company will issue such number of Shares as is equal to the Share Equivalent to Mr Donald Lewis (or his nominee), as Director of the Company. The total maximum dollar value of Shares to be issued is \$100,000. The Company proposes to issue those Shares immediately after the date of the meeting. One half of those Shares, although issued, will be held in escrow and not vest until the date of incorporation of the Charmitan Mining Company in Uzbekistan, being the proposed joint venture vehicle in respect of the Zarmitan Gold Project. If such incorporation does not occur by 31 December 2004, these Shares will be transferred back to the Company.

The purpose of the proposed issue of Shares is to provide Mr Donald Lewis with added incentive for his role as Director and to recognise his contribution to the Company.

Subject to shareholder approval, the Shares will be issued under the Company's Employee Incentive Plan.

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## 5.2 ***Purpose of approval***

Shareholder approval for the proposed issue of the Shares is sought for the purposes of:

- (1) Listing Rule 10.14, which requires shareholder approval by ordinary resolution for an acquisition of securities under an employee incentive scheme; and
- (2) Listing Rule 7.1 which requires shareholder approval for issues of securities exceeding 15% of capital.

## 5.3 ***ASX Listing Rule 10.14***

Listing Rule 10.14 prohibits an acquisition of securities by a director, any associate of the director and any person whose relationship with the director or any associate of the director is such that ASX's approval is required, under an employee incentive plan without the approval by ordinary resolution of holders of ordinary securities. These persons may not vote on the resolution.

The Company's Employee Incentive Plan is an employee incentive plan for the purposes of the Listing Rules.

As the proposed issue of the Share Equivalent to Mr Lewis (or his nominee) will involve an acquisition of shares by a Director under an employee incentive scheme of the Company, the Company is seeking the approval by ordinary resolution of holders of ordinary securities under Listing Rule 10.14.

Listing Rule 10.15 sets out a number of matters that must be included in the notice of meeting seeking an approval under Listing Rule 10.14. For the purposes of Listing Rule 10.15, the following information is provided in relation to Resolution 4:

- (1) The proposed recipient is a director of the Company.
- (2) The maximum number of Shares that may be acquired by Mr Donald Lewis (or his nominee) is the Share Equivalent. The total maximum dollar value of Shares that may be acquired by Mr Donald Lewis (or his nominee) is AUD100,000.
- (3) The amount payable for each Share proposed to be issued is the weighted average price of the Company's Shares over the 5 trading days up to and including the day of issue.
- (4) The following people have been issued Shares under the Company's Employee Incentive Plan since the last approval:

<b>Recipients of Shares under the Employee Incentive Plan since the last shareholder approval</b>	<b>Number of Shares received by each Recipient</b>	<b>Acquisition Price for each Share</b>
<b>Pre-Consolidation</b>		
William Shaw	300,000	20 cents
Andrew Border	500,000	20 cents
Peter Prentice	500,000	20 cents
James Taylor	500,000	20 cents
Maxwell Williamson	200,000	20 cents
David Price	150,000	20 cents
John Ciganek	100,000	20 cents
Steven Clarke	50,000	20 cents
Robert Cotton	150,000	20 cents
Anastasia Glinatsis	50,000	20 cents
Paul Goodsall	200,000	20 cents
Mark Gordon	100,000	20 cents
William Holly	100,000	20 cents
John Hunt	50,000	20 cents
Christopher Jordinson	100,000	20 cents
James McIlwraith	100,000	20 cents
Jennifer McKinley	25,000	20 cents
Maureen Millar	25,000	20 cents
Tom Weiner	125,000	20 cents
Robert Creelman	50,000	20 cents
Christos Skevas	25,000	20 cents
<b>Post-Consolidation</b>		
John Corcoran	1,750,000	18 cents

Note that each of the above-mentioned persons, other than director John Corcoran, is no longer employed by, or an officer of, the Company or Iso Lilodw' Aliphumeleli Pty Limited ACN 062 161 022 ("ILA") (a company which is no longer operational). Any entitlement to these shares by any of the above-mentioned persons, other than John Corcoran, has therefore lapsed pursuant to the Rules of the Employee Incentive Plan.

- (5) The following people are entitled to participate in the Company's Employee Incentive Plan:
- (a) a permanent employee; or

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(b) an office holder,

of the Company or ILA.

- (6) Neither Donald Lewis nor any associate of Donald Lewis may cast a vote on Resolution 4. Accordingly, the Company will disregard any vote cast on Resolution 4 by Donald Lewis or any associate of Donald Lewis.

However, a person is not prevented from casting a vote, and the Company need not disregard a vote cast, on Resolution 4 if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form (so long as it is not cast on behalf of Donald Lewis or any associate of Donald Lewis); or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides (so long as it is not cast by or on behalf of Donald Lewis or any associate of Donald Lewis).

- (7) The terms of the loan to Mr Donald Lewis (or his nominee) in relation to the proposed issue of Shares are as follows:

- (a) the loan amount is the lesser of the amount of the loan and the market value of the Shares at the time the loan is due to be repaid;
- (b) the loan shall be interest free and be for a loan term of up to 10 years;
- (c) the loan shall immediately be repayable if:
  - (i) Mr Lewis ceases to be an Eligible Person (see paragraph (5) above);
  - (ii) Mr Lewis becomes an insolvent under administration;
  - (iii) Mr Lewis has perpetrated fraud against the Company; or
  - (iv) Mr Lewis commits a breach of an obligation under the Rules of the Company's Employee Incentive Plan;
- (d) the loan becomes immediately repayable to the Company at the end of the term of the loan;
- (e) Mr Lewis acknowledges that the Company holds a lien over his Shares and in the event a disqualifying event occurs pursuant to the Rules of the Employee Incentive Plan, and the Company's power to sell those Shares arises pursuant to the Employee Incentive Plan, Mr Lewis will immediately provide the Company with a signed share transfer form or forms for the Shares or will do all things necessary to enable the Company to exercise its power of sale in the event that the Shares are uncertificated;
- (f) if Mr Lewis does not immediately co-operate in the manner set out in paragraph 5.3(7)(e) above, upon the Company's power of sale arising, then the Company is appointed as Mr Lewis' attorney (with the Company having power to appoint substitutes) to execute all



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documents and do everything which it may do in relation to exercising its power of sale of the Shares pursuant to the Employee Incentive Plan. Mr Lewis acknowledges that this power of attorney is irrevocable until the loan has been repaid. Mr Lewis agrees to ratify and confirm anything which the Company does in exercising this power of attorney; and

- (g) the Company's only recourse to Mr Lewis for repayment of the loan will be to the proceeds of sale of Mr Lewis' Shares.

#### **5.4 Listing Rule 7.1**

As a company listed on the ASX, there is a limit on the number of securities that may be issued by the Company in any 12 month period without the approval of its Shareholders. In general terms, Listing Rule 7.1 restricts the Company to issuing a maximum of 15% of its issued capital in any 12 month period unless it obtains that approval.

By Resolution 4, the Company seeks to obtain shareholder approval for the proposed issue of Shares to Mr Lewis (or his nominee).

The Company seeks to use this approval to refresh its ability to issue up to 15% of the Company's issued capital over the next 12 months without the prior approval of members.

#### **Recommendation**

The Directors believe that:

- (1) the proposed ratification of the placement to BSG Gold;
- (2) on the basis of the independent opinion of Grant Thornton Corporate Finance, the proposed issue of the 'A' Class Preference Shares and the Options to Multiplex Mining;
- (3) on the basis of the independent opinion of Grant Thornton Corporate Finance, the proposed issue of the 'B' Class Preference Shares and the Options to BSG Gold; and
- (4) the proposed issue of Shares to a Director of the Company, Mr Donald Lewis,

are in the best interests of the Company and subject only to the qualification below, unanimously recommend that Shareholders vote in favour of the resolutions to be considered at the General Meeting.

#### **Qualification**

The Directors make no recommendation in regards to the resolutions in which they have an interest, namely:

- (1) each of John Corcoran, Donald Lewis and Andrew Roberts make no recommendation in relation to Resolution 2; and
- (2) Donald Lewis makes no recommendation in relation to Resolution 4.

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## Schedule 1

### Terms and Conditions of 'A' Class Preference Shares

#### A CLASS CUMULATIVE REDEEMABLE PREFERENCE SHARES

The following are the terms and conditions of issue of the A Class RPS.

1. **Denomination**

- 1.1 Each A Class RPS shall be issued as fully paid at an issue price of \$1.00 per A Class RPS (**Issue Price**).

2. **No Quotation of A Class RPS**

- 2.1 The A Class RPS will not be quoted on the ASX.

3. **Dividends**

3.1 ***Preferential Dividends***

Subject to this clause 3, the holder of an A Class RPS on a relevant Record Date is entitled, *pari passu* and rateably with other holders of A Class RPS and holders of B Class RPS but in priority to any payment in respect of any other shares in the capital of the Issuer which rank below the A Class RPS and B Class RPS, to receive a Dividend in cash on each Dividend Payment Date.

3.2 ***Calculation of Dividend***

- (1) The amount of a Dividend payable in respect of each A Class RPS is calculated in accordance with the following formula:

$$\text{Dividend} = \frac{\text{Dividend Rate} \times \$X \times N}{365}$$

Where:

**X** is the Issue Price for each A Class RPS;

**N** is the number of days from (and including) the last Dividend Payment Date or, in relation to the first Dividend Payment Date, the Allotment Date, to (but excluding) the immediately following Dividend Payment Date;

**Dividend Rate** means 10% per annum.

- (2) All calculations of Dividends will be to four decimal places and are rounded up or down to the nearest two decimal places. For the purposes of making any

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Dividend payment in respect of a holder's aggregate A Class RPS, any fraction of a cent will be disregarded.

### 3.3 ***Cumulative right to Dividends on A Class RPS***

The right to receive any Dividends payable in respect of the A Class RPS shall be a cumulative right.

### 3.4 ***Declaration of Dividend***

- (1) Payment of Dividends is subject to:
  - (a) there being funds legally available for the payment of dividends; and
  - (b) the Board, subject to this clause 3 and fulfilment of the duties of directors under the *Corporations Act*, declaring a dividend to be payable.
- (2) The Board must declare a Dividend payable on the A Class RPS in respect of any Dividend Period up to and equal to the amount of the Dividend as calculated in accordance with clause 3.2 for that Dividend Period and any Dividends in arrears where there are profits available for the payment of Dividends to the extent that they do not exceed such profits.

### 3.5 ***Arrears of Dividends***

If in respect of any Dividend Period a Dividend is not paid to holders of A Class RPS on the relevant Dividend Payment Date (whether due to insufficiency of distributable profits or for any other reason), the Issuer must not, without approval of a special resolution passed at a meeting of holders of A Class RPS:

- (1) declare or pay any dividend or make any distribution in respect of share or any class of shares other than the A Class RPS, B Class RPS or shares ranking in priority to A Class RPS;
- (2) redeem, reduce, cancel or acquire for any consideration any share capital of the Issuer; or
- (3) set aside any cash or property or establish any sinking fund for anything referred to in clauses 3.5(1) or 3.5(2),

until such time as all arrears of Dividends have been paid to the holders of the A Class RPS.

### 3.6 ***Dividend Payment Date***

- (1) Subject to this clause 3, Dividends will be payable on the A Class RPS in arrears on:
  - (a) 1 July 2004 and thereafter half yearly during the period from and including the Allotment Date to but excluding the Redemption Date; and
  - (b) if the Redemption Date does not fall on a date specified in clause 3.6(1)(a), the Redemption Date.

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- (2) If a Dividend is payable on a day that is not a Business Day, then the Dividend will be payable by the Issuer on the next following Business Day.

### **3.7 Method of Payment**

If the holder of any A Class RPS has notified the Issuer of an account for the payment of Dividends and the notification is received by the Issuer prior to the relevant Record Date for that Dividend, the Issuer shall pay any Dividend to that holder for value on the due date for payment, by electronic funds transfer, to that nominated account. If no account is nominated by a holder of any A Class RPS, Dividends will be paid by cheque or by such other means as authorised by the Board from time to time in favour of the holders of the A Class RPS as they appear in the Register on the relevant Record Date and will be dispatched to those holders not later than 10 Business Days after that relevant Dividend Payment Date.

### **3.8 Withholding deductions**

The Issuer will be entitled to deduct from any Dividend payable to a holder of A Class RPS the amount of any withholding or other tax, duty or levy required by law to be deducted in respect of such amount and, where any such deduction has been made and the balance of the amount payable has been paid to the holder concerned, the full amount payable to such holder of A Class RPS shall be deemed to have been duly paid and satisfied by the Issuer. The Issuer will pay the full amount required to be deducted or withheld to the appropriate revenue or collection authority within the time allowed for such payment.

## **4. Rights attaching to A Class RPS**

4.1 Prior to the date on which all A Class RPS have been redeemed, the Issuer must:

- (1) not declare or pay any dividend or distribution on its Ordinary Shares until the Issuer has paid all amounts which are due and payable to all holders of A Class RPS;
- (2) not issue shares ranking in priority to the A Class RPS without the approval by special resolution of the holders of the A Class RPS in general meeting;
- (3) not redeem any B Class RPS or any other redeemable preference share that ranks behind A Class RPS.

## **5. Transfer of A Class RPS**

5.1 The A Class RPS are transferable in accordance with the Constitution and may only be transferred in accordance with all applicable laws and regulations of each relevant jurisdiction.

5.2 A Class RPS which are transferred in respect of offers or invitations received in Australia in the 12 month period after the Allotment Date must be transferred for a consideration of not less than \$500,000 unless the offer by the transferor otherwise requires only limited disclosure by virtue of section 708 of the *Corporations Act*.

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## 6. **Ranking of A Class RPS**

### 6.1 ***A Class RPS rank equally***

A Class RPS rank equally amongst themselves in all respects.

### 6.2 ***Priority Payment of Dividends***

A Class RPS rank equally with B Class RPS but in priority to Ordinary Shares and any other class of shares ranking behind the A Class RPS and B Class RPS for the payment of Dividends.

### 6.3 ***Return of capital in winding-up***

If there is a return of capital on a winding-up of the Issuer, the holders of the A Class RPS will be entitled to receive out of the assets of the Issuer available for distribution to holders of shares, in respect of each A Class RPS held, a sum equal to the aggregate of:

- (1) the Issue Price;
- (2) the amount of any Dividend (whether declared or not) calculated on a daily basis (assuming a 365 day year) throughout the period from and including the last Dividend Payment Date on which a Dividend was paid to the date of commencement of the winding-up; and
- (3) all arrears of Dividends other than Dividends described in clause 6.3(2);

before any return of capital is made to holders of B Class RPS, Ordinary Shares or any other class of shares ranking behind the A Class RPS.

### 6.4 ***Insufficient capital on a winding-up***

If, upon such return of capital, there are insufficient funds to pay in full the amounts referred to in clause 6.3 and the amounts payable in respect of any other shares in the Issuer ranking as to such distribution equally with the A Class RPS on a winding-up of the Issuer, then the holders of the A Class RPS and the holders of any such other shares will share in any distribution of assets of the Issuer in proportion to the amounts to which they respectively are entitled.

### 6.5 ***No further rights***

The A Class RPS do not confer on their holders any further right to participate in the surplus assets of the Issuer on a winding-up.

## 7. **Notices and Reports**

- ### 7.1
- Holders of the A Class RPS have the same rights as holders of Ordinary Shares to receive notices, reports and accounts of the Issuer and to attend general meetings of the Issuer.

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## 8. **Voting**

The holders of A Class RPS will not be entitled to speak or to vote at general meetings of the Issuer, except in each of the following circumstances:

- (1) If at the time of the meeting a Shortfall Amount exists;
- (2) on a proposal to reduce the Issuer's share capital;
- (3) on any resolution to approve the terms of a buy-back agreement;
- (4) on any proposal that affects the rights or privileges attached to the A Class RPS;
- (5) on any proposal to wind up the Issuer;
- (6) on any proposal for the disposal of the whole of the Issuer's property, business and undertaking;
- (7) during the winding up of the Issuer,

in which case a holder of A Class RPS has the same rights as to manner of attendance at general meetings in respect of each A Class RPS as those conferred on holders of ordinary shares in the Issuer and each holder of A Class RPS will have:

- (8) one vote on a show of hands; and
- (9) one vote for each fully paid A Class RPS held by that holder on a poll.

## 9. **No Conversion**

9.1 No A Class RPS is convertible into any other security.

## 10. **Redemption**

### 10.1 ***Prior to Redemption Date***

- (1) Subject to this clause 10, each A Class RPS may be redeemed by the Issuer for the Redemption Amount at any time prior to the Redemption Date by giving at least 7 days' notice in writing of its intention to do so (**Notice**) to the relevant holder of A Class RPS to be redeemed.
- (2) Redemption takes place on the date specified in the Notice as the redemption date which shall be at least 7 days after the date of delivery or posting of the Notice.

### 10.2 ***On the Redemption Date***

If the Issuer has not redeemed all of the A Class RPS in accordance with clause 10.1, any A Class RPS that have not otherwise been redeemed or bought back prior to the Redemption Date must be redeemed by the Issuer for the Redemption Amount on the Redemption Date.

### 10.3 ***Preference***

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The holder of an A Class RPS is entitled to receive the Redemption Amount due and payable to it under this clause 10, *pari passu* and rateably with other holders of A Class RPS but in priority to any payment of Redemption Amount in respect of any B Class RPS or any other shares in the capital of the Issuer which rank below the A Class RPS.

#### 10.4 **Default in payment of Redemption Amount**

- (1) If in respect of an A Class RPS, all or part of a Redemption Amount is not paid by the Issuer on the Redemption Date, the holder of RPS will be entitled to be paid interest, in addition to the Redemption Shortfall Amount, with interest accruing on a daily basis on that Redemption Shortfall Amount at the Default Rate up to (and including) the date payment of the Redemption Shortfall Amount is actually made.
- (2) The Issuer shall pay interest accrued under this clause 10.3 and the Redemption Shortfall Amount on demand.

#### 11. **Buy Back**

- 11.1 The Issuer may elect to buy-back all or some of the A Class RPS at any time prior to the Redemption Date. Any buy-back of the A Class RPS authorised under these A Class Issue Terms shall be done in accordance with the *Corporations Act*.
- 11.2 If the Issuer elects to buy-back all or some of the A Class RPS, it may do so for an amount equal to the Redemption Amount in respect of each A Class RPS and, by acquiring these A Class RPS (whether by way of allotment, purchase or otherwise), the holder agrees to accept any buy-back offer made in accordance with these A Class Issue Terms.

#### 12. **No Grossing up**

In the event that any tax is imposed on any payment of dividends, redemption or buy-back price by any jurisdiction, the Issuer may deduct the amount of the tax and pay or remit that amount so deducted to the appropriate tax authorities in respect of the dividends, redemption or buy-back price, including any amounts of additional tax by way of penalty. The Issuer will have no obligation to gross up the amount of the net preferential dividend or redemption or buy-back price to an amount equal to the preferential dividend or redemption or buy-back price (as the case may be) prior to the imposition of such tax.

#### 13. **Interpretation**

- 13.1 Unless the context otherwise requires:

- (1) Subject to clause 13.1(2), terms used in these A Class Issue Terms shall have the meanings ascribed to them respectively in the Constitution; and
- (2) The following expressions shall have the following meanings:

**A Class Issue Terms** means the terms and conditions for the issue of A Class RPS in the Issuer, as amended, supplemented or replaced from time to time;

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**A Class RPS** means the A class cumulative redeemable preference shares issued under Rule 111.3 of the Constitution on the terms set out in these A Class Issue Terms or, where the context requires, each A class cumulative redeemable preference share;

**Allotment Date** means the date that the A Class RPS are allotted to holders of the A Class RPS;

**ASX** means Australian Stock Exchange Ltd ACN 008 624 691

**B Class Issue Terms** means the terms and conditions for the issue of B Class RPS in the Issuer, as amended, supplemented or replaced from time to time;

**B Class RPS** means the B class cumulative redeemable preference shares issued under Rule 111.3 of the Constitution on the terms set out in the B Class Issue Terms or, where the context requires, each B class cumulative redeemable preference share;

**Board** means the board of directors of the Issuer;

**Business Day** means a day on which banks are open for general banking business in Sydney (not being a Saturday, Sunday or public holiday in Sydney);

**Constitution** means the constitution of the Issuer, as amended from time to time;

**Corporations Act** means the *Corporations Act* 2001 (Cth) and the *Corporations Regulations* as amended or replaced from time to time;

**Default Rate** means the Dividend Rate plus 2.5% per annum;

**Dividend** means the dividends payable on the A Class RPS in accordance with, and as modified by, clause 3;

**Dividend Payment Date** means each date as specified in clause 3.6 on which a Dividend is payable in accordance with clause 3.7 whether or not a Dividend is paid on that date;

**Dividend Period** means the period from (and including) the Allotment Date to (but excluding) 1 July 2004 and thereafter means:

- (1) Where the A Class RPS is or should be redeemed under these A Class Issue Terms, the period from (and including) the preceding Dividend Payment Date to (but excluding) the Redemption Date of the A Class RPS; and
- (2) In all other cases the period from (and including) a Dividend Payment Date to (but excluding) the following Dividend Payment Date;

**Issuer** means Danae Resources NL ACN 009 173 880;

**Record Date** means the date determined by the Issuer as such for the purpose of identifying the persons entitled to a Dividend in respect of a Dividend Period;

**Redemption Amount** means in respect of any A Class RPS, a sum equal to the aggregate of the following amounts calculated on the date of payment:

- (1) the Issue Price;



- 
- (2) the amount of any Dividend (whether declared or not) calculated on a daily basis (assuming a 365 day year) throughout the period from and including the last Dividend Payment Date on which a Dividend was paid to the date of commencement of the winding-up; and
  - (3) all arrears of Dividends other than Dividends described in clause 6.3(2);

**Redemption Date** means the earlier of:

- (1) the 5<sup>th</sup> anniversary of the Allotment Date; and
- (2) the date immediately following the Allotment Date, on which the Issuer issues new shares for the purpose of using the proceeds of the new issue to redeem A Class RPS;

**Redemption Shortfall Amount** means the amount calculated by subtracting from the Redemption Amount any amount actually received by a holder of A Class RPS in respect of the Redemption Amount;

**Register** means the register of A Class RPS maintained by the Issuer; and

**Shortfall Amount** means the amount calculated by subtracting from the relevant amount of a Dividend any amount actually received by a holder of A Class RPS in respect of the relevant Dividend.

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## Schedule 2

### Terms and Conditions of 'B' Class Preference Shares

#### B CLASS CUMULATIVE REDEEMABLE PREFERENCE SHARES

The following are the terms and conditions of issue of the B Class RPS.

1. **Denomination**

- 1.2 Each B Class RPS shall be issued as fully paid at an issue price of \$1.00 per B Class RPS (**Issue Price**).

2. **No Quotation of B Class RPS**

- 2.1 The B Class RPS will not be quoted on the ASX.

3. **Dividends**

3.1 ***Preferential Dividends***

Subject to this clause 3, the holder of an B Class RPS on a relevant Record Date is entitled, *pari passu* and rateably with other holders of B Class RPS and holders of A Class RPS but in priority to any payment in respect of any other shares in the capital of the Issuer which rank below the B Class RPS and A Class RPS, to receive a Dividend in cash on each Dividend Payment Date.

3.2 ***Calculation of Dividend***

- (1) The amount of a Dividend payable in respect of each B Class RPS is calculated in accordance with the following formula:

$$\text{Dividend} = \frac{\text{Dividend Rate} \times \$X \times N}{365}$$

Where:

**X** is the Issue Price for each B Class RPS;

**N** is the number of days from (and including) the last Dividend Payment Date or, in relation to the first Dividend Payment Date, the Allotment Date, to (but excluding) the immediately following Dividend Payment Date;

**Dividend Rate** means 10% per annum.

- (2) All calculations of Dividends will be to four decimal places and are rounded up or down to the nearest two decimal places. For the purposes of making any

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Dividend payment in respect of a holder's aggregate B Class RPS, any fraction of a cent will be disregarded.

**3.3 Cumulative right to Dividends on B Class RPS**

The right to receive any Dividends payable in respect of the B Class RPS shall be a cumulative right.

**3.4 Declaration of Dividend**

- (1) Payment of Dividends is subject to:
  - (a) there being funds legally available for the payment of dividends; and
  - (b) the Board, subject to this clause 3 and fulfilment of the duties of directors under the *Corporations Act*, declaring a dividend to be payable.
- (2) The Board must declare a Dividend payable on the B Class RPS in respect of any Dividend Period up to and equal to the amount of the Dividend as calculated in accordance with clause 3.2 for that Dividend Period and any Dividends in arrears where there are profits available for the payment of Dividends to the extent that they do not exceed such profits.

**3.5 Arrears of Dividends**

If in respect of any Dividend Period a Dividend is not paid to holders of B Class RPS on the relevant Dividend Payment Date (whether due to insufficiency of distributable profits or for any other reason), the Issuer must not, without approval of a special resolution passed at a meeting of holders of B Class RPS:

- (1) declare or pay any dividend or make any distribution in respect of share or any class of shares other than the B Class RPS, A Class RPS or shares ranking in priority to B Class RPS;
- (2) redeem, reduce, cancel or acquire for any consideration any share capital of the Issuer; or
- (3) set aside any cash or property or establish any sinking fund for anything referred to in clauses 3.5(1) or 3.5(2),

until such time as all arrears of Dividends have been paid to the holders of the B Class RPS.

**3.6 Dividend Payment Date**

- (1) Subject to this clause 3, Dividends will be payable on the B Class RPS in arrears on:
  - (a) 1 July 2004 and thereafter half yearly during the period from and including the Allotment Date to but excluding the Redemption Date; and
  - (b) if the Redemption Date does not fall on a date specified in clause 3.6(1)(a), the Redemption Date.

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- (2) If a Dividend is payable on a day that is not a Business Day, then the Dividend will be payable by the Issuer on the next following Business Day.

### **3.7 Method of Payment**

If the holder of any B Class RPS has notified the Issuer of an account for the payment of Dividends and the notification is received by the Issuer prior to the relevant Record Date for that Dividend, the Issuer shall pay any Dividend to that holder for value on the due date for payment, by electronic funds transfer, to that nominated account. If no account is nominated by a holder of any B Class RPS, Dividends will be paid by cheque or by such other means as authorised by the Board from time to time in favour of the holders of the B Class RPS as they appear in the Register on the relevant Record Date and will be dispatched to those holders not later than 10 Business Days after that relevant Dividend Payment Date.

### **3.8 Withholding deductions**

The Issuer will be entitled to deduct from any Dividend payable to a holder of B Class RPS the amount of any withholding or other tax, duty or levy required by law to be deducted in respect of such amount and, where any such deduction has been made and the balance of the amount payable has been paid to the holder concerned, the full amount payable to such holder of B Class RPS shall be deemed to have been duly paid and satisfied by the Issuer. The Issuer will pay the full amount required to be deducted or withheld to the appropriate revenue or collection authority within the time allowed for such payment.

## **4. Rights attaching to B Class RPS**

### **4.1 Prior to the date on which all B Class RPS have been redeemed, the Issuer must:**

- (1) not declare or pay any dividend or distribution on its A Class RPS and Ordinary Shares until the Issuer has paid all amounts which are due and payable to all holders of B Class RPS;
- (2) not issue shares ranking in priority to the B Class RPS without the approval by special resolution of the holders of the B Class RPS in general meeting.

## **5. Transfer of B Class RPS**

### **5.1 The B Class RPS are transferable in accordance with the Constitution and may only be transferred in accordance with all applicable laws and regulations of each relevant jurisdiction.**

### **5.2 B Class RPS which are transferred in respect of offers or invitations received in Australia in the 12 month period after the Allotment Date must be transferred for a consideration of not less than \$500,000 unless the offer by the transferor otherwise requires only limited disclosure by virtue of section 708 of the *Corporations Act*.**

## **6. Ranking of B Class RPS**

### **6.1 B Class RPS rank equally**

B Class RPS rank equally amongst themselves in all respects.

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## 6.2 ***Priority Payment of Dividends***

B Class RPS rank equally with A Class RPS but in priority to Ordinary Shares and any other class of shares ranking behind the B Class RPS for the payment of Dividends.

## 6.3 ***Return of capital in winding-up***

If there is a return of capital on a winding-up of the Issuer, the holders of the B Class RPS will be entitled to receive out of the assets of the Issuer available for distribution to holders of shares, in respect of each B Class RPS held, a sum equal to the aggregate of:

- (1) the Issue Price;
- (2) the amount of any Dividend (whether declared or not) calculated on a daily basis (assuming a 365 day year) throughout the period from and including the last Dividend Payment Date on which a Dividend was paid to the date of commencement of the winding-up; and
- (3) all arrears of Dividends other than Dividends described in clause 6.3(2);

before any return of capital is made to holders of Ordinary Shares or any other class of shares ranking behind the B Class RPS.

## 6.4 ***Insufficient capital on a winding-up***

If, upon such return of capital, there are insufficient funds to pay in full the amounts referred to in clause 6.3 and the amounts payable in respect of any other shares in the Issuer ranking as to such distribution equally with the B Class RPS on a winding-up of the Issuer, then the holders of the B Class RPS and the holders of any such other shares will share in any distribution of assets of the Issuer in proportion to the amounts to which they respectively are entitled.

## 6.5 ***No further rights***

The B Class RPS do not confer on their holders any further right to participate in the surplus assets of the Issuer on a winding-up.

## 7. **Notices and Reports**

- 7.1 Holders of the B Class RPS have the same rights as holders of Ordinary Shares to receive notices, reports and accounts of the Issuer and to attend general meetings of the Issuer.

## 8. **Voting**

The holders of B Class RPS will not be entitled to speak or to vote at general meetings of the Issuer, except in each of the following circumstances:

- (1) If at the time of the meeting a Shortfall Amount exists;
- (2) on a proposal to reduce the Issuer's share capital;

- 
- (3) on any resolution to approve the terms of a buy-back agreement;
  - (4) on any proposal that affects the rights or privileges attached to the B Class RPS;
  - (5) on any proposal to wind up the Issuer;
  - (6) on any proposal for the disposal of the whole of the Issuer's property, business and undertaking;
  - (7) during the winding up of the Issuer,

in which case a holder of B Class RPS has the same rights as to manner of attendance at general meetings in respect of each B Class RPS as those conferred on holders of ordinary shares in the Issuer and each holder of B Class RPS will have:

- (8) one vote on a show of hands; and
- (9) one vote for each fully paid B Class RPS held by that holder on a poll.

## 9. **No Conversion**

9.1 No B Class RPS is convertible into any other security.

## 10. **Redemption**

### 10.1 ***Prior to Redemption Date***

- (1) Subject to this clause 10, each B Class RPS may be redeemed by the Issuer for the Redemption Amount at any time prior to the Redemption Date by giving at least 7 days' notice in writing of its intention to do so (**Notice**) to the relevant holder of B Class RPS to be redeemed.
- (2) Redemption takes place on the date specified in the Notice as the redemption date which shall be at least 7 days after the date of delivery or posting of the Notice.

### 10.2 ***On the Redemption Date***

If the Issuer has not redeemed all of the B Class RPS in accordance with clause 10.1, any B Class RPS that have not otherwise been redeemed or bought back prior to the Redemption Date must be redeemed by the Issuer for the Redemption Amount on the Redemption Date.

### 10.3 ***Preference***

No B Class RPS may be redeemed under this clause 10 in priority to redemption of all of the A Class RPS in accordance with the A Class Issue Terms.

### 10.4 ***Default in payment of Redemption Amount***

- (1) If in respect of a B Class RPS, all or part of a Redemption Amount is not paid by the Issuer on the Redemption Date, the holder of RPS will be entitled to be paid interest, in addition to the Redemption Shortfall Amount, with interest

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accruing on a daily basis on that Redemption Shortfall Amount at the Default Rate up to (and including) the date payment of the Redemption Shortfall Amount is actually made.

- (2) The Issuer shall pay interest accrued under this clause 10.3 and the Redemption Shortfall Amount on demand.

## 11. Buy Back

- 11.1 The Issuer may elect to buy-back all or some of the B Class RPS at any time prior to the Redemption Date. Any buy-back of the B Class RPS authorised under these B Class Issue Terms shall be done in accordance with the *Corporations Act*.
- 11.2 If the Issuer elects to buy-back all or some of the B Class RPS, it may do so for an amount equal to the Redemption Amount in respect of each B Class RPS and, by acquiring these B Class RPS (whether by way of allotment, purchase or otherwise), the holder agrees to accept any buy-back offer made in accordance with these B Class Issue Terms.

## 12. No Grossing up

In the event that any tax is imposed on any payment of dividends, redemption or buy-back price by any jurisdiction, the Issuer may deduct the amount of the tax and pay or remit that amount so deducted to the appropriate tax authorities in respect of the dividends, redemption or buy-back price, including any amounts of additional tax by way of penalty. The Issuer will have no obligation to gross up the amount of the net preferential dividend or redemption or buy-back price to an amount equal to the preferential dividend or redemption or buy-back price (as the case may be) prior to the imposition of such tax.

## 13. Interpretation

- 13.1 Unless the context otherwise requires:

- (1) Subject to clause 13.1(2), terms used in these B Class Issue Terms shall have the meanings ascribed to them respectively in the Constitution; and
- (2) The following expressions shall have the following meanings:

**A Class Issue Terms** means the terms and conditions for the issue of A Class RPS in the Issuer, as amended, supplemented or replaced from time to time;

**A Class RPS** means the A class cumulative redeemable preference shares issued under Rule 111.3 of the Constitution on the terms set out in the A Class Issue Terms or, where the context requires, each A class cumulative redeemable preference share;

**Allotment Date** means the date that the B Class RPS are allotted to holders of the B Class RPS;

**ASX** means Australian Stock Exchange Ltd ACN 008 624 691

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**B Class Issue Terms** means the terms and conditions for the issue of B Class RPS in the Issuer, as amended, supplemented or replaced from time to time;

**B Class RPS** means the B class cumulative redeemable preference shares issued under Rule 111.3 of the Constitution on the terms set out in these B Class Issue Terms or, where the context requires, each B class cumulative redeemable preference share;

**Board** means the board of directors of the Issuer;

**Business Day** means a day on which banks are open for general banking business in Sydney (not being a Saturday, Sunday or public holiday in Sydney);

**Constitution** means the constitution of the Issuer, as amended from time to time;

**Corporations Act** means the *Corporations Act* 2001 (Cth) and the *Corporations Regulations* as amended or replaced from time to time;

**Default Rate** means the Dividend Rate plus 2.5% per annum;

**Dividend** means the dividends payable on the B Class RPS in accordance with, and as modified by, clause 3;

**Dividend Payment Date** means each date as specified in clause 3.6 on which a Dividend is payable in accordance with clause 3.7 whether or not a Dividend is paid on that date;

**Dividend Period** means the period from (and including) the Allotment Date to (but excluding) 1 July 2004 and thereafter means:

- (1) Where the B Class RPS is or should be redeemed under the B Class Issue Terms, the period from (and including) the preceding Dividend Payment Date to (but excluding) the Redemption Date of the B Class RPS; and
- (2) In all other cases the period from (and including) a Dividend Payment Date to (but excluding) the following Dividend Payment Date;

**Issuer** means Danae Resources NL ACN 009 173 880;

**Record Date** means the date determined by the Issuer as such for the purpose of identifying the persons entitled to a Dividend in respect of a Dividend Period;

**Redemption Amount** means in respect of any B Class RPS, a sum equal to the aggregate of the following amounts calculated on the date of payment:

- (1) the Issue Price;
- (2) the amount of any Dividend (whether declared or not) calculated on a daily basis (assuming a 365 day year) throughout the period from and including the last Dividend Payment Date on which a Dividend was paid to the date of commencement of the winding-up; and
- (3) all arrears of Dividends other than Dividends described in clause 6.3(2);

**Redemption Date** means the earlier of:



- 
- (1) the 5<sup>th</sup> anniversary of the Allotment Date; and
  - (2) the date immediately following the Allotment Date, on which the Issuer issues new shares for the purpose of using the proceeds of the new issue to redeem B Class RPS;

**Redemption Shortfall Amount** means the amount calculated by subtracting from the Redemption Amount any amount actually received by a holder of B Class RPS in respect of the Redemption Amount;

**Register** means the register of B Class RPS maintained by the Issuer; and

**Shortfall Amount** means the amount calculated by subtracting from the relevant amount of a Dividend any amount actually received by a holder of B Class RPS in respect of the relevant Dividend.

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## Schedule 3

### Terms and Conditions of Options

The terms and conditions of the Options are as follows:

- Each Option entitles the holder to subscribe for one ordinary share in the capital of Danae at an exercise price of 25 cents per Share
- Options are exercisable at any time on or before the fifth anniversary of the date of grant ("**the Expiry Date**") by notice in writing to Danae accompanied by payment of the exercise price. Cheques should be made payable to Danae in Australian currency drawn on an Australian bank and sent to Danae at its registered office
- The Options are freely transferable
- No application will be made to the ASX for official quotation of the Options
- Shares issued upon exercise of Options will rank pari passu with Danae's existing Shares. Danae will apply to the ASX for Official Quotation of all Shares issued upon exercise of Options
- Option certificates will be issued to each Optionholder. Each certificate will bear a suitable form of notice of exercise of the Options, endorsed on the back of the certificate, for completion by the holder of the Options (if required). If the Options comprised in any such certificate are exercised in part only, before the Expiry Date, the Company will issue the holder with a fresh certificate for the balance of the Options held and not yet exercised
- Shares issued upon exercise of Options will be allotted and issued within nine (9) days after receipt of a properly executed exercise notice and application monies
- Danae must do all things reasonably necessary to obtain the benefit of the exception contained in Australian Securities and Investments Commission Class Order 02/1180 (or equivalent relief under the then applicable law) in relation to the Shares issued upon exercise of Options
- Holders of Options will only be permitted to participate in pro rata cash issues of Danae securities by the prior exercise of the Options in which case the holders of Options will have nine (9) Business Days notice prior to the record date to determine entitlements to the issue in which to exercise the Options
- In the event of any reconstruction of Danae's issued capital or bonus issue of securities, the number of Options or the exercise price or both will be reconstructed in accordance with the ASX Listing Rules in a manner which will not result in any benefits being conferred on the holders of Options which are not conferred on shareholders. Subject to the provisions with respect to rounding as sanctioned by any meeting of shareholders, in all other respects the terms of the Options will remain unchanged
- Options not exercised by the Expiry Date will lapse

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## **Schedule 4**

### **Independent Expert's Report**

The Directors  
Danae Resources NL  
Level 24, Waterfront Place  
1 Eagle Street  
BRISBANE QLD 4000

18 November 2003

Dear Directors

**INDEPENDENT EXPERT'S REPORT  
DANAE RESOURCES NL**

**INTRODUCTION**

The Directors of Danae Resources NL ("Danae" or "the Company") have requested Grant Thornton Corporate (NSW) Pty Limited ("Grant Thornton Corporate Finance") to prepare an Independent Expert's Report as to whether the following proposed issues of securities in the Company as detailed below are fair and reasonable to the non-associated shareholders of Danae. The terms of the issues as set out in the Notice of General Meeting are summarised in the resolutions below:

For the purposes of the Australian Stock Exchange Limited ("ASX") Listing Rules 7.1, 7.4, 10.1, 10.11 and 10.14 and sections 208, 606 and 611 (Item 7) of the Corporations Act 2001 and Rule 107 of the Company's constitution and all other purposes, the following ordinary resolutions (as summarised) below are to be put before the shareholders:-

- Resolution 1* - the placement of 8,315,704 fully paid ordinary shares in the Company at an issue price of \$0.20 per share to BSG Gold B.V.B.A. S.A. ("BSG Gold") on 10 October 2003 be ratified ("the Placement");
- Resolution 2* - the issue by the Company of 22,345,000 'A' Class Redeemable Preference Shares in the Company to Multiplex Mining Pty Limited ("Multiplex Mining") at an issue price of \$1.00;  
- the issue of 20,000,000 options to acquire one new fully paid ordinary share each at \$0.25 per share ("option") to Multiplex Mining expiring on the fifth anniversary of granting;
- Resolution 3* - the issue by the Company of 3,500,000 'B' Class Redeemable Preference Shares in the Company to BSG Gold at an issue price of \$1.00;  
- the issue of 8,500,000 options to acquire one new fully paid ordinary share each at \$0.25 per share ("option") to BSG Gold expiring on the fifth anniversary of granting;
- Resolution 4* - the issue by the Company of ordinary shares to Mr Donald Lewis (or his nominee) under the Company's Employee Incentive Plan to the value of \$100,000.

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Resolutions 2 and 3 to be put before the shareholders are interdependent and must be passed for each Issue to proceed (collectively referred to as “the Issues”).

In addition, the Company has announced a rights issue on a 1 for 4 basis through the issue of an additional 15,938,433 fully paid ordinary shares in the Company at an issue price of \$0.20 per ordinary share to be underwritten by Multiplex Mining and sub-underwritten by BSG Gold (“the Rights Issue”).

We understand that Multiplex Mining and BSG Gold are to enter into conditional subscription agreements to subscribe for ‘A’ Class and ‘B’ Class Redeemable Preference Shares respectively prior to the Rights Issue.

The Notice of General Meeting and Explanatory Memorandum is to be dispatched to shareholders on or about 21 November 2003 giving notice of the general meeting of shareholders of Danae at the ‘The Terrace Room’, Royal on the Park, Cnr Alice and Albert Streets, Brisbane, Queensland on Monday, 22 December 2003.

Grant Thornton Corporate Finance consents to the issue of this Independent Expert Report in its form and context and consents for it to be included in the Explanatory Memorandum, which is to be dispatched to the shareholders of Danae on or about 21 November 2003.

## **PURPOSE OF REPORT**

Grant Thornton Corporate Finance has been engaged by the Directors of Danae to provide an Independent Expert’s Report stating whether, in its opinion, the Issues are fair and reasonable to the non-associated shareholders of Danae. There are no shareholders, other than Multiplex Mining and BSG Gold, that are associated with the Issues.

We understand there are no shareholders of Danae, other than Multiplex Mining and BSG Gold, who are in a position to receive a financial benefit as a result of the Issues because of a relationship with the Company. We have reviewed Multiplex Mining and BSG Gold’s relationship with Danae as to whether they are deemed related parties and able to receive a benefit in accordance with Chapter 2E of the Corporations Act 2001 as a result of the Issues. It is our opinion that Multiplex Mining and BSG Gold are related parties to the Company in accordance with Chapter 2E definitions and are therefore capable of receiving a financial benefit. Accordingly Multiplex Mining and BSG Gold cannot provide any recommendation regarding the Issues. The Company will disregard any votes cast on Resolution 2 by Multiplex Mining and any associate of Multiplex Mining in accordance with the Voting Exclusion set out in the Explanatory Memorandum. The Company will disregard any votes cast on Resolution 3 by BSG Gold and any associate of BSG Gold in accordance with the Voting Exclusion set out in the Explanatory Memorandum.

It is our understanding that BSG Gold is an independent investment vehicle domiciled in the British Virgin Islands. We have obtained representations from Danae that BSG Gold is not related to Multiplex Mining.

Neither Mr Donald Lewis nor any associate of Mr Donald Lewis may cast a vote on Resolution 4. Accordingly the Company will disregard any vote cast on Resolution 4 by Mr Donald Lewis or any associate of Mr Donald Lewis.

In providing an opinion as to whether each Issue considered in this report is fair and reasonable to the non-associated Danae shareholders, we have considered the following matters.

- a placement of 8,315,704 shares to BSG Gold at an issue price of \$0.20 amounting to \$1,663,141;
- a 1 for 4 Rights Issue to shareholders at \$0.20 per share which is fully underwritten by Multiplex Mining and sub-underwritten by BSG Gold amounting to approximately \$3.19 million;
- Following completion of the Rights Issue, the purchase of Multiplex Resources (Kazakhstan) Limited (“MRK”) from Multiplex Mining, which is set for completion on or before 31 January 2004, whereby Danae will take possession of the Vostok Copper Mine (“Vostok”). Shareholder approval for the acquisition of Vostok was granted at a General Meeting held by Danae on 17 February 2003. The Notice of Meeting was accompanied by an Independent Expert Report prepared by KPMG Corporate Finance (Aust) Pty Limited, which concluded that the transaction to acquire Vostok for a consideration of \$1,500,000 was fair and reasonable to the non-associated shareholders of Danae. Accordingly we do not express any opinion in respect of this transaction in this report, other than to reflect its impact on the pro-forma net asset position of Danae following completion of the foregoing Rights Issue;
- an issue by the Company of 22,345,000 ‘A’ Class Redeemable Preference Shares in the Company to Multiplex Mining at an issue price of \$1.00 to be offset against the debt due to Multiplex Mining;
- an issue of 20,000,000 Options to Multiplex Mining to subscribe for new ordinary shares at \$0.25 per share;
- an issue by the Company of 3,500,000 ‘B’ Class Redeemable Preference Shares in the Company to BSG Gold at an issue price of \$1.00;
- the issue of 8,500,000 Options to BSG Gold to subscribe for new ordinary shares at \$0.25 per share; and
- an issue by the Company of ordinary shares to Mr Donald Lewis under the Company’s Employee Incentive Plan to the value of \$100,000.

Our report is to be read in conjunction with an Explanatory Memorandum, which is to be dispatched to the shareholders of the Company on or about 21 November 2003 and prepared for the exclusive purpose of Danae, its Board of Directors and its shareholders in their consideration of each of the Issues discussed in this report.

Whilst an Independent Expert's Report is not required to accompany the notice of meeting and Explanatory Memorandum under the Corporations Act, the Corporations Regulations or ASX Listing Rules, it is common for Directors to commission an Independent Expert's Report to assist them in their duties to provide shareholders with full and proper disclosure to enable them to assess the merits of each of the Issues. In addition, ASIC Policy Statement 75 recommends that shareholders be provided with an analysis of whether the proposal is fair and reasonable.

As set out in the introduction, shareholder approval of each of the Issues, is required under the following regulatory requirements:

*Resolution 1 - Placement to BSG Gold*

- ASX Listing Rule 7.1 and 7.4

*Resolution 2 - Issue of "A" Class Redeemable Preference Shares and Options to Multiplex Mining*

- ASX Listing Rule 7.1, 10.1 and 10.11
- Sections 208, 606 and 611 (Item 7) of the Corporations Act 2001
- Rule 107 of the Company's Constitution

*Resolution 3 - Issue of "B" Class Redeemable Preference Shares and Options to BSG Gold*

- ASX Listing Rule 7.1 and 10.1
- Sections 208, 606 and 611 (Item 7) of the Corporations Act 2001
- Rule 107 of the Company's Constitution

*Resolution 4 – Issue of Ordinary Shares to Mr Donald Lewis*

- ASX Listing Rule 7.1 and 10.14

This report has not been prepared to provide information to parties considering the purchase or sale of any Danae shares or other Danae financial instruments. Accordingly, we do not assume any responsibility or liability for any losses suffered as a result of the use of this report contrary to the provisions of this paragraph.

Grant Thornton Corporate Finance is independent of the Company and its Directors and has no involvement with, or interest in, the outcome of the Issues other than that of independent expert. Grant Thornton Corporate Finance is entitled to receive a fee based on commercial rates and including reimbursement of out of pocket expenses for the preparation of this report. Except for this fee, Grant Thornton Corporate Finance will not be entitled to any other pecuniary or other benefit, whether direct or indirect, in connection with the making of this report. The payment of this fee is in no way contingent upon the success or failure of the Issues.

## SUMMARY OF OPINION

In forming our opinion, as to whether the Issues are fair and reasonable to the non-associated shareholders of Danae, we have had regard to, amongst other things, the following:

- the assessed value of Danae before and after the Placement;
- the assessed value of Danae before and after the proposed Rights Issue;
- the assessed value of Danae before and after the proposed Issues;
- the terms of the Issues;
- on a qualitative basis, if the Issues are considered reasonable in the absence of an alternative proposal or higher offer, and
- other benefits and disadvantages associated with the Issues.

We have considered the quantitative factors in our assessment of the “fairness” of the Issues in Section 6 of this report. These considerations should be read in conjunction with our comments on the qualitative aspects or “reasonableness” of the Issues set out in Section 7 of this report.

**In the opinion of Grant Thornton Corporate Finance, the Issues are fair and reasonable to the non-associated shareholders of Danae.**

### Valuation conclusion – “fairness”

We set out below our assessed value of one Danae fully paid ordinary share (“Share”) prior to and following the Placement, Rights Issue and Issues:

Description	Reference	Value		
		<sup>1</sup> Grant Thornton Corporate Finance	Orderly Realisation of Assets	Market Value of Listed Securities
		Preferred \$	Low \$	High \$
Assessed value of one Danae share before the Placement, Rights Issue and the Issues	Section 6	Nil	(0.08)	0.21
Assessed value of one Danae Share after the Placement and Right Issue	Section 6	0.02	(0.01)	0.21
Assessed value of one Danae share after the Placement, Rights Issue, following the Issues and issue to Mr Lewis	Section 6	0.02	(0.01)	0.21

*Source: Grant Thornton Corporate Finance Calculations*

<sup>1</sup> Net Asset Backing is Grant Thornton Corporate Finances preferred valuation methodology.



In comparing the value of one Danae share before and after the Issue we have had regard to the value of each of the Issues as noted below;

Placement	\$0.20 for each Danae Share
Redeemable Preference Shares	\$1.00 per Redeemable Preference Share
1 for 4 Rights Issue	\$0.20 for each Danae Share
Options exercise price	\$0.25 for each Danae Share

Grant Thornton Corporate Finance has assessed one Danae share to have a preferred value of **\$Nil per share** prior to the Placement, Rights Issue, the Issues and issue to Mr Lewis. We note that in reaching this conclusion we have had regard to the continued financial support of Multiplex Mining and that Danae has continued as a going concern due to this support. If Multiplex Mining were to withdraw their support it would crystallise significant debt obligations which would make it unlikely for Danae to achieve a capital raising of the nature described in this report.

It is unlikely that a Non Associated shareholder would be able to realise an acceptable market value (Grant Thornton Corporate Finance's assessed "High" value) for a materially sized parcel of shares in the market place, without the continued support of Multiplex Mining.

Following the Placement and Rights Issue, Grant Thornton Corporate Finance has assessed one Danae share to have a preferred value of **\$0.02 per share**.

Following the Placement, Rights Issue, the Issues and issue to Mr Lewis, Grant Thornton Corporate Finance has assessed one Danae share to have a preferred value of **\$0.02 per share**.

**Accordingly, in the opinion of Grant Thornton Corporate Finance, the Issues are fair.**

#### **Valuation conclusion – "reasonableness"**

We have considered the likely advantages and disadvantages of the Issue for the non-associated shareholders of Danae, and the advantages and disadvantages for the same shareholders if the Issues do not proceed. It is the opinion of Grant Thornton Corporate Finance that the benefits, in the absence of an alternative proposal, that are likely to accrue to the shareholders as a result of the Issues outweigh the disadvantages if the Issues do not proceed.

The primary advantage of the Issues is the provision of funding to the Company, which will provide the Company with additional working capital and enable Danae to proceed with the acquisition of MRK. At 31 August 2003 Danae had Net Liabilities amounting to \$2.2 million with the ability of Danae to continue as a going concern dependent upon the continued support of its major shareholder Multiplex Mining. The Issues and Rights Issue will return Danae to a Positive Net Asset position and provide approximately \$6.7 million cash resources for the Company to exploit the potential of its resource assets. The non-associated shareholders will be able to participate in this potential not only through their existing shareholding but also through the participation in the Rights Issue if they so choose.

**Accordingly, in the opinion of Grant Thornton Corporate Finance, the Issues are reasonable.**

**In the opinion of Grant Thornton Corporate Finance, the Issues are fair and reasonable to the non-associated shareholders of Danae.**

These opinions should be considered in conjunction with the information, qualifications and declarations set out in the remainder of this report.

Yours faithfully

GRANT THORNTON CORPORATE (NSW) PTY LTD



SCOTT T GRIFFIN  
Director



RICHARD N MOFFITT  
Director

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## **1. THE ISSUES**

### **1.1. Summary of the Issues**

The Issues as set out in the Explanatory Memorandum are detailed below:

#### **Resolution 1 – Ratification of Placement to BSG Gold**

It is proposed to ratify the issue of 8,315,704 fully paid Ordinary Shares at 20 cents each to BSG Gold on 10 October 2003 amounting to \$1,663,141.

#### **Resolution 2 – Issue of “A” Class Redeemable Preference Shares and Options to Multiplex Mining**

Subject to the passing of Resolutions 2 and 3, the Company will be authorised to issue 22,345,000 ‘A’ Class Redeemable Preference Shares and 20,000,000 Options to Multiplex Mining.

The terms of the “A” Class Redeemable Preference Shares and Options to be issued to Multiplex Mining are set out in the Notice of General Meeting including an exclusion from voting on Resolution 2 by Multiplex Mining or their associates.

#### **Resolution 3 – Issue of “B” Class Redeemable Preference Shares and Options to BSG Gold**

Subject to the passing of Resolutions 2 and 3, the Company will be authorised to issue 3,500,000 ‘B’ Class Redeemable Preference Shares and 8,500,000 Options to BSG Gold.

The terms of the “B” Class Redeemable Preference Shares and Options to be issued to BSG Gold are set out in the Notice of General Meeting including an exclusion from voting on Resolution 3 by BSG Gold or their associates.

#### **Resolution 4 – Issue of Ordinary Shares to Mr Donald Lewis**

It is proposed to issue Ordinary Shares to Mr Donald Lewis (or his nominee) to the value of \$100,000. The number of ordinary shares to be issued is to be calculated using the weighted average share price of the Company over the five (5) days upto and including the day of issue.

Resolutions 2 and 3 to be put before the shareholders are interdependent and must be passed for each Issue to proceed. Therefore Grant Thornton Corporate Finance’s Independent Expert’s Report will consider whether the Issues as a whole are fair and reasonable to the non-associated shareholders of Danae.

### **1.2. Purpose of Report**

Grant Thornton Corporate Finance has been engaged by the Directors of Danae to provide an Independent Expert’s Report stating whether, in its opinion, the Issues are fair and reasonable to the non-associated shareholders of Danae.

Whilst an Independent Expert’s Report is not required to accompany the notice of meeting and Explanatory Memorandum under the Corporations Act 2001, the Corporations Regulations or the ASX Listing Rules, it is common for Directors to commission an Independent Expert’s Report to assist them in their duties to provide shareholders with full and proper disclosure to enable them to assess the merits of the Issues.

Shareholder approval of each Issue is required under the following regulatory requirements:

*Resolution 1 – Placement to BSG Gold*

- ASX Listing Rule 7.1 states that where issues exceed 15 per cent of the fully paid ordinary shares in a 12 month period, shareholder approval is required; and
- ASX Listing Rule 7.4 provides that issues of securities made without approval under Listing Rule 7.1 are treated as having been made with approval for the purpose of Listing Rule 7.1 if shareholders subsequently approve the issues.

*Resolution 2 – Issue of “A” Class Redeemable Preference Shares and Options to Multiplex Mining*

- ASX Listing Rule 7.1 restricts new issues of equity securities in the Company in certain circumstances. To permit the issue of the Options to Multiplex Mining, the approval of the Shareholders is required under Listing Rule 7.1.
- ASX Listing Rule 10.1 prohibits the acquisition of a substantial asset from a related party without the approval by ordinary resolution of holders of ordinary securities. The related party and any associates of the related party may not vote on the resolution. Multiplex Mining is deemed a related party of the Company.
- ASX Listing Rule 10.11 requires the Shareholders of the Company to approve by ordinary resolution the issue of securities (the definition of which includes preference shares and options) to a related party of the Company. Multiplex Mining is deemed a related party of the Company.
- Section 208(1)(b) of the *Corporations Act 2001* prohibits the Company from giving a financial benefit to a related party unless the transaction falls within one of the exceptions provided for in sections 210 to 216.
- The effect of section 606 of the *Corporations Act 2001* (insofar as it is relevant for this transaction) is to prohibit an acquisition of shares in a company if this will increase the “voting power” (as that term is defined in the *Corporations Act 2001*) of any person to 20% or more of that company’s voting shares. In the absence of Shareholder approval, the exercise of the Options would contravene the provisions of section 606 of the *Corporations Act*. Multiplex Mining would increase, on issue of the 20,000,000 Shares, its relevant interest to approximately 56.8% of the voting shares of the Company.
- Section 611 (Item 7) of the *Corporations Act* allows shareholders in general meeting to agree to an issue of shares in their company where that issue would otherwise be prohibited by section 606 of the *Corporations Act*. Section 611 (Item 7) and Policy Statement 74 set out the information which should be provided to shareholders in relation to Resolutions put to shareholders for the purpose of section 611 (Item 7) of the *Corporations Act*. This information includes:
  - the identity of the persons proposing to acquire the Danae Shares and their Associates;
  - the maximum extent of the increase in Multiplex Mining’s voting power in Danae that would result from the acquisition;
  - the voting power that Multiplex Mining would have as a result of the acquisition;
  - the maximum extent of the increase in the voting power of each of Multiplex Mining’s Associates that would result from the acquisition; and
  - the voting power that each of Multiplex Mining’s Associates would have as a result of the acquisition.

- Rule 107 of the Constitution - as the Company currently has one class of shares (namely, Ordinary Shares), the issue of 'A' Class Redeemable Preference Shares to Multiplex is deemed to vary the rights attached to the existing class of Shares. The variation of rights attaching to Shares in these circumstances is required to be approved by a special resolution of the Shareholders in accordance with Rule 107 of the Constitution.

*Resolution 3 – Issue of 'B' Class Redeemable Preference Shares and Options to BSG Gold*

- ASX Listing Rule 7.1 restricts new issues of equity securities in the Company in certain circumstances. To permit the issue of the Options to BSG Gold, the approval of the Shareholders is required under Listing Rule 7.1.
- ASX Listing Rule 10.1 prohibits the acquisition of a substantial asset from a substantial shareholder without the approval by ordinary resolution of holders of ordinary securities. The substantial shareholder and any associates of the substantial shareholder may not vote on the resolution. BSG Gold is a substantial Shareholder of the Company.
- Section 606 of the *Corporations Act* (insofar as it is relevant for this transaction) is to prohibit an acquisition of shares in a company if this will increase the "voting power" (as that term is defined in the *Corporations Act*) of any person to 20% or more of that company's voting shares. In the absence of Shareholder approval, the exercise of the Options would contravene the provisions of section 606 of the *Corporations Act*. BSG Gold would increase, on issue of the 8,500,000 Shares and sub underwriting of the rights issue (prior to Multiplex Mining exercising their Options), its relevant interest to a maximum of 28.8% of the voting shares of Danae.
- Section 611 (Item 7) of the *Corporations Act* allows shareholders in general meeting to agree to an issue of shares in their company where that issue would otherwise be prohibited by section 606 of the *Corporations Act*. Section 611 (Item 7) and Policy Statement 74 set out the information which should be provided to shareholders in relation to Resolutions put to shareholders for the purpose of section 611 (Item 7) of the *Corporations Act*. This information includes:
  - the identity of the persons proposing to acquire the Danae Shares and their Associates;
  - the maximum extent of the increase in BSG Gold's voting power in Danae that would result from the acquisition;
  - the voting power that BSG Gold would have as a result of the acquisition;
  - the maximum extent of the increase in the voting power of each of BSG Gold's Associates that would result from the acquisition; and
  - the voting power that each of BSG Gold's Associates would have as a result of the acquisition.
- Rule 107 of the Constitution - as the Company currently has one class of shares (namely, Shares), the issue of 'B' Class Redeemable Preference Shares to BSG Gold is deemed to vary the rights attached to the existing class of Shares. The variation of rights attaching to Shares in these circumstances is required to be approved by a special resolution of the Shareholders in accordance with Rule 107 of the Constitution.

*Resolution 4 – Issue of Ordinary Shares to Mr Donald Lewis*

- Listing Rule 10.14 prohibits an acquisition of securities by a director, any associate of the director and any person whose relationship with the director or any associate of the director is such that ASX's approval is required, under an employee incentive plan without the approval by ordinary resolution of holders of ordinary securities. These persons may not vote on the resolution. The Company's Employee Incentive Plan is an employee incentive plan for the purposes of the Listing Rules. As the proposed issue of the Share Equivalent to Mr Lewis (or his nominee) will involve an acquisition of shares by a Director

under an employee incentive scheme of the Company, the Company is seeking the approval by ordinary resolution of holders of ordinary securities under Listing Rule 10.14.

- Listing Rule 7.1 restricts the Company to issuing a maximum of 15% of its issued capital in any 12 month period unless it obtains that approval. By Resolution 4, the Company seeks to obtain shareholder approval for the proposed issue of Shares to Mr Lewis (or his nominee). The Company seeks to use this approval to refresh its ability to issue up to 15% of the Company's issued capital over the next 12 months without the prior approval of members.

We understand a copy of this report will accompany the notice convening the Meeting of Shareholders and the Explanatory Memorandum which is to be dispatched by Danae on or about 21 November 2003. This report has been prepared solely for the purpose of assisting the non-associated shareholders of Danae in considering the Issues.

This report has not been prepared to provide information to parties considering the purchase or sale of any Danae shares. Accordingly, we do not assume any responsibility or liability for any losses suffered as a result of the use of this report contrary to the provisions of this paragraph.

Grant Thornton Corporate Finance is independent of Danae and its Directors and has no involvement with, or interest in, the outcome of the Issue.

### **1.3. Basis of assessment**

Shareholder approval of the Issue is required under both the ASX Listing Rules and the Corporations Act 2001. This report has been prepared in accordance with Australian Securities and Investment Commission ("ASIC") ASIC Policy Statement 75 "Independent expert's reports to shareholders".

In undertaking our assessment, we have considered the likely impact of the Issues on the non-associated shareholders of Danae as a whole. We have not considered how the Issues may affect individual shareholders. Individual shareholders have different financial circumstances and it is neither practicable nor possible to consider the implications of the Issues on individuals, as we do not know their respective financial circumstances. Individual shareholders should seek their own professional advice.

### **1.4. Fairness and reasonableness**

In preparing our report, Grant Thornton Corporate Finance have had regard to the relevant Policy Statements and Practice Notes issued by ASIC in relation to valuations and expert's reports (with particular reference to ASIC Policy Statements 75, as noted above, Practice Note 42 "Independence of expert's reports" and Practice Note 43 "Valuation reports and profit forecasts").

ASIC recommends in Policy Statement 75 that prior to voting on the agreement to allot shares, the Independent Shareholders be provided with an information memorandum and an Independent Expert's Report. The Independent Expert's Report is to include a recommendation as to whether the Issues are fair and reasonable with regard to those independent shareholders.

The term "fair and reasonable" has no legal definition although over time a commonly accepted meaning has evolved. "Fairness" relates to price or quantitative criteria whereas "reasonableness" involves consideration of factors other than value or price.

"Fairness" is said to involve a comparison of the consideration with the value that may be attributed to the securities, which are the subject of the Issues, based on the value of the underlying business and assets.

The concept of “reasonableness” involves an analysis of qualitative factors other than fairness that shareholders might consider prior to voting on the Issue.

A fair and reasonable offer is one that reflects the full market value of a company’s business and assets. It is generally accepted that an issue of securities would be considered fair and reasonable if the consideration payable fully reflects the value of a controlling interest in a company’s underlying business and assets. An issue of securities could be considered “reasonable” if there are valid reasons to approve the issue notwithstanding that it may not be regarded as “fair”.

Grant Thornton Corporate Finance will assess the fairness and reasonableness of the Issues in the absence of any higher or alternative offer of funding to the Company of which we are aware.



## **2. OVERVIEW OF DANAЕ**

### **2.1. Company history**

The Company was formed in April 1986 as Southern Sea Farms Limited to acquire the Southern Sea Farms joint venture and listed on ASX in April 1987. The Company then changed its name to Asia Pacific Limited in May 1992 and then to Danae Resources Limited in February 1997. Danae converted to a no liability status company in July 1998.

At the date of this report and prior to the Issues and Rights Issue, Danae had Net Liabilities amounting to approximately \$2.2 million and Danae's future solvency is dependant upon the continued support of Danae's major shareholder Multiplex Mining.

### **2.2. Transaction History**

Multiplex Mining's relationship with Danae has for many years been that of major shareholder and parent entity, holding 52.83% of the ordinary shares in the Company. Multiplex Mining has been the primary provider of working capital to Danae since late 1998. This working capital has been provided pursuant to a secured loan agreement ("the Multiplex Mining Secured Loan"), fully secured over the assets and undertakings of Danae and with a commercial rate of interest being applied.

As Danae is in the development stage of evaluating and developing the mines under their control there is currently no revenue to fund the operations. Access to funding is therefore limited to general stock market investors, and funds provided by Multiplex Mining. Due to Danae's lack of cash flow to date, all interest attributable to the Multiplex Mining Secured Loan has been capitalised and added to the loan amount. The interest rate has consistently been 10% pa, compounding monthly and is secured over all the assets and undertakings of Danae.

Multiplex Mining also derives a management fee from Danae in accordance with a Management Agreement between the two companies. Similar to the loan account these fees have been accumulated as an account payable and are consolidated for the purposes of reporting. No interest rate applies to the outstanding fees.

As at 30 June 2003 the records of both Multiplex Mining and Danae agree the loan account as being an amount of \$17,076,698. Since June 2003 there has been a significant increase in the loan amount, in particular an amount of \$3,898,672 advanced to Danae in July 2003 to fund the additional investment by Danae in Greenwich Resources plc ("Greenwich"), through subscription to an issue of convertible loan stock for an amount of \$3,693,672.

In addition to the above, management fee and interest accruals since 30 June 2003, further cash advances in September plus various charges for expenses forecast to be incurred on behalf of Danae, would have increased the outstanding loan to approximately \$22,345,000 at 8 December 2003.

Consequently, prior to the Issues and Rights Issue, Danae had Net Liabilities amounting to approximately \$2.2 million with Danae dependant upon the continued support of Danae's major shareholder, Multiplex Mining to continue to operate as a going concern.

Following a number of considerations, including the substantially increased funding requirements flowing from the recent and significant increases in the Multiplex Mining loan account, the Issues have been drafted to achieve the following objectives:

- To retire debt owing to Multiplex Mining (approx. \$22.345 million);
- To terminate the management agreement with Multiplex Mining;
- To raise cash resources of \$8.35 million, to satisfy the short term funding requirements of Danae and complete the purchase of Multiplex Resources (Kazakhstan) Limited which has recently entered into a resource use contract which provides 100% rights to operate the Vostok Copper Project. This purchase was approved by shareholders in February 2003.

It is our understanding that BSG Gold is an independent investment vehicle specifically incorporated to invest in Danae and will participate in the fund raising. BSG Gold is incorporated in the British Virgin Islands and is a related party to Bateman Engineering, a large engineering firm specialising in the resource sector.

We have obtained representations from Danae that BSG Gold is not related to Multiplex Mining.

We understand that Multiplex Mining and BSG Gold are to enter into conditional subscription agreements to subscribe for 'A' Class and 'B' Class Redeemable Preference Shares respectively prior to the Rights Issue.

### **2.3. Investments**

The Company has two primary investments as outlined below:

- Multiplex Development Zarmitan Limited ("Zarmitan") – 100% shareholding; and
- Greenwich Resources plc ("Greenwich") – 33.15% shareholding.

In addition, on shareholder approval of the resolutions set out in this report the Company will complete the purchase of a 100% shareholding in Multiplex Resources (Kazakhstan) Limited ("MRK").

Summarised below is a review of these investments as at the date of this report.

#### ***Zarmitan Gold Project***

Danae is in the final approval stages for the establishment of a 50/50 joint venture with two State-owned parties covering the world-class Zarmitan Gold Project in the Republic of Uzbekistan in Central Asia.

Final drafting of joint venture documentation was delayed during the year, however, relations with senior Uzbek Government officials remain excellent. Draft documentation has now been lodged with the Cabinet of Ministers of Uzbekistan, including a draft of the formal Decree required to establish the joint venture. The documents have been distributed to a number of Ministries for final comment.

For completeness we set out an overview of the Zarmitan Gold Project, as disclosed in Danae's Annual Report as at 30 June 2003.

The Mineral Resource for the Charmitan mine (as estimated by Goscomgeologia<sup>1</sup>) represents approximately 24 million tonnes and hosting approximately 7.6 million ounces of gold at grade of approximately 10 g/t in free milling sulphide bearing laminated quartz veins and, to a minor extent, in refractory high sulphide content ores at the eastern end of the Charmitan ore bodies.

Goscomgeologia has established these resources over a 35-year period. Resources have been defined initially from the surface by extensive diamond drilling, but in the main rely on over 95 kilometres of underground level development that has been sampled on 2 metre to 3 metre centres. Resources estimated by Goscomgeologia as at 1 January 2000 are outlined below.

*Resources Estimates (as estimated by Goscomgeologia)*

	<b>C1 (Measured)</b>	<b>Gold/Silver (g/t)</b>	<b>Gold (Tonnes)</b>	<b>C2 (Indicated)</b>	<b>Gold/Silver (g/t)</b>	<b>Gold (Tonnes)</b>
Charmitan	11,344	10.9/9.4	123.4	12,863	9.4/12.1	121.805

<sup>1</sup> The State Committee of the Republic of Uzbekistan for Geology and Mineral Resources

Extensive metallurgical testing - mainly on bulk samples from underground - has shown that a recovery of over 91.6% can be expected from the laminated quartz vein hosted ores. A modern plant may achieve even higher recoveries.

During the first 5 years of operations under the Preliminary Business Plan, some 31 tonnes (1 million ounces) of gold will be produced from a current Mining Reserve of 5.3 million ounces.

Given the large size of the resource base - and the potential to further increase these resources - the Charmitan mine is expected have a life in excess of 15 years.

Ore production rates may be increased in later years of operation once operating efficiencies are implemented and as operating skill levels and knowledge of ore body improve.

Danae has estimated Ore Reserves in the Charmitan deposit to RL300m (approximately 600 metres below surface)

*Summary of Ore Reserves to RL300m (Danae Estimates)*

The information in the following Table we understand was prepared in accordance with the Joint Ore Reserves Committee Code ("JORC") by Barry John Goss, FAusImm., CPMan.

<b>Ore Reserves</b>		<b>Grade</b>		<b>Ounces</b>	
	<b>Tonnes</b>	<b>Au g/t</b>	<b>Ag g/t</b>	<b>Gold</b>	<b>Silver</b>
Ore Reserves Charmitan					
Proven	10,867,810	8.48	15.77	2,963,500	5,508,700
Probable	7,848,890	9.21	11.77	2,325,220	2,969,880
	18,716,700	8.79	14.09	5,288,720	8,478,580

Over 95% of the resource yields metallurgical recoveries over 85% for gold and can be treated in a simple gravity and cyanide leach circuit. The remaining Resource is partly refractory at the eastern end of the Charmitan deposit and has been removed from the Reserve total. Further testing is required to examine options for treating these refractory ores.

### ***Greenwich Resources plc***

Greenwich Resources plc ("Greenwich") has a full listing on the London Stock Exchange, and is predominantly focused on developing its 100%-owned Sappes Gold Project located in north eastern Greece. Greenwich's other assets include an investment in oil and gas company Desire Petroleum plc (listed on the Alternative Investment Market in London), a NPI (Net Profits Interest) and a Royalty on mines in Australia, and a group of base metal prospects in Ireland.

Danae's shareholding in Greenwich arose from the consolidation of Danae's former joint venture interest of 51% in the Sappes Gold Project and joint venture management rights with the 49% joint venture interest previously held by Greenwich.

As a result of that transaction and an associated fund raising in which Danae participated, Danae emerged as Greenwich's largest shareholder. Danae has three representatives on the six-person Greenwich board of directors, including the position of Chairman (Mr John Corcoran, who is also Chairman of Danae).

In July 2003, Greenwich raised additional funds through the issue of £1.5 million (\$3.69 million) of Variable Rate Convertible Unsecured Loan Stock 2006 to Danae. Danae could potentially increase its interest in Greenwich to 54.9% interest in the ordinary shares on issue, assuming full term and conversion of principal and interest for this Stock, and assuming no further share issues by Greenwich.

The funds raised from the issue will be used to provide working capital for Greenwich and to commence a drilling programme to expand the Sappes Project's resource base, subject to environmental approval of the Sappes Gold Project.

### ***Multiplex Resources (Kazakhstan) Limited - Vostok Copper Project***

On 17 February 2003, Danae shareholders approved a proposal to acquire Multiplex Resources (Kazakhstan) Limited ('MRK') from Multiplex Mining. MRK's key asset is the Vostok Copper Project ('Vostok'), located in Southern Kazakhstan, for \$1.5 million.

As at 24 September 2003 the Company has been advised by Multiplex Mining that the Resource Use Contract ("the Contract") for the exploration and subsequent exploitation of the Vostok Copper Deposits has now been signed. The Contract is between MRK and the Ministry of Energy and Mineral Resources of the Republic of Kazakhstan.

The Contract allows for a six-year exploration phase followed by 25 years of mining, with the right to extend until depletion of the defined reserves. The applicable taxation regime has been agreed for the full duration of the contract exploration and mining, however, royalty terms will be confirmed on the basis of a feasibility study of a defined project or projects.

The Contract agreed obliges MRK to expend US\$4 million over 6 years on exploration activities with US\$300,000 commitment in each of the first two years of the Contract.

Danae agreed to acquire the Vostok Copper Project from Multiplex for \$1.5 million subject to a number of conditions, which included shareholder approval. Shareholder approval was obtained at a General Meeting of shareholders held on 17 February 2003. The Notice of Meeting was accompanied by an Independent Expert Report prepared by KPMG Corporate Finance (Aust) Pty Limited which concluded that the transaction to acquire Vostok for a consideration of \$1.5 million was fair and reasonable to the non-associated shareholders of Danae. Accordingly we do not express any opinion in respect of this transaction in this report.

The remaining condition is still outstanding, namely the raising of sufficient funds. The proposed settlement date for the Vostok acquisition has been further extended to no later than 31 January 2004.

## 2.4. Financial performance

The audited operating results for the financial year ended 30 June 2003, and the management accounts for the two months ended 31 August 2003 are set out in the table below:-

**Figure 1: Danae statement of financial performance**

	2 months ended 31 August 2003 \$000's Management	Year ended 30 June 2003 \$000 Audited
<b>Revenue from ordinary activities</b>	<b>25</b>	<b>503</b>
Mining exploration expenses capitalised	67	(72)
Interest expense	(265)	(1,141)
Management fees expense	(150)	(900)
Consulting and legal fees	(34)	(684)
Mine site rehabilitation costs	-	(100)
Other expenses from ordinary activities	(133)	(239)
Foreign exchange gains (losses)	1	(8)
Share of net losses of associates accounted for using the equity method	-	(545)
<b>Expenses from ordinary activities</b>	<b>(514)</b>	<b>(3,689)</b>
<b>Loss from ordinary activities before income tax expense</b>	<b>(489)</b>	<b>(3,186)</b>

(Source: Danae Financial Statements and Management Accounts)

*Audit Opinion issued by Grant Thornton, Brisbane on 15 September 2003 was unqualified but contained an "emphasis of matter" as to inherent uncertainty regarding recoverability of investments and going concern basis.*

*We have not performed a review of or verified any of the financial information contained in the 31 August Management Accounts and therefore do not express any opinion as to their completeness or accuracy. The Directors have warranted they are an accurate extraction of the operating performance of the Company from the management accounts prior to Non-Operating and Income Tax adjustments.*

## 2.5. Financial position

The audited statement of financial position of Danae as at 30 June 2003 and management accounts as at 31 August 2003 are set out in the table below.

**Figure 2: Danae statement of financial position**

	As at 31 August 2003 \$'s Management	As at 30 June 2003 \$'s Audited
<b>Current assets</b>		
Cash assets	51,718	20,876
Receivables	74,606	150,058
<b>Total current assets</b>	<b>126,324</b>	<b>170,934</b>
<b>Non-current assets</b>		
Receivables	4,155,715	386,169
Fixed Assets	7,297	7,643
Investments	13,007,516	13,007,516
Other Assets	2,134,423	1,989,308
Goodwill	-	-
<b>Total non-current assets</b>	<b>19,304,951</b>	<b>15,390,636</b>
<b>Total assets</b>	<b>19,431,275</b>	<b>15,561,570</b>
<b>Current liabilities</b>		
Payables	38,189	135,145
<b>Total current liabilities</b>	<b>38,189</b>	<b>135,145</b>
<b>Non-current liabilities</b>		
Payables	4,312,500	4,162,500
Provisions	100,000	100,000
Interest Bearing Liabilities	17,220,158	12,914,198
<b>Total non-current liabilities</b>	<b>21,632,658</b>	<b>17,176,698</b>
<b>Total Liabilities</b>	<b>21,670,847</b>	<b>17,311,843</b>
<b>Net assets</b>	<b>(2,239,572)</b>	<b>(1,750,273)</b>
<b>Shareholders' equity</b>		
Contributed equity	27,274,063	27,274,063
Accumulated losses	(29,513,635)	(29,024,336)
<b>Total shareholders' equity</b>	<b>(2,239,572)</b>	<b>(1,750,273)</b>

*Source: Danae Financial Statements and Management Reports.*

*Audit Opinion issued by Grant Thornton, Brisbane on 15 September 2003 was unqualified but contained an "emphasis of matter" as to inherent uncertainty regarding recoverability of investments and going concern basis.*

*We have not performed a review of or verified any of the financial information contained in the 31 August Management Accounts and therefore do not express any opinion as to their completeness or accuracy. The Directors have warranted they are an accurate extraction of the financial position of the Company from the management accounts prior to Income Tax adjustments.*

## 2.6. Capital structure

We set out below the top 20 shareholders of Danae as at 1 October 2003

**Figure 3: Danae top 20 shareholders**

Ranking	Shareholder	No of Ordinary Shares	% of shares held
1	Multiplex Mining Pty Limited	29,290,900	52.83
2	Zero Nominees Pty Ltd	2,890,000	5.21
3	J A Corcoran & Associates Pty Ltd	1,750,000	3.15
4	Mr Michael Edward Constable	1,351,885	2.43
5	Ninallo Pty Ltd	1,060,000	1.91
6	ANZ Nominees Limited	862,200	1.55
7	Mr Graeme Beeck & Barbara Beeck	720,000	1.29
8	Mr Keith William Shepperd	680,000	1.22
9	Mr Peter McDonald Ingleby	620,000	1.11
10	SAS Financial Services Pty Ltd	551,724	0.99
11	Stormin Pty Ltd	360,000	0.64
12	Mr Robert Gregory Looby	290,940	0.52
13	Canonbar Investments Pty Ltd	280,600	0.50
14	Sumita Pty Ltd	275,862	0.49
15	Mr John Clements Love & Mrs Jeanette Galloway Love	269,552	0.48
16	Trowbridge Pty Ltd	260,975	0.47
17	Rev Brian James McCombie	253,000	0.45
18	Dr Peter John Carroll	234,225	0.42
19	D F Lynton-Brown Pty Ltd	230,000	0.41
20	Dunsfold Pty Limited	214,975	0.38
		<hr/>	<hr/>
		42,446,838	76.45

*(Source: Danae share register as at 1 October 2003)*

An analysis of the numbers of shareholders by size of parcel as at 1 October 2003 is presented below.

**Figure 4: Danae number of shareholders by parcel size**

Size of holding	No. of Shareholders
1 - 1,000	122
1,001 – 5,000	262
5,001 – 10,000	129
10,001 – 100,000	219
100,001 – and over	41
<b>All ranges</b>	<hr/>
	773

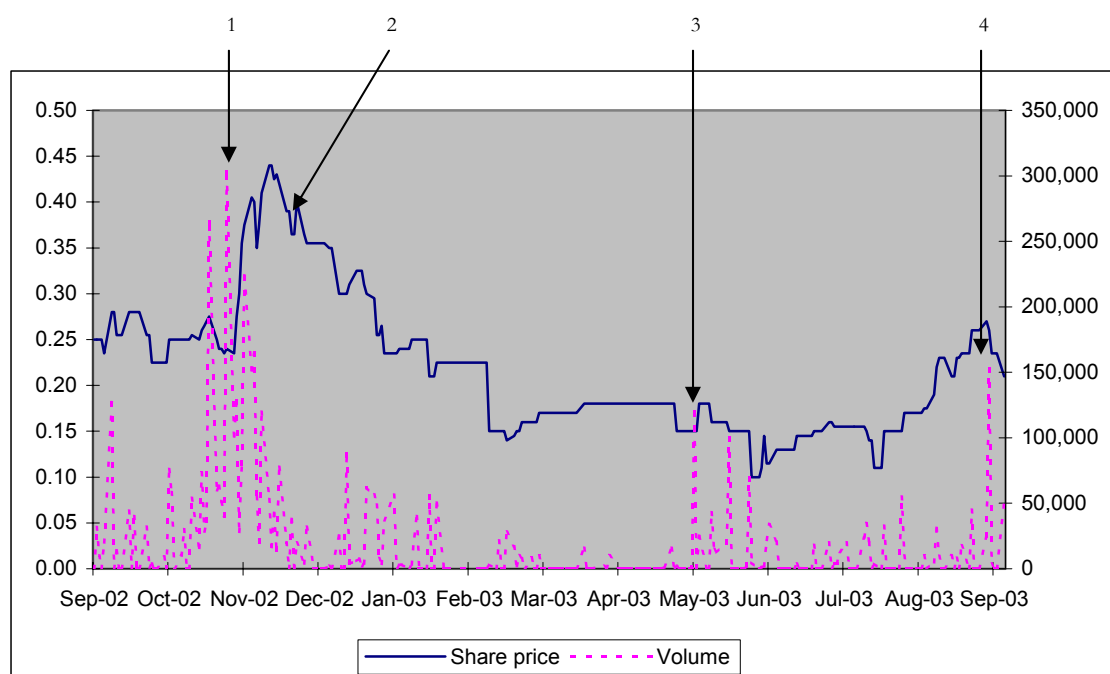
*(Source: Danae share register as at 1 October 2003)*

The above analysis of the Capital Structure of Danae at 1 October 2003 does not include the Placement of 8,315,704 ordinary shares to BSG Gold, which occurred on 10 October 2003 (as detailed in Resolution One) and is referred to in Section 4.3 of this report.

## 2.7. Share price performance

Movements in Danae's share price and volumes from 1 October 2002 to 1 October 2003 are set out below.

Figure 5: Danae share price performance



Source: Australian Stock Exchange Limited

Note	Date	Announcement
1	22/11/2002	Results of the Annual General meeting announced
2	19/12/2002	Company Secretary resignation/appointment
3	25/05/2003	Change in substantial shareholding
4	24/09/2003	Signing of Vostok Contract

During the year to 1 October 2003, Danae's average share price was 22 cents with a period high of 44 cents and a low of 10 cents. The positive results from the Annual General Meeting on 22 November 2002, led to a high of 44 cents (prior to a share reduction of 5:1 in February 2003). Since that date, Danae's share price continued to fall to 10 cents on 23 June 2003, remaining relatively stagnant from February 2003 through to August 2003.



### **3. OVERVIEW OF DIRECTORS**

A summary and overview of the members of the Danae Board of Directors is set out below.

#### **3.1. John A Corcoran – Chairman**

Director of Danae Resources NL since 10 December 1998. Appointed as Chairman on 18 February 2002.

Mr Corcoran is the Finance Director of Multiplex Constructions Pty Ltd, with responsibility for development activities and major project financing. He is also a director of Multiplex Mining Pty Ltd. Prior to joining Multiplex he was an executive director of Hambros Australia Limited, with over 15 years corporate and project advisory experience. Mr Corcoran has a Bachelor of Economics and a Bachelor of Law, both from the University of Sydney.

#### **3.2. Donald P Lewis – Managing Director**

Director of Danae Resources NL since 19 June 2002. Appointed Managing Director on 25 August 2003.

Mr Lewis is a civil engineer with 20 years experience in resource project development, construction, design and funding. He has extensive experience in project feasibility assessment and start-up, key background for the next phase of the Company's development. Mr Lewis holds a Bachelor of Engineering from the University of Western Australia and a Master of Engineering from the University of California, Berkeley.

#### **3.3. John G Bovard – Non-Executive Director**

Director of Danae Resources NL since 7 December 2000. Resigned as Executive Chairman on 18 February 2002.

Mr Bovard is a civil engineer with 35 years experience in mining and project development. He was recently the project manager for the successfully completed \$800 million Queensland Fertilizer Project for WMC Ltd. In addition, Mr Bovard has extensive experience with project financing and feasibility assessments on behalf of mining companies and banks. He is currently CEO of Asia Pacific Resources Ltd, a Canadian listed mining company, developing a potash resource in Thailand.

#### **3.4. Andrew T Roberts – Non-Executive Director**

Director of Danae Resources NL since 10 December 1998.

Mr Roberts is the Managing Director of Multiplex Constructions Pty Ltd. He is also a Director of Multiplex Mining Pty Ltd. Mr Roberts has considerable experience with major infrastructure projects. He has a Bachelor of Commerce and a Master of Business Administration from the Australian Graduate School of Management and has undertaken postgraduate study in Property Finance at the University of California, Berkeley.

### **4. PRO FORMA STATEMENT OF FINANCIAL POSITION**

#### **4.1. Introduction**

Set out below is the pro forma Statement of Financial Position of Danae after making adjustments as if the Placement, Rights Issue and the Issues had occurred as at 31 August 2003.

**Figure 6: Statement of Financial Position**

	As at 31 August 2003 Management \$'s	As at 31 August 2003 Pro-forma <sup>1</sup> \$'s	As at 31 August 2003 Pro-forma <sup>2</sup> \$'s
<b>Current assets</b>			
Cash assets	51,718	3,165,551	6,665,551
Receivables	74,606	74,606	174,606
<b>Total current assets</b>	<b>126,324</b>	<b>3,240,157</b>	<b>6,840,157</b>
<b>Non-current assets</b>			
Receivables	4,155,715	4,155,715	4,155,715
Fixed Assets	7,297	7,297	7,297
Investments	13,007,516	13,007,516	13,007,516
Other Assets	2,134,423	3,057,449	3,057,449
Goodwill	-	576,969	576,969
<b>Total non-current assets</b>	<b>19,304,951</b>	<b>20,804,946</b>	<b>20,804,946</b>
<b>Total assets</b>	<b>19,431,275</b>	<b>24,045,103</b>	<b>27,645,103</b>
<b>Current liabilities</b>			
Payables	38,189	38,189	38,189
<b>Total current liabilities</b>	<b>38,189</b>	<b>38,189</b>	<b>38,189</b>
<b>Non-current liabilities</b>			
Payables	4,312,500	4,556,855	-
Provisions	100,000	100,000	100,000
Interest Bearing Liabilities	17,220,158	17,788,145	-
Redeemable Preference Shares 'A' Class	-	-	22,345,000
Redeemable Preference Shares 'B' Class	-	-	3,500,000
<b>Total non-current liabilities</b>	<b>21,632,658</b>	<b>22,445,000</b>	<b>25,945,000</b>
<b>Total Liabilities</b>	<b>21,670,847</b>	<b>22,483,189</b>	<b>25,983,189</b>
<b>Net liabilities</b>	<b>(2,239,572)</b>	<b>1,561,914</b>	<b>1,661,914</b>
<b>Shareholders' equity</b>			
Contributed equity	27,274,063	31,887,890	31,987,890
Accumulated losses	(29,513,635)	(30,325,976)	(30,325,976)
<b>Total shareholders' equity</b>	<b>(2,239,572)</b>	<b>1,561,914</b>	<b>1,661,914</b>

Source: Danae Financial Statements and Management Reports.

<sup>1.</sup> This represents the pro forma Statement of Financial Position of Danae as if the Placement and 1 for 4 Rights Issues have taken place as at 31 August 2003;

<sup>2.</sup> This represents the pro forma Statement of Financial Position of Danae as if the Placement, the 1 for 4 Rights Issue and issue of Redeemable Preference shares and Options and issue of shares to Mr Lewis and has taken place as at 31 August 2003.

## 4.2. Basis of preparation

The pro forma statement of Financial Position of Danae has been prepared on the basis that the following events have been effected as at 31 August 2003:

### *Adjustments included*

- a) a Placement of 8,315,704 ordinary shares issued to BSG Gold at an issue price of 20 cents amounting to \$1,663,141;
- b) a 1 for 4 Rights Issue to shareholders priced at 20 cents per share which is to be fully underwritten by Multiplex Mining and sub-underwritten by BSG Gold amounting to approximately \$3.19 million;
- c) costs associated with the Rights Issue amounting to approximately \$237,000;
- d) following completion of the Rights Issue, the acquisition of the Vostok Copper Project amounting to \$1,500,000. Shareholder approval for the acquisition of Vostok was granted at a General Meeting held by Danae on 17 February 2003. The Notice of Meeting was accompanied by an Independent Expert Report prepared by KPMG Corporate Finance (Aust) Pty Limited, which concluded that the transaction to acquire Vostok for a consideration of \$1,500,000 was fair and reasonable to the non-associated shareholders of Danae. Accordingly we do not express any opinion in respect of this transaction in this report, other than to reflect the impact of the cash expense on the Pro-forma Statement of Financial Position;
- e) issue of 22,345,000 'A' Class Redeemable Preference Shares and 20,000,000 Options to Multiplex Mining for an issue price for the preference shares of \$1.00 raising \$22,345,000;
- f) issue of 3,500,000 'B' Class Redeemable Preference Shares and 8,500,000 Options to BSG Gold for an issue price for the preference shares of \$1.00 raising \$3,500,000;
- g) Repayment of debt due to Multiplex Mining in the amount of approximately \$22,345,000; and
- h) issue of ordinary shares to Mr Donald Lewis amounting to \$100,000.

### *Adjustments not included*

The exercise of 20,000,000 Options and 8,500,000 Options issued to Multiplex Mining and BSG Gold respectively with an exercise price of \$0.25 per share, expiring on the fifth anniversary of granting. Danae's current market share price is \$0.21 and therefore the options are unlikely to be exercised until the share price rises above the exercise price of \$0.25. We note there is currently no intrinsic value in the options to be issued, however we have considered the time value and potential dilution impacts of each of the options in Section 6.5 by use of the Binomial Option Pricing Model.

## 4.3. Share Capital

The following table sets out the Danae share and option register prior to and after completion of the Placement, Rights Issue and the Issues.

**Figure 7: Danae share and option register**

Prior to the Placement, Rights Issue and Issues	Ordinary shares	%	Preference Shares	Options
Multiplex Mining Pty Limited	29,290,900	52.8		
Zero Nominees Pty Limited	2,890,000	5.2		
J A Corcoran & Associates Pty Ltd	1,750,000	3.2		
Mr Michael Edward Constable	1,351,885	2.4		
Ninallo Pty Limited	1,060,000	1.9		
ANZ Nominees Limited	862,200	1.6		
Minority Shareholders	18,233,043	32.9		
<b>Total</b>	<b>55,438,028</b>	<b>100.0</b>	<b>-</b>	<b>-</b>

<b>After the Placement and before the Rights Issue</b>	<b>Ordinary shares</b>	<b>%</b>	<b>Preference Shares</b>	<b>Options</b>
Multiplex Mining Pty Limited	29,290,900	45.9		
BSG Gold B.V.B.A. S.A.	8,315,704	13.0		
Zero Nominees Pty Limited	2,890,000	4.5		
J A Corcoran & Associates Pty Ltd	1,750,000	2.7		
Mr Michael Edward Constable	1,351,885	2.1		
Ninallo Pty Limited	1,060,000	1.7		
ANZ Nominees	862,200	1.4		
Minority Shareholders	18,233,043	28.6		
<b>Total</b>	<b>63,753,732</b>	<b>100.0</b>	<b>-</b>	<b>-</b>

<b>After the Placement and Rights Issue</b>	<b>Ordinary shares</b>	<b>%</b>	<b>Preference Shares</b>	<b>Options</b>
Multiplex Mining Pty Limited	36,613,625	45.9		
BSG Gold B.V.B.A. S.A.	10,394,630	13.0		
Zero Nominees Pty Limited	3,612,500	4.5		
J A Corcoran & Associates Pty Ltd	2,187,500	2.7		
Mr Michael Edward Constable	1,689,856	2.1		
Ninallo Pty Limited	1,325,000	1.7		
ANZ Nominees	1,077,750	1.4		
Minority Shareholders	22,791,304	28.6		
<b>Total</b>	<b>79,692,165</b>	<b>100.0</b>	<b>-</b>	<b>-</b>

*Assumes all existing Danae shareholders fully participate in the Rights Issue*

<b>After the Placement and Rights Issue</b>	<b>Ordinary shares</b>	<b>%</b>	<b>Preference Shares</b>	<b>Options</b>
Multiplex Mining Pty Limited	36,613,625	45.9		
BSG Gold B.V.B.A. S.A.	16,931,412	21.2		
Zero Nominees Pty Limited	2,890,000	3.6		
J A Corcoran & Associates Pty Ltd	1,750,000	2.2		
Mr Michael Edward Constable	1,351,885	1.7		
Ninallo Pty Limited	1,060,000	1.3		
ANZ Nominees	862,200	1.1		
Minority Shareholders	18,233,043	22.9		
<b>Total</b>	<b>79,692,165</b>	<b>100.0</b>	<b>-</b>	<b>-</b>

*Assuming that no shareholders (other than Multiplex Mining) participate in the Rights Issue and BSG Gold take up their full entitlement in accordance with their sub underwriting of the Rights Issue.*

<b>After the Placement, Rights Issue and Issues and issue to Mr Lewis</b>	<b>Ordinary shares</b>	<b>%</b>	<b>Preference Shares</b>	<b>Options</b>
Multiplex Mining Pty Limited	36,613,625	45.7	22,345,000	20,000,000
BSG Gold B.V.B.A. S.A.	10,394,630	12.9	3,500,000	8,500,000
Zero Nominees Pty Limited	3,612,500	4.5		
J A Corcoran & Associates Pty Ltd	2,187,500	2.7		
Mr Michael Edward Constable	1,689,856	2.1		
Ninallo Pty Limited	1,325,000	1.7		
ANZ Nominees	1,077,750	1.4		
Minority Shareholders	23,191,304	29.0		
<b>Total</b>	<b>80,092,165</b>	<b>100.0</b>	<b>25,845,000</b>	<b>28,500,000</b>

*Assumes all existing Danae shareholders fully participate in the Rights Issue*

After the Placement, Rights Issue and the Issues and exercise of Options and issue to Mr Lewis	Ordinary shares	%	Preference Shares	Options
Multiplex Mining Pty Limited	56,613,625	52.2	22,345,000	-
BSG Gold B.V.B.A. S.A.	18,894,630	17.4	3,500,000	-
Zero Nominees Pty Limited	3,612,500	3.3		
J A Corcoran & Associates Pty Ltd	2,187,500	2.0		
Mr Michael Edward Constable	1,689,856	1.6		
Ninallo Pty Limited	1,325,000	1.2		
ANZ Nominees	1,077,750	1.0		
Minority Shareholders	23,191,304	21.3		
<b>Total</b>	<b>108,592,165</b>	<b>100.0</b>	<b>25,845,000</b>	-

*Assumes all existing Danae shareholders fully participate in the Rights Issue*

*Source: Danae share register and Grant Thornton Corporate Finance.*

We understand that Multiplex Mining intend to fully participate in the Rights Issue.

If BSG Gold exercise the Options granted under the Issues (and Multiplex Mining do not exercise their Options), and BSG Gold take up their full sub-underwriting entitlement, (as noted above) BSG Gold will be entitled to a maximum of 28.8% of the issued shares of Danae and Multiplex Mining will be entitled to a maximum of 41.5% of the issued shares of Danae.

If Multiplex Mining exercise the Options granted under the Issues (and BSG Gold do not exercise their Options), and Multiplex Mining and BSG Gold take up their entitlement under the rights issue, (as noted above) Multiplex Mining will be entitled to a maximum of 56.8% of the issued shares of Danae and BSG Gold will be entitled to a maximum of 17% of the issued shares of Danae.

These scenarios are described as alternatives for information purposes only and are not meant to predict likely outcomes.

The shares to be issued to Mr Donald Lewis amount to \$100,000. The number of shares to be issued is determined by the weighted average share price of Danae for the five (5) days prior to issue. For the purposes of this report the weighted average share price has been assumed to be \$0.25 per share and therefore Mr Lewis has been assumed to receive 400,000 ordinary shares.

## **5. VALUATION METHODOLOGIES**

### **5.1. Introduction**

ASIC Practice Note 43 provides guidance on the methodologies that an independent expert should consider when valuing a company for the purpose of forming an opinion as to the fairness of an acquisition pursuant to the Corporations Act 2001.

In establishing the fair value of Danae in assessing the Issue, the following valuation methods have been considered:

- the market value of listed securities;
- capitalisation of future maintainable earnings to which is added the realisable value of any surplus assets;
- the discounted cash flow method;
- comparable transactions;
- net asset backing;
- amount distributable to shareholders on orderly realisation of assets; and
- amount a potential acquirer may be prepared to pay for the business.

### **5.2. Market value of listed securities**

Market value is the price per issued share as quoted on the ASX or other recognised securities exchange. The share market price range would, prima facie, constitute the market value of the shares of a publicly traded company.

The share price quoted on the ASX reflects the market's assessment of all the information available on the company, the industry and the general economic environment in which the company trades. The share price is, in most circumstances, a reliable indicator of the realisable value of a minority holding or small parcel of shares and does not reflect the market value offering control to the acquirer.

The share market price however is affected by many factors and expectations existing in the financial markets, which are beyond Danae's control. Multiplex Mining's shareholding in the Company prior to the issue is 52.8% of the issued capital, together with the absence of profitable financial performance and resulting low share price and volume trades, the market value of listed securities is not considered an appropriate valuation methodology. We do however refer to the market value of Danae's shares as a "crosscheck" valuation methodology.

### **5.3. Capitalisation of future maintainable earnings**

The capitalisation of future maintainable earnings multiplied by an appropriate earnings multiple is a suitable valuation method for businesses that are expected to trade profitably into the foreseeable future. Maintainable earnings are the assessed sustainable profits that can be derived by the company's business and excludes any abnormal or "one off" profits or losses.

As the future maintainable earnings of Danae, incorporating the acquisition and operational changes to Danae's exploration and mining assets, are unable to be reliably forecast by the Company's management at the date of this report, the capitalisation of future maintainable earnings is not considered an appropriate valuation methodology for assessing the value of Danae.

#### **5.4. Discounted cash flow method**

An analysis of the net present value of projected cash flows or discounted cash flow method (“DCF”), is a valuation technique based on the premise that the value of the business is the present value of its future cash flows. This technique is particularly suited to a business with a finite life. In applying this method, the expected level of future cash flows are discounted by an appropriate discount rate based on the weighted average cost of capital. The cost of equity capital, being a component of the weighted average cost of capital (“WACC”), is estimated using the Capital Asset Pricing Model.

Predicting future cash flows is a complex exercise requiring assumptions as to the future direction of Danae, growth rates, operating and capital expenditure and numerous other factors. An application of this method generally requires cash flow forecasts for a minimum of five years.

Grant Thornton Corporate Finance is of the opinion that a DCF analysis is not an appropriate valuation methodology in the circumstances of Danae due to the significant changes to the Danae business model and that detailed financial forecasts are not able to be validated by an Independent Expert due to the significant operational changes, execution and start up assumptions which are incorporated in Danae’s operations and assets which have been acquired.

#### **5.5. Comparable Transactions**

The comparable transaction method is the value of similar assets established through comparative transactions to which is added the realisable value of surplus assets. The comparable transactions method uses similar or comparative transactions to establish a value for the current transaction.

Comparable transactions methodology involves applying multiples extracted from the market transaction price of similar assets to the equivalent assets and earnings of Danae. In many cases, the relevant transactions contain features that are unique to that transaction and it is often difficult to establish sufficient detail of all the material factors that contributed to the transaction price. Furthermore, the comparable transaction method is not relevant due to the distinct nature of the Issues. Accordingly, Grant Thornton Corporate Finance has concluded that the comparable transaction method is not an appropriate valuation methodology in the circumstances of Danae.

#### **5.6. Net asset backing**

The net asset backing valuation methodology for a company involves an assessment of the assets and liabilities of the company and applying a “fair market value” thereto. Asset backing valuations involve the determination of the net realisable value of the assets used in the business on the basis of an assumed sale of the business to a willing but not anxious buyer.

Grant Thornton Corporate Finance has used the net asset backing methodology as the primary methodology through the use of the pro-forma balance sheet for the Company. The pro-forma balance sheet includes the effect of the Issues and includes the pro-forma effect of the repayment of the debt to Multiplex Mining.

Accordingly, we believe this pro-forma balance sheet is the most appropriate reflection of the net asset position before and after the Issues.

#### **5.7. Amount on an orderly realisation of assets**

The amount that would be distributed to shareholders on an orderly realisation of assets is based on the assumption that a company is liquidated with the funds realised from the sale of its assets, after payment of all liabilities, including realisation costs and taxation charges that arise, being distributed to shareholders.

The orderly realisation of assets is a not currently a viable option available to the Directors of Danae, as the business is operated and managed on a going concern basis. However, should the Issues not be accepted, the Directors would need to consider the business' medium term viability.

Accordingly, Grant Thornton Corporate Finance has concluded that the orderly realisation of assets method of valuation is not appropriate to the circumstances of the Issue, and have used this valuation methodology to establish the low valuation range.

#### **5.8. Amount a potential acquirer may pay for the business**

The amount that a potential acquirer might be prepared to pay, is a valuation technique that incorporates any circumstances or reasons that a potential acquirer may have (including potential economies of scale, entry into the market, reduced competition or other factors), in assessing the value of a company.

Apart from the Issues, at the date of this report neither the Directors or Grant Thornton Corporate Finance are aware of any other offers or financing alternatives for Danae and therefore this method is not considered appropriate for the valuation of Danae.



## 6. VALUATION ASSESSMENT

We consider in this section of our report, the quantitative factors and our assessment of the “fairness” of the Issues. These considerations should be read in conjunction with our comments on the qualitative aspects or “reasonableness” of the Issues set out in section 8 of this report.

### 6.1. Net asset backing (assessed preferred value)

As detailed in Section 5, we believe the net asset backing method will provide the most reliable valuation of Danae. Asset backing valuations involve the determination of the net realisable value of the assets used in the business on the basis of an assumed sale of the business to a willing but not anxious buyer. This is not a valuation on the basis of a forced sale where assets might be sold at values materially different from their market value.

This valuation methodology assumes that Danae continues as a going concern and that the Company realises the value of its assets in its business including identifiable and non-identifiable intangible assets inherent in the business.

We have assumed that the value of Danae’s business and net assets including intangible assets are equivalent to the net assets disclosed in the accounts and reflects the consideration a potential acquirer would be prepared to pay for those assets.

Accordingly we set out below our assessed value of Danae.

**Figure 8: Valuation of Danae using net asset backing method**

	<b>Preferred Value \$’000</b>
Pro-forma net liabilities of Danae as at 31 August 2003 <sup>1</sup>	(2,239)
Issued shares (‘000) <sup>2</sup>	55,438
<b>Deficit per share (\$) – Before Placement, Rights Issue or the Issues</b>	<b>(0.04)</b>
Pro-forma net liabilities of Danae as at 31 August 2003	(2,239)
Further expenses incurred to 8 December 2003 <sup>3</sup>	(812)
Cash received from Placement <sup>4</sup>	1,663
Cash received from Rights Issue <sup>5</sup>	3,187
Costs of Rights Issue	(237)
<b>Estimated pro-forma net assets of Danae as at 31 August 2003 after Placement and rights issue</b>	<b>1,562</b>
Pro-forma issued shares (‘000) <sup>6</sup>	80,092
<b>Value per share (\$) – After placement and the rights issue</b>	<b>0.02</b>

	<b>\$'000</b>
<b>Estimated pro-forma net assets of Danae as at 31 August 2003 after Placement and rights issue</b>	<b>1,562</b>
Issue of Redeemable Preference Shares <sup>7</sup>	25,845
Issue of ordinary shares to Mr Lewis	100
	<u>27,507</u>
Redeemable Preference Shares	<u>(25,845)</u>
<b>Estimated pro-forma net assets of Danae as at 31 August 2003 after Placement, Rights Issue and Redeemable Preference Share Issue</b>	<b>1,662</b>
Pro-forma issued ordinary shares ('000)	<u>80,092</u>
<b>Value per share (\$) – After Placement, Rights Issue and Redeemable Preference Share Issue</b>	<b><u>0.02</u></b>

<sup>1</sup> Net liabilities at 31 August 2003 as per Section 4.1

<sup>2</sup> Ordinary shares on issue prior to the Placement, Rights Issue and the Issues as per Section 4.3

<sup>3</sup> Estimated further increase in Multiplex Mining loan account between 31 August 2003 and 8 December 2003 as provided by Danae (includes accrued management and interest charges)

<sup>4</sup> Cash proceeds from the placement in accordance with Resolution 1

<sup>5</sup> Cash proceeds from the Rights Issues

<sup>6</sup> Ordinary shares on issue after the Placement, Rights Issue and issues to Mr Lewis as per Section 4.3

<sup>7</sup> Cash proceeds from the Issues in accordance with Resolution 2 and 3

## 6.2. Amount on an orderly realisation of assets (assessed low value)

If the issue of Redeemable Preference Shares is not approved by the shareholders of Danae, an alternative available to the Directors is to wind up the Company. This implies the orderly realisation of assets by sale and the return of the balance of share capital to the shareholders.

The calculation of the estimated return to shareholders upon the winding up of Danae is not relevant to the value of the shares after the Placement and issue of Redeemable Preference Shares however, the calculation provides a reasonableness check to ensure that the shareholders will not receive a greater financial return on the wind up of the Company, as opposed to approving the issue of Redeemable Preference Shares.

**Figure 9: Valuation of Danae using orderly realisation of business assets method**

	<b>Low Value \$000</b>
Liquid assets as at 31 August 2003 <sup>1</sup>	51
Adjustments:	
Payment of interest bearing liabilities <sup>2</sup>	(17,220)
Payment of payables <sup>3</sup>	(4,350)
Payment of rehabilitation costs <sup>4</sup>	(100)
Payment of legal, accounting and advisor costs <sup>5</sup>	(150)
Payment of working capital costs during wind up <sup>5</sup>	(200)
Receipts from debtors <sup>6</sup>	75
Receipt from non current debtors <sup>7</sup>	4,156
Proceeds from sale of investment <sup>7</sup>	13,007
Proceeds from disposal of listed shell company <sup>8</sup>	150
	<hr/>
<b>Total cash deficit on realisation of business assets</b>	<b>(4,581)</b>
	<hr/>
Issued shares ('000) <sup>9</sup>	55,438
	<hr/>
<b>Deficit per share (\$)</b>	<b>(0.08)</b>
	<hr/>

<sup>1</sup> Liquid assets represent cash on hand, cash at bank, cash deposits and other cash assets as provided by Danae at 31 August 2003

<sup>2</sup> Payment of interest bearing liabilities recorded in the estimated Statement of Financial Position as at 31 August 2003 as provided by Danae

<sup>3</sup> Payment of estimated payables at 31 August 2003

<sup>4</sup> Payment of estimated liabilities rehabilitation costs on the wind up of Company's mining operations.

<sup>5</sup> Payment of estimated liabilities incurred during the course of the winding up of the business.

<sup>6</sup> Receipt of receivables outstanding at 31 August 2003.

<sup>7</sup> Sale of investments and loan note in Greenwich Resources Plc.

<sup>8</sup> Assessed value of the proceeds from the sale of the Company to a third party (such as by way of reverse takeover) subject to ASX and shareholder approval

<sup>9</sup> Number of ordinary shares on issue prior to the Placement, Rights Issue and Issues as per Section 4.3

*Source: Calculations and management reports*

If the shareholders of Danae do not accept the Issues and the Directors resolve to wind up the Company then Grant Thornton Corporate Finance estimates there would be no return to shareholders due to a cash deficit following the realisation of assets amounting to \$0.08 per share.

### **6.3. Market value of listed securities (assessed high value)**

We note that the 'last trade price' on the ASX for shares in Danae on 1 October 2003 was \$0.21. This amount is more than our assessed preferred value using the net asset backing method of \$0.02, by \$0.19, and greater than the deficit prescribed above using the orderly realisation of assets of \$0.08, by \$0.29 per share.

We have considered the discrepancy between the last trade price and our preferred assessed values. We have reviewed share trading information in respect of Danae shares for the period from 1 October 2002 to 1 October 2003 and noted that the share price fluctuated between \$0.10 and \$0.44 (prior to share consolidation in February 2003). We noted that transaction volumes over the same period were extremely low, with a significant number of days in that period during where no share trading occurred. Furthermore, we note such volumes which were traded could not support any realisation of a moderate sized parcel of shares. On this basis, and in the absence of any alternative offer, Grant Thornton Corporate Finance are of the opinion that the share trading volumes during this period are not sufficient to support any premise that the quoted market value of the shares in the Company could be realised by the existing shareholders of Danae.

Multiplex Mining prior to the Issues and Rights Issue hold a 52.83% interest in the ordinary shares of Danae. At the date of this report Danae had Net Liabilities amounting to approximately \$2.2 million. The continued support of Multiplex Mining as Danae's major shareholder is critical to the Company's ability to continue as a going concern. If Multiplex Mining were to withdraw their support it would crystallise significant debt obligations which would make it unlikely for Danae to achieve a capital raising of the nature described in this report. It is unlikely a non-associated shareholder would be able to sell any material sized parcel of shares for a value similar to the historical quoted Market Price of Danae's shares described in this report without the continued support of Multiplex Mining.

Notwithstanding the points raised above, we have used the "last trade price" of Danae's shares on the ASX as our assessed high values on the assumption that smaller parcels of shares may be able to be realised at such values so long as Multiplex Mining were a continuing shareholder and supporter of Danae.

#### **6.4. 'A' Class and 'B' Class Redeemable Preference Shares**

A summary of the terms of the 'A' Class Redeemable Preference Shares ("A' Class RPS") and 'B' Class Redeemable Preference Shares ("B' Class RPS") to be issued to Multiplex Mining and BSG Gold is set out below;

- The RPS rank after all creditors, however the 'A' Class RPS have preference over the 'B' Class RPS in relation to redemption or return of capital on a winding up. 'A' Class RPS and 'B' Class RPS rank equally for payment of Dividends but in priority of all other shares in the Company that rank below 'A' Class RPS and 'B' Class RPS;
- There are no rights to participate beyond the Issue Price and all arrears of Dividends. All 'A' Class RPS and 'B' Class RPS rank equally amongst themselves.
- A Cumulative preferential dividend at 10% per annum, payable half-yearly in arrears will be incurred;
- The shares have no rights of conversion to equity;
- Preference Shareholders have similar rights as Ordinary Shareholders to receive notices, reports and to attend meeting;
- Holders of 'A' & 'B' Class RPS will not be entitled to speak or to vote at general meetings of the Company except in each of the following circumstances;
  - if at the time of the meeting a Shortfall Amount exists;
  - on a proposal to reduce the Company's share capital;
  - on any resolution to approve the terms of a buy-back agreement;
  - on any proposal that affects the rights or privileges attached to the 'A' & 'B' Class RPS;
  - on any proposal to wind up the Company;
  - on any proposal for the disposal of the whole of the Company's property, business and undertaking;
  - during the winding up of the Company;

in which case a holder of 'A' or 'B' Class RPS has the same rights as to manner of attendance at general meetings in respect of each 'A' & 'B' Class RPS as those conferred on holders of ordinary shares in the Company and each holder of 'A' Class RPS will have:

- one vote on a show of hands;
  - one vote for each fully paid 'A' Class RPS / 'B' Class RPS held by that holder on a poll.
- 'A' & 'B' Class RPS will not be quoted on the ASX;
  - Both classes of RPS will be redeemable at the option of the Company at any time on or before the Redemption Date. "A' Class RPS will be redeemed in priority to 'B' Class RPS with any outstanding 'A' Class RPS being redeemed on the Redemption Date. Any outstanding 'B' Class RPS must be redeemed on the Redemption Date subject to full redemption of any outstanding 'A' Class RPS.
  - The 'Redemption Date' will be the earlier of the 5<sup>th</sup> anniversary of the Allotment Date and the date immediately following the Allotment Date, on which the Company issues new shares for the purpose of using the proceeds of the new issue to redeem 'A' Class / 'B' Class RPS.

In addition the 'A' and 'B' Class RPS carry the following rights:

#### ***Rights attaching to 'A' Class RPS***

Prior to the date on which all 'A' Class RPS have been redeemed, the Issuer must:

- not declare or pay any dividend or distribution on its Ordinary Shares until the Issuer has paid all amounts which are due and payable to all holders of 'A' Class RPS and 'B' Class RPS;
- not issue shares ranking in priority to the 'A' Class RPS without the approval by special resolution of the holders of the 'A' Class RPS in general meeting;
- not redeem any 'B' Class RPS or any other redeemable preference share that ranks behind 'A' Class RPS.

#### ***Rights attaching to 'B' Class RPS***

Prior to the date on which all 'B' Class RPS have been redeemed, the Issuer must:

- not declare or pay any dividend or distribution on its 'A' Class RPS and Ordinary Shares until the Issuer has paid all amounts which are due and payable to all holders of 'B' Class RPS;
- not issue shares ranking in priority to the 'B' Class RPS without the approval by special resolution of the holders of the 'B' Class RPS in general meeting;

#### ***Transfer of 'A' Class and 'B' Class RPS***

- The 'A' Class and 'B' Class RPS are transferable in accordance with the Constitution and may only be transferred in accordance with all applicable laws and regulations of each relevant jurisdiction.
- 'A' Class and 'B' Class RPS which are transferred in respect of offers or invitations received in Australia in the 12 month period after the Allotment Date must be transferred for a consideration of not less than \$500,000 unless the offer by the transferor otherwise requires only limited disclosure by virtue of section 708 of the Corporations Act.

#### ***Ranking of 'A' Class RPS***

- *'A' Class RPS rank equally* – 'A' Class RPS rank equally amongst themselves in all respects.

- *Payment of Dividends* - 'A' Class RPS rank equally with 'B' Class RPS but in priority to, Ordinary Shares and any other class of shares ranking behind the 'A' Class RPS and 'B' Class RPS for the payment of Dividends.

#### ***Ranking of 'B' Class RPS***

- *'B' Class RPS rank equally* – 'B' Class RPS rank equally amongst themselves in all respects.
- *Payment of Dividends* - 'B' Class RPS rank equally with 'A' Class but in priority to Ordinary Shares and any other class of shares ranking behind the 'B' Class RPS for the payment of Dividends.

#### ***Return of capital to 'A' Class RPS on winding-up***

- If there is a return of capital on a winding-up of the Issuer, the holders of the 'A' Class RPS will be entitled to receive out of the assets of the Issuer available for distribution to holders of shares, in respect of each 'A' Class RPS held, a sum equal to the aggregate of:
  - the Issue Price;
  - the amount of any Dividend (whether declared or not) calculated on a daily basis (assuming a 365 day year) throughout the period from and including the last Dividend Payment Date on which a Dividend was paid to the date of commencement of the winding-up; and
  - all arrears of Dividends other than Dividends described in clause 6.3(1);

before any return of capital is made to holders of 'B' Class RPS, Ordinary Shares or any other class of shares ranking behind the 'A' Class RPS.
- *Insufficient capital on a winding-up* - If, upon such return of capital, there are insufficient funds to pay in full the amounts referred to in clause 6.3 and the amounts payable in respect of any other shares in the Issuer ranking as to such distribution equally with the 'A' Class RPS on a winding-up of the Issuer, then the holders of the 'A' Class RPS and the holders of any such other shares will share in any distribution of assets of the Issuer in proportion to the amounts to which they respectively are entitled.
- *No further rights* - The 'A' Class RPS do not confer on their holders any further right to participate in the surplus assets of the Issuer on a winding-up.

#### ***Return of capital to 'B' Class RPS on winding-up***

- If there is a return of capital on a winding-up of the Issuer, the holders of the 'B' Class RPS will be entitled to receive out of the assets of the Issuer available for distribution to holders of shares, in respect of each 'B' Class RPS held, a sum equal to the aggregate of:
  - the Issue Price;
  - the amount of any Dividend (whether declared or not) calculated on a daily basis (assuming a 365 day year) throughout the period from and including the last Dividend Payment Date on which a Dividend was paid to the date of commencement of the winding-up; and
  - all arrears of Dividends other than Dividends described in clause 6.3(1);

before any return of capital is made to holders of Ordinary Shares or any other class of shares ranking behind the 'B' Class RPS.
- *Insufficient capital on a winding-up* - If, upon such return of capital, there are insufficient funds to pay in full the amounts referred to in clause 6.3 and the amounts payable in respect of any other shares in the Issuer ranking as to such distribution equally with the 'B' Class RPS on a

winding-up of the Issuer, then the holders of the 'B' Class RPS and the holders of any such other shares will share in any distribution of assets of the Issuer in proportion to the amounts to which they respectively are entitled.

- *No further rights* - The 'B' Class RPS do not confer on their holders any further right to participate in the surplus assets of the Issuer on a winding-up.

## 6.5. Value of options

In accordance with the resolutions 2 and 3 detailed in Section 1.1 of this report the following options are to be issued;

- i 20,000,000 unlisted options entitling Multiplex Mining to subscribe for 20,000,000 Danae Ordinary Shares at \$0.25 per share, expiring on the 5<sup>th</sup> anniversary of the date of grant;
- ii 8,500,000 unlisted options entitling BSG Gold to subscribe for 8,500,000 Danae Ordinary Shares at \$0.25 per share, expiring on the 5<sup>th</sup> anniversary of the date of grant.

Using the Binomial option-pricing model, we have assessed the value of these options on the basis of certain assumptions, as set out below:

**Figure 10: Valuation of options**

	Multiplex Mining	BSG Gold
Intrinsic value of option	-	-
Time value of option (per share) \$	0.20	0.20
Number of shares	20,000,000	8,500,000
Calculated value of option	4,000,000	1,700,000
<i>Discount for illiquidity and tradability</i>	<i>50%</i>	
	2,000,000	850,000
Discounted value of option (\$)	2,000,000	850,000
<b>Assumptions</b>		
Market price (30 day weighted average price)	0.25	0.25
Exercise price	0.25	0.25
Maturity (years)	5	5
Annual volatility	1.11	1.11
Risk free rate	5.27%	5.27%

Source: calculations, [www.tradingroom.com.au](http://www.tradingroom.com.au), [www.rba.gov.au](http://www.rba.gov.au)

In the opinion of Grant Thornton Corporate, the options issued to Multiplex Mining and BSG Gold as detailed above have a value of \$2,000,000 and \$850,000 respectively. However, it is unlikely that these options would be exercised unless Danae's share price increased beyond the \$0.25 exercise price and that volatility was sufficiently low that investors were comfortable of achieving intrinsic value.

Furthermore any significant exercise of options will face the same risks in respect of realisation due to little or no liquidity in Danae shares. Whilst the exercise of the options are potentially dilutive, for the holder of options to realise any value they will require exercise which in turn will provide Danae with additional cash resources.

## 6.6. Value of Danae after the Placement and Rights Issue

The Placement and Rights Issue comprises the following:

- the placement of 8,315,704 fully paid ordinary shares at an issue price of \$0.20 per share to BSG Gold; and
- a 1 for 4 Rights Issue at \$0.20 per ordinary share amounting to \$3.19 million;

**Figure 11: Value of Danae after the Placement and Rights Issue**

	Net assets Preferred Value \$000	Orderly realisation Low Value \$000
Pro-forma net liabilities of Danae as at 31 August 2003	(2,239) <sup>1</sup>	(4,581) <sup>3</sup>
Further expenses incurred to date <sup>2</sup>	(812)	(812)
Cash received from Placement	1,663	1,663
Cash received from Rights Issue	3,187	3,187
Costs of Rights Issue	(237)	(237)
	<u>1,562</u>	<u>(780)</u>
Issued shares ('000) <sup>4</sup>	80,092	80,092
<b>Value per share (\$)</b>	<b><u>0.02</u></b>	<b><u>(0.01)</u></b>

1. As disclosed in section 4.1
2. Estimated increase in Multiplex Mining loan account between 31 August 2003 and 8 December 2003 as provided by Danae
3. If the Issues is not approved by the shareholders of Danae and the Directors resolve to wind up the Company then Grant Thornton Corporate Finance assesses the deficiency to shareholders after the orderly realisation of assets is (0.08) cents per share, as shown in section 6.2.
4. Number of shares on issue following the Placement and Rights Issue 63,753,732 plus 15,938,433 subject to rights issue and issue of approximately 400,000 ordinary shares to Mr Lewis.

## Value of Danae after the Placement, Rights Issue, the Issues and issue to Mr Lewis

The Issues comprise of the following;

- the issue of 22,345,000 'A' Class Redeemable Preference Shares to Multiplex Mining at an issue price of \$1.00;
- the issue of 20,000,000 Options to Multiplex Mining exercisable at \$0.25 per option;
- the issue of 3,500,000 'B' Class Redeemable Preference Shares to BSG Gold at an issue price of \$1.00;
- the issue of 8,500,000 Options to BSG Gold exercisable at \$0.25 per option; and
- the issue of approximately 400,000 ordinary shares to Mr Lewis amounting to \$100,000.



**Figure 12: Value of Danae after the Placement, Rights Issue, the Issues and issue to Mr Lewis**

	<b>Preferred Value \$000</b>	<b>Low Value \$000</b>
Pro-forma net liabilities of Danae as at 31 August 2003 after the Placement and Rights Issue	1,562	(780)
Proceeds from issue of Redeemable Preference Shares	25,845	25,845
Issue of ordinary shares to Mr Lewis	100	100
Net assets following the Issues and Rights Issue	27,584	25,165
Redeemable preference Shares	(25,845)	(25,845)
	1,662	(680)
Issued shares ('000)	80,092	80,092
<b>Value per share (\$)</b>	<b>0.02</b>	<b>(0.01)</b>

#### **6.7. Premium for control**

A control or takeover premium is appropriate in situations where an offeror is seeking to obtain the benefits associated with the ability to control the strategy and operations of its target and, in particular, the cash flows of that company.

In recent years, takeover premiums of companies listed on the ASX subject to takeovers have usually attracted premiums of between 15 and 40 per cent to the share market price at the time of the announcement of the offer. Whilst historical and empirical evidence may not be comparable or representative of any particular offer, we have considered the circumstances of the Placement and believe that, under the circumstances, a premium for control is not applicable in this instance.

A takeover or control premium is a market concept not a technical valuation concept. A technical valuation assumes 100 per cent of the underlying assets of the company, rather than a premium for acquiring a controlling stake over the issued shares of a company listed on a stock exchange. A takeover or control premium may also be appropriate where an offeror can exploit the particular business so that a greater value is achieved, for example through operational synergies and utilisation of supplier arrangements, as may be the case in respect of Danae.

Grant Thornton Corporate Finance consider that a premium for control is not appropriate because, if the Issues are accepted, it will not entitle an individual Director or associated entities to a controlling interest in the issued shares of Danae which does not already exist. Multiplex Mining are likely to retain a controlling interest (approximately 50%) of Danae following the Issues, although the improved financial position of Danae will decrease its dependency on Multiplex Mining.

Although BSG Gold is a major investor following the Issue and following the maximum participation in the Rights Issue, it will not be entitled to control as set out in Section 4.3 of this report.

In addition to the above considerations, Grant Thornton Corporate Finance believe the financial position of the Company in its existing form and the dependency on the continued financial support of Multiplex Mining is not sufficiently robust to warrant any premium being paid for control of future cash flows of the Company.

***Accordingly, in the opinion of Grant Thornton Corporate Finance, the Issue is fair.***

As the Issues contain elements which, we believe impact on both qualitative and quantitative factors, we recommend shareholders carefully consider the quantitative considerations in conjunction with the qualitative considerations. As discussed in Section 6 above, the Issues are fair and therefore the Issues are reasonable. However, we draw the shareholders' attention to the advantages and disadvantages set out in Section 7 below.

## **7. ADVANTAGES AND DISADVANTAGES OF THE ISSUE – “reasonableness”**

In respect of the Issues, we set out below a summary of the advantages and disadvantages to the non-associated shareholders of Danae. These qualitative factors should be considered in conjunction with the quantitative factors discussed in Section 5.

### **7.1. Advantages**

#### ***Removal of inherent uncertainty***

At 31 August 2003 Danae had Net Liabilities of approximately \$2.2 million with Danae dependant upon the continued support of its major shareholder, Multiplex Mining, to continue as a going concern. The capitalisation of the Multiplex Mining loan account and the successful completion of the Placement, Rights Issue and Issues will provide Danae with positive Net Assets and consequently Danae will be in a position to continue as a going concern independently.

#### ***Acquisition of Multiplex Resources (Kazakhstan) Limited***

The Issues of shares will raise an amount of \$8.35 million in cash. From these funds Danae will purchase Multiplex Resources (Kazakhstan) Limited - intun owns the rights to the Vostok Copper Project - for an amount of \$1,500,000 to be completed no later than 31 January 2004.

#### ***Working Capital injection***

The remainder of the proceeds from the Issues will be used as working capital to continue exploration and evaluation activity, particularly in relation to the Zarmitan Gold Project.

#### ***Retirement of Debt***

The Issue to Multiplex Mining is in consideration for the retirement of debt in the Company owed to Multiplex Mining in the amount of \$22,345,000, which will improve the Company's financial position.

#### ***Termination of Management Agreement***

The issue of Redeemable Preference Shares to Multiplex Mining will also terminate the management agreement which is a significant drain on cash resources. In addition it is questionable whether a Company the size of Danae, particularly in the resource development stage, require management support at the level which was being provided under the Multiplex Mining Management Agreement.

#### ***Major shareholder support***

The Company will benefit from its continued association with Multiplex Mining as it allows the Company to exploit future strategic opportunities, which it was not previously in a position to do. Multiplex Mining is an anchor investor in the Company with a Danae shareholding of 45.9% of the ordinary share capital following the Issues. Multiplex Mining have also pledged their support to fully participate in the rights issue.

### ***Association with BSG Gold***

The Company will benefit from its association with BSG Gold through the injection of significant amounts of working capital as well as technical expertise through its relationship with BSG Gold's related party being Bateman Engineering which is a leading supplier of engineering expertise to the resource sector. BSG Gold will be the second largest investor after Multiplex Mining, holding of 13% of the Company following the Issues.

### ***No return to shareholders on winding up***

If the Directors elected to wind up the Company an orderly realisation of assets would result in a deficiency to shareholders. If the wind up of the Company were through a "fire sale" the deficiency would be greater. The Issues therefore provide the shareholders with an opportunity to realise their investment.

### ***Rights Issue***

The non-associated shareholders will have the ability to further participate in any potential upside in Danae by participating in the Rights Issue if they so choose.

### ***Alternative offer***

We are not aware of a takeover bid or alternative offer, which is more favourable than the Issues detailed in this report.

## **7.2. Disadvantages**

### ***Dilution of shareholding in the Company***

Acceptance of the resolution in respect of the Issue will result in the dilution of individual shareholders' interests in Danae relative to market prices as at the date of this report. The Rights Issue has also been offered to shareholders at a price, which is at a discount to the current market price of the Company's shares. This discount reflects normal market conditions where the price is set for similar share issues at a discount to the prevailing market price.

### ***Dilution effect on exercise of Options***

When the options issued to Multiplex Mining and BSG Gold are exercised, if none of the existing Danae shareholders participate in the Rights Issue and Multiplex Mining and BSG Gold take up their full entitlement under the underwriting and sub underwriting agreements, the current shareholders will be further diluted with Multiplex Mining having a 52.3% interest and BSG Gold a 23.5% interest.

### ***Mining and financing risks***

As part of the completion process, certain asset purchase activities need to be successfully executed. There is a risk that the optimum implementation of the mine improvement, re-financing and other execution requirements does not occur as planned or in accordance with the desired timetable. This could disadvantage shareholders who previously were not exposed to the execution or operational risks involved in operating mine activities.

### ***Further geographical and exploration challenges***

The acquisition of Vostok will further increase the geographical spread of Danae's resources projects. A challenge facing Danae will be for a company of its size to fully exploit and control the development and commercialisation of its resource projects which due to the geographic location in relation to Australia carry an increased level of risk.

### ***Assessment of reasonableness***

Having regard to the qualitative considerations described above, we believe that the advantages identified outweigh the disadvantages identified.

***Accordingly, in the opinion of Grant Thornton Corporate Finance, the Issues are reasonable.***

## 8. VALUATION SUMMARY

### 8.1. Valuation conclusion – “fairness”

We set out below our assessed value of a Danae share prior to and following the Placement, Rights Issue and Issues

Description	Reference	Value		
		<sup>1</sup> Grant Thornton Corporate Finance	Orderly Realisation of Assets	Market Value of Listed Securities
		Preferred \$	Low \$	High \$
Assessed value of one Danae share before the Placement, Rights Issue and Issues	Section 6	Nil	(0.08)	0.21
Assessed value of one Danae Share after the Placement and Rights Issue	Section 6	0.02	(0.01)	0.21
Assessed value of one Danae share after the Placement, Rights Issue following the Issues and issue to Mr Lewis	Section 6	0.02	(0.01)	0.21

Source: Grant Thornton Corporate Finance Calculations

<sup>1</sup> Net Asset Backing is Grant Thornton Corporate Finances preferred valuation methodology.

In comparing the value of one Danae share before and after the Issues we have had regard to the value of each of the Issues as noted below;

Placement	\$0.20 for each Danae Share
Redeemable Preference Shares	\$1.00 per Redeemable Preference Share
1 for 4 Rights Issue	\$0.20 for each Danae Share
Options exercise price	\$0.25 for each Danae Share

Grant Thornton Corporate Finance has assessed one Danae share to have a preferred value of **\$Nil per share** prior to the Placement, Rights Issue, the Issues and issue to Mr Lewis. We note that in reaching this conclusion we have had regard to the continued financial support of Multiplex Mining and that Danae has continued as a going concern due to this support. If Multiplex Mining were to withdraw their support it would crystallise significant debt obligations which would make it unlikely for Danae to achieve a capital raising of the nature described in this report. It is unlikely that a Non Associated shareholder would be able to realise an acceptable market value (Grant Thornton Corporate Finance’s assessed “High” value) for a materially sized parcel of shares in the market place, without the continued support of Multiplex Mining.

Following the Placement and Rights Issue, Grant Thornton Corporate Finance has assessed one Danae share to have a preferred value of **\$0.02 per share**.

Following the Placement, Rights Issue, the Issues and issue to Mr Lewis, Grant Thornton Corporate Finance has assessed one Danae share to have a preferred value of **\$0.02 per share**.

**Accordingly, in the opinion of Grant Thornton Corporate Finance, the Issues are fair.**

## **8.2. Valuation conclusion – “reasonableness”**

We have considered the likely advantages and disadvantages of the Issues for the non-associated shareholders of Danae, and the advantages and disadvantages for the same shareholders if the Issues do not proceed. It is the opinion of Grant Thornton Corporate Finance that the benefits, in the absence of an alternative proposal, that are likely to accrue to the shareholders as a result of the Issues outweigh the disadvantages if the Issues do not proceed.

**Accordingly, in the opinion of Grant Thornton Corporate Finance, the Issues are reasonable.**

**In the opinion of Grant Thornton Corporate Finance, the Issues are fair and reasonable to the non-associated shareholders of Danae.**

## **9. SOURCES OF INFORMATION, DISCLAIMER AND CONSENTS**

### **9.1. Sources of information**

In preparing this report Grant Thornton Corporate Finance has used various sources of information, including:

- the Danae Explanatory Memorandum dated on or about 18 November 2003;
- the Danae Audited Annual Report for the year ended 30 June 2003;
- Danae Management Accounts for the period ended 31 August 2003;
- discussions with Directors and management of Danae;
- Danae Board Report – August 2003
- shareholder register of Danae as at 1 October 2003;
- releases and announcements by Danae to the ASX, and
- share prices and other information sourced from a number of data providers.

### **9.2. Qualifications and independence**

Grant Thornton Corporate (NSW) Pty Limited holds a Dealer's Licence under the Corporations Act 2001 and its authorised representatives are qualified to provide this report.

Grant Thornton Corporate Finance provides a full range of corporate finance services and has advised on numerous takeovers, corporate valuations, acquisitions, and restructures. Prior to accepting this engagement, Grant Thornton Corporate Finance considered its independence with respect to Danae with reference to the ASIC Practice Note 42 "Independence of Expert's Reports".

### **9.3. Limitations and reliance on information**

Grant Thornton Corporate Finance's report and opinion is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

Grant Thornton Corporate Finance has prepared this report on the basis of financial and other information provided by Danae and publicly available information. Grant Thornton Corporate Finance has considered and relied upon this information. Grant Thornton Corporate Finance has no reason to believe that any information supplied was false or that any material information has been withheld. Grant Thornton Corporate Finance has evaluated the information provided to it by Danae and other experts through inquiry, analysis and review, and nothing has come to our attention to indicate the information provided was materially misstated or would not afford reasonable grounds upon which to base our report. Nothing in this report should be taken to imply that Grant Thornton Corporate Finance has audited any information supplied to us, or has in any way carried out an audit on the books of accounts or other records of Danae.

This report has been prepared to assist the independent directors of Danae in advising the non-associated shareholders in relation to the Issue. This report should not be used for any other purpose. In particular, it is not intended that this report should be used for any purpose other than as an expression of Grant Thornton Corporate Finance's opinion as to whether the Issue is fair and reasonable.

The Company has indemnified Grant Thornton Corporate Finance, its affiliated companies and their respective officers and employees, who may be involved in or in any way associated with the performance of services contemplated by Danae's engagement letter dated 29 September 2003, against any and all losses, claims, damages and liabilities arising out of or related to the performance of those services whether by reason of their negligence or otherwise, excepting gross negligence and wilful misconduct, and which arise from reliance on information provided by Danae, which Danae knew or should have known to be false and/or reliance on information, which was material information Danae had in its possession and which Danae knew or should have known to be material and which Danae did not provide to Grant Thornton Corporate Finance. Danae will reimburse any indemnified party for all expenses (including without limitation, legal expenses) on a full indemnity basis as they are incurred.

Grant Thornton Corporate Finance does not have, at the date of this report, and has not had within the previous two years, any relationship with Danae that could reasonably be regarded as capable of affecting its ability to provide an independent and unbiased opinion in relation to the proposed Issue. Grant Thornton Corporate Finance is entitled to receive a fee based on commercial rates and including reimbursement of out of pocket expenses for the preparation of this report. This fee is estimated at the date of this report to be \$55,000. Except for this fee, Grant Thornton Corporate Finance will not be entitled to any other pecuniary or other benefit, whether direct or indirect, in connection with the making of this report. The payment of this fee is in no way contingent upon the success or failure of the Issue.

Grant Thornton, Brisbane is the auditor of Danae and is also an independent member of Grant Thornton Association Inc. in Australia.

#### **9.4. Consents**

Grant Thornton Corporate Finance consents to the issuing of this report in the form and context in which it is to be sent to the shareholders of Danae. We note that the Company has sought the consent of ASIC to dispatch this Independent Expert's Report to its shareholders separately from the Notice of General Meeting, Proxy Form and Explanatory Memorandum to be sent to shareholders on or about 21 November 2003. Neither the whole nor part of this report nor any reference thereto may be included in or with or attached to any other document, resolution, letter or statement without the prior written consent of Grant Thornton Corporate Finance as to the form and content in which it appears.



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## **SECTION 4**

### **GLOSSARY**

The following definitions are used in this Notice of Meeting and Explanatory Memorandum:

<b>"A' Class Preference Shares"</b>	means the 'A' class cumulative redeemable preference shares in the capital of the Company granted on the terms and conditions as specified in and set out in Schedule 1 to the Explanatory Memorandum;
<b>"General Meeting"</b>	means the proposed general meeting of the Company to be held on Monday 22 December 2003 at 10 am;
<b>"ASX"</b>	means Australian Stock Exchange Limited ABN 98 008 624 691;
<b>"B' Class Preference Shares"</b>	means the 'B' class cumulative redeemable preference shares in the capital of the Company granted on the terms and conditions as specified in and set out in Schedule 2 to the Explanatory Memorandum;
<b>"Board"</b>	means the board of directors of the Company;
<b>"BSG Gold"</b>	means BSG Gold B.V.B.A S.A. (formerly known as Tikana Development S.A.) registered in British Virgin Islands;
<b>"BSG Gold Subscription Agreement"</b>	means the agreement dated 29 October 2003 between the Company and BSG Gold;
<b>"Business Days"</b>	means Monday to Friday inclusive, except New Years Day, Good Friday, Easter Monday, Christmas Day and Boxing Day;
<b>"Company" and "Danae"</b>	means Danae Resources NL ABN 11 009 173 880;
<b>"Constitution"</b>	means the Constitution of the Company;
<b>"Corporations Act"</b>	means the <i>Corporations Act</i> 2001 (Cth) as amended from time to time;
<b>"Directors"</b>	means Messrs Corcoran, Bovard, Roberts and Lewis, the directors of the Company;
<b>"Explanatory Memorandum"</b>	means the explanatory memorandum to the Notice of Meeting;
<b>"Listing Rules"</b>	means the official listing rules of the ASX;

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<b>"Management Agreement"</b>	means the heads of agreement dated 4 November 1998 between the Company and Multiplex (as amended);
<b>"Multiplex" or "Multiplex Mining"</b>	means Multiplex Mining Pty Limited ABN 74 076 112 984;
<b>"Multiplex Group"</b>	means Multiplex Constructions Pty Ltd ABN 96 008 687 063 and its Subsidiaries;
<b>"Multiplex Subscription Agreement"</b>	means the agreement dated 23 October 2003 between the Company and Multiplex;
<b>"Notice of Meeting"</b>	means the notice convening the General Meeting which is accompanied by this Explanatory Memorandum;
<b>"Options"</b>	means an Option to acquire a Share in the Company granted on the terms and conditions as specified in and set out in Schedule 3 to the Explanatory Memorandum;
<b>"Placement"</b>	means the placement by the Company of 8,315,704 Shares on 10 October 2003 with BSG Gold;
<b>"Rights Issue"</b>	means the non-renounceable rights issue by the Company on a 1 for 4 basis at 20 cents per share to raise approximately \$3,187,687;
<b>"Share"</b>	means a fully paid ordinary share in the capital of the Company;
<b>"Share Equivalent"</b>	<p>means, in relation to Resolution 4, the maximum number of Shares to be issued to Mr Donald Lewis (or his nominee) determined by application of the following formula:</p> $SE = AUD100,000 / IP$ <p>Where:</p> <p>SE is the Share Equivalent being the maximum number of Shares to be issued to Mr Donald Lewis (or his nominee);</p> <p>IP is the issue price, being the weighted average price of the Company's Shares over the 5 trading days up to and including the day of issue; and</p> <p>If the Share Equivalent results in a fraction of a Share, that fraction will be disregarded;</p>
<b>"Shareholder"</b>	means the registered holder of a Share in the Company; and
<b>"Subsidiary"</b>	has the meaning given in Section 9 of the <i>Corporations Act</i> .

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## PROXY FORM

### DANAE RESOURCES NL

ABN 11 009 173 880  
Level 24  
Waterfront Place  
1 Eagle Street  
Brisbane Queensland 4000

General Meeting – Monday 22 December 2003

**To: The Company Secretary, Danae Resources NL**

I/We .....

of .....  
being a member of Danae Resources NL ("**Company**"), appoint

Name of proxy: .....

Address of proxy: .....

.....

or in his or her absence

Name of proxy: .....

Address of proxy: .....

.....

or, if I/we have not nominated a proxy or if the nominee is absent from the meeting, the chairperson of the meeting as my/our proxy to vote on my/our behalf at the general meeting of the Company to be held at the Terrace Room, Royal on the Park, Cnr Alice & Albert Streets, Brisbane, Queensland on Monday 22 December 2003 at 10 am and at any adjournment of that meeting.

The chairperson intends to vote in favour of all resolutions on the agenda in respect of undirected proxy votes where he is appointed as proxy.

If you appoint the chairperson as your proxy and you do **not** wish to direct the chairperson how to vote, please place a mark in the box: ☐

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

If two proxies are being appointed, complete the following sentence: This proxy is authorised to exercise ..... votes/ ..... % of my/our total voting rights.

## Directing Your Proxy

I/We instruct my/our proxy to vote as follows (the resolutions are numbered as in the notice of meeting):

Resolutions		For	Against	Abstain
1.	Ratification of Placement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.	Issue of Shares and Options to Multiplex	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.	Issue of Share and Options to BSG Gold	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4.	Issue of Share to Mr Donald Lewis	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

This proxy must be signed by each appointing member (or the member's attorney). Proxies given by a company must be executed in accordance with section 127 of the *Corporations Act 2001* or signed by a duly authorised officer or attorney.

Dated this                      day of                      2003.

Common Seal	Signature(s)	Name (print)

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## INFORMATION AND INSTRUCTIONS ON HOW TO COMPLETE THIS PROXY FORM FOR SHAREHOLDERS

### Voting:

Danae Resources NL ("**Danae**") has determined, in accordance with regulations 7.11.37 of the *Corporations Regulations 2001* (Cth), that the shares of Danae that are quoted on the Australian Stock Exchange as at Friday 19 December 2003 at 10.00am, will be taken for the purposes of the general meeting, to be held by the persons who held them at that time. Accordingly those persons will be entitled to attend and vote at the meeting.

### Voting by proxy:

1. Each shareholder has a right to appoint a proxy.
2. A shareholder who is entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If no proportion or number is specified, then each proxy may exercise one-half of the votes. Fractions of votes will be disregarded.
3. Where a shareholder appoints more than one proxy, neither proxy is entitled to vote on a show of hands.
4. A proxy need not be a shareholder of the Company.
5. To be effective, the Company must receive the completed proxy form and, if the form is signed by the shareholder's attorney, the authority under which the proxy form is signed (or a certified copy of the authority) by no later than 10 am on Thursday 18 December 2003:
  - (1) at its registered office at Level 24, Waterfront Place, 1 Eagle Street, Brisbane Queensland, 4000 Australia;
  - (2) by faxing it to the registered office on fax number (07) 3211 9122; or
  - (3) at its share registry, Pitcher Partner Registries, Level 22, HSBC Building, 300 Queen Street Brisbane Queensland, 4000 Australia (facsimile 07 3221 3149).
6. Proxies given by corporate shareholders must be executed in accordance with their constitutions, or under the hand of a duly authorised officer or attorney.
7. A proxy may decide whether to vote on any motion, except where the proxy is required by law or the constitution to vote, or abstain from voting, in their capacity as proxy. If a proxy is directed how to vote on an item of business, the proxy may vote on that item only in accordance with the direction. If a proxy is not directed how to vote on an item of business, the proxy may vote as he or she thinks fit.