

Form 603
Corporations Act 2001
Section 671B

Notice of initial substantial holder

To Company Name/Scheme MAGNUM GOLD NL

ACN/ARSN 003 170 376

1. Details of substantial holder (1)

Name Paul Aurius Lincoln Smith ("P Lincoln Smith"), Pada Pty Ltd ACN 008 501 737 ("Pada"), Malewi Investments Pty Limited ACN 009 062 219 ("Malewi"), Carbon Minerals NL ACN 001 836 586 ("Carbon") and Palmarc Investments Pty Ltd ACN 000 352 045 ("Palmarc"), and Magnum Resources Pty Ltd ACN 000 731 215 ("Magnum Resources")

ACN/ARSN (if applicable) See above

The holder became a substantial holder on 17/08/2004

2. Details of voting power

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

Class of securities (4)	Number of securities	Person's votes (5)	Voting power (6)
Fully paid ordinary shares ("Shares")	14,043,349	14,043,349	18.44%

3. Details of relevant interests

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

Holder of relevant interest	Nature of relevant interest (7)	Class and number of securities
Pada	Registered holder	1,000,000 Shares
Carbon	Registered holder	1,000,000 Shares
P Lincoln Smith	Registered holder	43,333 Shares
Magnum Resources	Registered holder	16 Shares
Palmarc	Relevant interest under section 608(1) as mortgagee pursuant to Loan Agreement and Mortgage of Shares dated 17 August 2004 (a copy of which is contained in Annexure A to this notice)	12,000,000 Shares
P Lincoln Smith	Controller of each of Pada, Carbon, Palmarc and Magnum Resources – taken to have a relevant interest under section 608(3)(b)	14,000,016 Shares
Pada, Carbon, Malewi and Magnum Resources	Taken under section 608(3)(a) of the Corporations Act to have a relevant interest by reason of having voting power above 20% in Palmarc	12,000,000 Shares
Palmarc	Taken under section 608(3)(a) of the Corporations Act to have a relevant interest by reason of having voting power above 20% in each of Pada, Carbon and Magnum Resources	2,000,016 Shares
Magnum Resources	Taken under section 608(3)(a) of the Corporations Act to have a relevant interest by reason of having voting power above 20% in each of Pada and Carbon	2,000,000 Shares
Pada	Taken under section 608(3)(a) of the Corporations Act to have a relevant interest by reason of having voting power above 20% in each of Magnum Resources and Carbon	1,000,016 Shares
Carbon	Taken under section 608(3)(a) of the Corporations Act to have a relevant interest by reason of having voting power above 20% in each of Magnum Resources and Pada	1,000,016 Shares
Malewi	Taken under section 608(3)(a) of the Corporations Act to have a relevant interest by reason of having voting power above 20% in each of Pada, Carbon and Magnum Resources	2,000,016 Shares

4. Details of present registered holders

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

Holder of relevant interest	Registered holder of Securities	Person entitled to be registered as holder (8)	Class and number of securities
Pada, Carbon, P Lincoln Smith, Malewi, Palmarc and Magnum Resources	Carbon	Carbon	1,000,000 Shares
Pada, Carbon, P Lincoln Smith, Malewi, Palmarc and Magnum Resources	John Brian Rodger	John Brian Rodger (or Palmarc as mortgagee)	12,000,000 Shares
Pada, Carbon, P Lincoln Smith, Malewi, Palmarc and Magnum Resources	Pada	Pada	1,000,000 Shares
P Lincoln Smith	P Lincoln Smith	P Lincoln Smith	43,333 Shares
Pada, Carbon, P Lincoln Smith, Malewi, Palmarc and Magnum Resources	Magnum Resources	Magnum Resources	16 Shares

5. Consideration

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

Holder of relevant interest	Date of acquisition	Consideration (9)		Class and number of securities
		Cash	Non-cash	
Pada, Carbon, P Lincoln Smith, Malewi, Palmarc and Magnum Resources	17 August 2004	Refer to Annexure A		12,000,000 Shares

6. Associates

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

Name and ACN/ARSN (if applicable)	Nature of association
Not Applicable	Not Applicable

7. Addresses

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

Name	Address
Pada, P Lincoln Smith, Carbon, Malewi, Palmarc and Magnum Resources	Level 26, Piccadilly House, 133 Castlereagh Street, Sydney, New South Wales

Signature

print name Paul Aurius Lincoln Smith

capacity Director

sign here

date 17/08/2004

DIRECTIONS

- (1) If there are a number of substantial holders with similar or related relevant interests (eg. a corporation and its related corporations, or the manager and trustee of an equity trust), the names could be included in an annexure to the form. If the relevant interests of a group of persons are essentially similar, they may be referred to throughout the form as a specifically named group if the membership of each group, with the names and addresses of members is clearly set out in paragraph 7 of the form.
- (2) See the definition of "associate" in section 9 of the Corporations Act 2001.
- (3) See the definition of "relevant interest" in sections 608 and 671B(7) of the Corporations Act 2001.

- (4) The voting shares of a company constitute one class unless divided into separate classes.
- (5) The total number of votes attached to all the voting shares in the company or voting interests in the scheme (if any) that the person or an associate has a relevant interest in.
- (6) The person's votes divided by the total votes in the body corporate or scheme multiplied by 100.
- (7) Include details of:
- (a) any relevant agreement or other circumstances by which the relevant interest was acquired. If subsection 671B(4) applies, a copy of any document setting out the terms of any relevant agreement, and a statement by the person giving full and accurate details of any contract, scheme or arrangement, must accompany this form, together with a written statement certifying this contract, scheme or arrangement; and
 - (b) any qualification of the power of a person to exercise, control the exercise of, or influence the exercise of, the voting powers or disposal of the securities to which the relevant interest relates (indicating clearly the particular securities to which the qualification applies).
- See the definition of "relevant agreement" in section 9 of the Corporations Act 2001.
- (8) If the substantial holder is unable to determine the identity of the person (eg. if the relevant interest arises because of an option) write "unknown."
- (9) Details of the consideration must include any and all benefits, moneys and other, that any person from whom a relevant interest was acquired has, or may, become entitled to receive in relation to that acquisition. Details must be included even if the benefit is conditional on the happening or not of a contingency. Details must be included of any benefit paid on behalf of the substantial holder or its associate in relation to the acquisitions, even if they are not paid directly to the person from whom the relevant interest was acquired.
-

BLAKE DAWSON WALDRON

LAWYERS

Loan Agreement and Mortgage of Shares

John Brian Rodger

Palmarc Investments Pty Limited

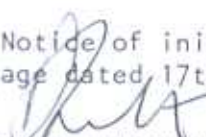
ACN 000 352 045

Level 36, Grosvenor Place
225 George Street
Sydney NSW 2000
Telephone: (02) 9258 6000
Fax: (02) 9258 6999

Ref: 02 1363 0453

© Blake Dawson Waldron 2004

This is Annexure "A" of 39 pages referred to in Form 603 Notice of initial substantial holder and is a true copy of the Loan Agreement and Mortgage dated 17th August 2004.


.....
PAUL LINCOLN SMITH - 18/08/2004

CONTENTS

1.	INTERPRETATION	1
1.1	Definitions	1
1.2	Rules for interpreting this document	7
1.3	Business Days	8
2.	LOAN AGREEMENT	8
2.1	Advance	8
2.2	Repayment	8
3.	MORTGAGE	9
3.1	Mortgaging provision	9
3.2	Present Shares	9
3.3	Documents relating to New Rights	10
3.4	Dividends and votes	10
3.5	Mortgagee entitled to exercise rights on default	10
3.6	Registration on default	11
4.	RESTRICTIONS ON DEALING WITH MORTGAGED PROPERTY	11
5.	REPRESENTATIONS AND WARRANTIES	11
5.1	General representations and warranties	11
5.2	Representations and warranties regarding Mortgaged Property	13
5.3	Repetition of representations and warranties	13
5.4	Reliance on representations and warranties	13
5.5	No representations by the Mortgagee	13
6.	MORTGAGOR'S UNDERTAKINGS	13
6.1	General undertakings	13
6.2	Reports and information	14
6.3	Undertakings regarding Mortgaged Property	14
7.	MORTGAGEE'S POWERS	16
7.1	Mortgagee may exercise powers without notice	16
7.2	Mortgagee's right to make good a default	16
7.3	Powers on enforcement	16
8.	POWER OF ATTORNEY	16
8.1	Appointment of Attorneys	16
8.2	General	17

9.	ENFORCEMENT	18
9.1	Circumstances when this document may be enforced	18
9.2	Enforcement despite earlier payment	20
10.	APPOINTMENT OF RECEIVER AND POWERS	20
10.1	Appointment	20
10.2	Receiver other than as Mortgagor's agent	20
10.3	Powers of Receiver	20
11.	PROTECTION OF MORTGAGEE AND APPOINTEES	23
11.1	Protection of Mortgagee and Receiver	23
11.2	Conflict of interests	23
11.3	Liability for loss	23
12.	PROTECTION OF THIRD PARTIES	24
12.1	Dealings under this document	24
12.2	Receipts	24
13.	APPLICATION OF MONEY	25
13.1	Order	25
13.2	Only actual receipts credited	25
13.3	Compensation	25
14.	CONTINUING SECURITY	26
14.1	Continuity	26
14.2	Limitations on Mortgagor's rights	26
14.3	No marshalling	26
14.4	Effect of Insolvency Event	26
15.	INDEMNITIES	27
15.1	Indemnity for breach or preservation of rights	27
15.2	Indemnity for exercise of rights or proceedings	27
15.3	Recovery from Mortgaged Property	28
16.	DISCHARGE	28
16.1	Partial Discharge	28
16.2	Discharge	28
16.3	Discharge Conditions	29
17.	NOTICES	29

17.1	How to give a notice	29
17.2	When a notice is given	29
17.3	Address for notices	29
18.	AMENDMENT AND ASSIGNMENT	30
18.1	Amendment	30
18.2	Assignment	30
19.	GENERAL	30
19.1	Governing law	30
19.2	Liability for expenses	30
19.3	Giving effect to this document	31
19.4	Waiver of rights	31
19.5	Operation of this document	31
19.6	Operation of indemnities	31
19.7	Consents	32
19.8	Statements by Mortgagee	32
19.9	Set-off	32
19.10	No merger	32
19.11	Exclusion of contrary legislation	32
19.12	Inconsistency with other documents	32
19.13	Counterparts	33
19.14	Attorneys	33
Schedules		
1	PRESENT SHARES	34

LOAN AGREEMENT AND MORTGAGE OF SHARES

DATE 17 August 2004

PARTIES

John Brian Rodger (Mortgagor)

Palmarc Investments Pty Limited ACN 000 352 045 (**Mortgagee**)

1. INTERPRETATION

1.1 Definitions

The following definitions apply in this document.

ASTC Settlement Rules means the ASTC Settlement Rules issued by ASX Settlement and Transfer Corporation Pty Limited.

Attorney means an attorney appointed under a Transaction Document.

Authorisation means:

- (a) an authorisation, consent, declaration, exemption, notarisation or waiver, however it is described;
- (b) in relation to anything that could be prohibited or restricted by law if a Government Agency acts in any way within a specified period, the expiry of that period without that action being taken,

including any renewal or amendment.

Authorised Representative means, for a party:

- (a) a company secretary or director of the party or an employee of the party whose title includes the word "manager" or "director";
- (b) a person who is acting temporarily in one of those positions; or
- (c) a person, or a person holding a position, nominated by the party to the other party.

Business Day means:

- (a) for determining when a notice, consent or other communication is given, a day that is not a Saturday, Sunday or public holiday in the place to which the notice, consent or other communication is sent; and
- (b) for any other purpose, a day (other than a Saturday, Sunday or public holiday) on which banks are open for general banking business and the Mortgagee is open for business in Sydney.

Certificate means a certificate or other document of title to or otherwise evidencing title to a Share.

Certificated Share means a Share that is registered on a certificated subregister.

CHESS Subregister means, for the Company, that part of its share register that is maintained by ASX Settlement and Transfer Corporation Pty Ltd ABN 49 008 504 532 under the Clearing House Electronic Subregister System.

Collateral Security means an Encumbrance or Guarantee (other than the Mortgage) from any person that secures or otherwise provides for payment of any Secured Money.

Company means Magnum Gold NL ACN 003 170 376.

Controller means, in relation to a person's property:

- (a) a receiver or receiver and manager of that property; or
- (b) anyone else who (whether or not as agent for the person) is in possession, or has control, of that property to enforce an Encumbrance.

Controlling Participant means any person acceptable to the Mortgagee who is able to sponsor Shares on a CHESS Subregister.

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

Encumbrance means a mortgage, charge, pledge, lien, hypothecation or title retention arrangement, a right of set-off or right to withhold payment of a deposit or other money, a notice under section 255 of the *Income Tax Assessment Act 1936* (Cth), section 260-5 in schedule 1 to the *Taxation Administration Act 1953* (Cth) or any similar legislation, or an easement, restrictive covenant, caveat or similar restriction over property, or an agreement to create any of them or to allow any of them to exist.

Event of Default means an event or circumstance described in clause 9.1.

Excluded Tax means a Tax on net income in any jurisdiction, other than:

- (a) a Tax that is calculated on or by reference to the gross amount of any payment derived by a party under a Transaction Document, or the transactions that a Transaction Document contemplates (unless the Tax is imposed because the party has not given its tax file number to the person who made the payment); or
- (b) a Tax that is imposed because a party is regarded as being subject to tax in a jurisdiction solely because it is a party to a Transaction Document or because it is participating in the transactions that a Transaction Document contemplates.

Financial Indebtedness means an obligation (whether present or future, actual or contingent) to pay or deliver any money or commodity under or in respect of any financial accommodation including under or in respect of any:

-
- (a) money borrowed or raised;
 - (b) redeemable or repurchaseable share or stock;
 - (c) bill of exchange, promissory note or other financial instrument (whether or not transferable or negotiable);
 - (d) put option or buyback or discounting arrangement in respect of any property;
 - (e) lease, licence or other arrangement in respect of any property entered into primarily to raise finance or to finance the acquisition of that property (other than a lease, licence or arrangement which may be accounted for as an operating lease under applicable generally accepted accounting principles);
 - (f) hire purchase or deferred payment obligation for any property or service;
 - (g) interest or currency swap or hedge arrangement, financial option, futures contract or analogous transaction; or
 - (h) arrangement which achieves the same or a similar commercial effect as or to any of the above,

and any Guarantee of Financial Indebtedness of another person.

Government Agency means:

- (a) a government or government department or other body;
- (b) a governmental, semi-governmental or judicial person; or
- (c) a person (whether autonomous or not) who is charged with the administration of a law.

Guarantee means a guarantee, indemnity, letter of credit, performance bond, acceptance or endorsement, or other undertaking or obligation:

- (a) to provide funds (including by the purchase of property), or otherwise to make property available, in or to enable payment or discharge of;
- (b) to indemnify against the consequences of default in the payment of; or
- (c) otherwise to be responsible for,

an obligation (whether or not it involves the payment of money), or otherwise to be responsible for the solvency or financial condition, of any other person.

Guarantor means any person giving a Guarantee to the Mortgagee of the Mortgagor's obligations relating to the Secured Money.

Holding Lock Agreement means an agreement between the Mortgagor, the Mortgagee, and the Company under which the Company agrees not to permit the Transfer or Conversion (as those terms are defined in the ASTC Settlement Rules) of the Mortgaged Property except in accordance with that agreement.

Insolvency Event means, in respect of a person:

- (a) an order being made, or the person passing a resolution, for his bankruptcy;
- (b)
 - (i) the person resolving to appoint a Controller or analogous person to the person or any of the person's property;
 - (ii) an application being made to a court for an order to appoint a Controller, trustee for creditors or in bankruptcy or analogous person to the person or any of the person's property; or
 - (iii) an appointment of the kind referred to in subparagraph (ii) being made (whether or not following a resolution or application);
- (c) the holder of a Security Interest taking possession of any of the person's property;
- (d) the person:
 - (i) suspending payment of his debts, ceasing (or threatening to cease) to carry on all or a material part of his business, stating that he is unable to pay his debts or being or becoming otherwise insolvent; or
 - (ii) being taken by applicable law to be (or if a court would be entitled or required to presume that the person is) unable to pay his debts or otherwise insolvent;
- (e) the process of any court or authority being invoked against the person or any of his property to enforce any judgment or order for the payment of money or the recovery of any property;
- (f) the person dying, ceasing to be of full legal capacity or otherwise becoming incapable of managing his own affairs for any reason;
- (g) the person taking any step toward entering into a compromise or arrangement with, or assignment for the benefit of, any of his members or creditors; or
- (h) any analogous event.

Issuer Sponsored Subregister means, for the Company, that part of its share register that records uncertificated holdings of Shares which is operated by the Company.

Loan means the sum of \$396,000 lent by the Mortgagee to the Mortgagor on or about the date hereof.

Loan Agreement means the loan agreement evidenced by clause 2 of this document.

Material Adverse Effect means, in respect of a person, a material adverse effect on:

- (a) his business, property or financial condition;
- (b) his ability to perform its obligations under a Transaction Document; or
- (c) the effectiveness or priority of any Security Interest in a Transaction Document.

Mortgage means the mortgage granted in clause 3.1.

Mortgaged Property means all the Mortgagor's present and future interest in, to, under or derived from all:

- (a) Present Shares; and
- (b) New Rights.

New Right means a present or future right of the Mortgagor:

- (a) to or in any money, dividend, interest, offer, bonus, option, Share, unit of a Share, debenture, debenture stock, bond, note or any security, or any entitlement to subscribe for any of them;
- (b) resulting from any substitution, conversion, redemption, forfeiture, cancellation, reclassification, consolidation or subdivision; or
- (c) resulting from a reduction of capital, liquidation or scheme of arrangement,

in connection with the Mortgaged Property.

Permitted Encumbrance means:

- (a) an Encumbrance created under a Transaction Document; or
- (b) an Encumbrance that the Mortgagee in its absolute discretion approves before it arises, where the amount secured does not increase, and the time for payment of that amount is not extended, beyond the amount and time approved by the Mortgagee.

Potential Event of Default means an event or circumstance which, with the passage of time or the giving of notice or both, would become an Event of Default.

Present Shares means the Shares in the Company specified in schedule 1.

Receiver means a receiver or a receiver and manager.

Relevant Person means each of the Mortgagor and any Guarantor.

Secured Money means the Loan and all amounts (including damages) that are payable, owing but not payable, or that otherwise remain unpaid by the Mortgagor to the Mortgagee on any account at any time under or pursuant to this document, whether:

- (a) present or future, actual or contingent;
- (b) the Mortgagee is entitled for its own account or the account of another person;
- (c) originally contemplated by the Mortgagor or the Mortgagee or not; and
- (d) the Mortgagee is the original person in whose favour any of the above amounts were owing or an assignee and, if the Mortgagee is an assignee:
 - (i) whether or not the Mortgagor consented to or knew of the assignment;
 - (ii) no matter when the assignment occurred; and
 - (iii) whether or not the entitlements of that original person were assigned with the Mortgage.

Security Interest means an Encumbrance that secures the payment of money or the performance of an obligation, or any other interest or arrangement of any kind that gives a creditor priority over other creditors in relation to any property.

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

Sponsorship Agreement means a sponsorship agreement between the Mortgagor, the Mortgagee, and a Controlling Participant that complies with the ASTC Settlement Rules and the ASX Market Rules and is otherwise acceptable to the Mortgagee.

Tax means a tax, levy, duty, charge, deduction or withholding, however it is described, that is imposed by law or by a Government Agency, together with any related interest, penalty, fine or other charge.

Transaction Document means:

- (a) this document;
- (b) the Loan Agreement;
- (c) any Collateral Security;
- (d) any document or agreement that the parties agree in writing is to be a Transaction Document for the purposes of this document;
- (e) any document or agreement that is entered into under any of the above;
- (f) any document or agreement that amends, supplements, replaces or novates any of the above; and

-
- (g) any undertaking (whether or not in writing) by or to a party or its lawyers that is given under or relates to any of the above.

Transfer means, in respect of a Share, an executed document of transfer sufficient to transfer all the legal and beneficial ownership of that Share to the Mortgagee or its nominee.

Uncertificated Share means a Share that is registered on a CHESSE Subregister or the Issuer Sponsored Subregister.

1.2 Rules for interpreting this document

Headings are for convenience only, and do not affect interpretation. The following rules also apply in interpreting this document, except where the context makes it clear that a rule is not intended to apply.

- (a) A reference to:
- (i) legislation (including subordinate legislation) is to that legislation as amended, re-enacted or replaced, and includes any subordinate legislation issued under it;
 - (ii) a document or agreement, or a provision of a document or agreement, is to that document, agreement or provision as amended, supplemented, replaced or novated;
 - (iii) a party to this document or to any other document or agreement includes a permitted substitute or a permitted assign of that party;
 - (iv) a person includes any type of entity or body of persons, whether or not it is incorporated or has a separate legal identity, and any executor, administrator or successor in law of the person; and
 - (v) anything (including a right, obligation or concept) includes each part of it.
- (b) A singular word includes the plural, and vice versa.
- (c) A word which suggests one gender includes the other genders.
- (d) If a word is defined, another part of speech has a corresponding meaning.
- (e) If an example is given of anything (including a right, obligation or concept), such as by saying it includes something else, the example does not limit the scope of that thing.
- (f) The word **agreement** includes an undertaking or other binding arrangement or understanding, whether or not in writing.

1.3 **Business Days**

If the day on or by which a person must do something under this document is not a Business Day:

- (a) if the act involves a payment that is due on demand, the person must do it on or by the next Business Day; and
- (b) in any other case, the person must do it on or by the previous Business Day.

2. **LOAN AGREEMENT**

2.1 **Advance**

The Mortgagor acknowledges and agrees that the Mortgagee is making the Loan to the Mortgagor for the purpose of enabling the Mortgagor to subscribe for the Present Shares at 3.3 cents a Share.

2.2 **Repayment**

- (a) The Mortgagor must repay the Loan to the Mortgagee on or before 17 February 2005 by endorsed bank cheque to the Mortgagee at the place, or by direct transfer of cleared funds to the account, that the Mortgagee nominates at least one Business Day before the payment is made.
- (b) The Mortgagor must make each payment to the Mortgagee under this document without any set-off or counterclaim and (to the extent permitted by law) free and clear of, and without deduction or withholding for or on account of, any Taxes (other than Excluded Taxes).
- (c) If at any time an applicable law obliges the Mortgagor to make a deduction or withholding in respect of Taxes from a payment to the Mortgagee under this document, the Mortgagor:
 - (i) must notify the Mortgagee of the obligation promptly after the Mortgagee becomes aware of it;
 - (ii) must ensure that the deduction or withholding does not exceed the minimum amount required by law;
 - (iii) must pay to the relevant Government Agency on time the full amount of the deduction or withholding and promptly deliver to the Mortgagee a copy of any receipt, certificate or other proof of payment; and
 - (iv) unless the Tax is an Excluded Tax, must indemnify the Mortgagee against the deduction or withholding by paying to the Mortgagee, at the time that the payment to the Mortgagee is due, an additional amount that ensures that, after the deduction or withholding is made, the Mortgagee receives a

net sum equal to the sum that it would have received if the deduction or withholding had not been made.

- (d) The Mortgagor must pay each amount required to be paid by him under this document in Australian dollars.

3. MORTGAGE

3.1 **Mortgaging provision**

The Mortgagor mortgages:

- (a) all Present Shares, on the date of this document; and
(b) the New Rights, as the Mortgagor acquires them.

in favour of the Mortgagee to secure the punctual payment of the Secured Money.

3.2 **Present Shares**

The Mortgagor must from time to time as required by the Mortgagee:

- (a) in the case of Present Shares that are Uncertificated Shares:
- (i) where the Mortgaged Property is recorded on the CHESSE Subregister, give to the Mortgagee and any Controlling Participant the applicable holder identification number and other information sufficient to identify the shares (including a copy of the relevant holding statement).
 - (ii) where the Mortgaged Property is recorded on the Issuer Sponsored Subregister, give to the Mortgagee and the Company the applicable Securityholder Reference Number and other information sufficient to identify the shares (including a copy of the relevant holding statement);
 - (iii) where the Mortgaged Property is to be recorded on the CHESSE Subregister sign all documents and do all things necessary to:
 - (A) ensure that the Shares are recorded on the Company's CHESSE Subregister; and
 - (B) transfer sponsorship of the Shares to a Controlling Participant and enter into a Sponsorship Agreement; and
 - (iv) where the Mortgaged Property is to be recorded in the Issuer Sponsored Subregister, sign all documents and do all things necessary to:
 - (A) ensure that the Shares are recorded on the Company's Issuer Sponsored Subregister; and
 - (B) enter into a Holding Lock Agreement; and

-
- (C) deposit with the Mortgagee or the Mortgagee's nominee Transfers (in form and number satisfactory to the Mortgagee) to the Shares, with the name of the transferee, the consideration, and the date left blank; and
 - (b) in the case of Present Shares that are Certificated Shares, deposit with the Mortgagee or the Mortgagee's nominee:
 - (i) all Certificates for the Shares; and
 - (ii) Transfers (in form and number satisfactory to the Mortgagee) for the Shares, with the name of the transferee, the consideration and the date left blank; and
 - (c) change the recording of the Mortgaged Property between the CHESS Subregister and the Issuer Sponsored Subregister; and
 - (d) transfer to or otherwise cause the Present Shares to be registered in the name of the Mortgagee.

3.3 Documents relating to New Rights

The Mortgagor must deposit with the Mortgagee or the Mortgagee's nominee all certificates, transfers and other documents or agreements evidencing title to New Rights that are sufficient to transfer all the Mortgagor's interest in the New Rights to the Mortgagee or the Mortgagee's nominee.

3.4 Dividends and votes

Until an Event of Default or a Potential Event of Default occurs, the Mortgagor may, subject to this document:

- (a) exercise all rights (including voting rights) in connection with the Mortgaged Property; and
- (b) receive and retain the benefits of all New Rights.

and (if the Mortgaged Property is registered in the name of the Mortgagee) the Mortgagee shall (as the cost and expense of the Mortgagor) execute proxies and other authorisations so that the Mortgagor may exercise voting rights in connection with the Mortgaged Property.

3.5 Mortgagee entitled to exercise rights on default

If an Event of Default or a Potential Event of Default occurs:

- (a) the Mortgagor's rights (excluding voting rights unless the Mortgaged Property is registered in the name of the Mortgagee) under clause 3.4 immediately cease;

-
- (b) the Mortgagee may exercise or refrain from exercising any rights in connection with the Mortgaged Property; and
 - (c) the Mortgagee may receive and retain all New Rights.

3.6 **Registration**

The Mortgagor must do everything necessary from time to time to ensure that the Mortgaged Property is registered in the name of the Mortgagee or its nominee in accordance with any directions given by the Mortgagee.

4. RESTRICTIONS ON DEALING WITH MORTGAGED PROPERTY

The Mortgagor must not:

- (a) create, attempt to create or permit to exist any Encumbrance other than a Permitted Encumbrance in relation to the Mortgaged Property (whether ranking ahead of, equally with or after, the Mortgage); or
- (b) dispose of, declare a trust over or otherwise create or permit the creation or existence of any interest in, or part with possession of, any Mortgaged Property, without the Mortgagee's consent.

5. REPRESENTATIONS AND WARRANTIES

5.1 **General representations and warranties**

The Mortgagor represents and warrants to the Mortgagee that:

- (a) **(power)** he has full legal capacity and power to:
 - (i) own his property and to carry on his business; and
 - (ii) enter into the Transaction Documents and to carry out the transactions that they contemplate;
- (b) **(Authorisations)** he holds each Authorisation that is necessary or desirable to:
 - (i) enable the proper execution the Transaction Documents and to carry out the transactions that they contemplate; and
 - (ii) ensure that each Transaction Document is legal, valid, binding and admissible in evidence;

and he is complying with any conditions to which any of these Authorisations is subject;

- (c) **(documents effective)** each Transaction Document constitutes legal, valid and binding obligations, enforceable against his in accordance with its terms (except to

the extent limited by equitable principles and laws affecting creditors' rights generally), and the Mortgage and each Collateral Security is an effective Security Interest over the property that is stated to be subject to it with the priority that it contemplates, subject to any necessary stamping or registration;

- (d) **(ranking)** payment obligations under each Transaction Document rank ahead of all his unsecured and unsubordinated payment obligations (whether present or future, actual or contingent), other than obligations that are mandatorily preferred by law;
- (e) **(no contravention)** neither execution of the Transaction Documents, nor the carrying out of the transactions that they contemplate, does or will:
 - (i) contravene any law to which he or his property is subject or any order of any Government Agency that is binding on it or its property;
 - (ii) contravene any Authorisation;
 - (iii) contravene any undertaking or instrument binding on him or his property;
 - (iv) require him to make any payment or delivery in respect of any Financial Indebtedness before he would otherwise be obliged to do so;
- (f) **(no litigation)** no litigation, arbitration, mediation, conciliation or administrative proceedings are taking place, pending, or to his knowledge after due inquiry, threatened which, if adversely decided, could have a Material Adverse Effect on him;
- (g) **(other information)** the other information and reports (if any) that it has given to the Mortgagee in connection with any Transaction Document are true and accurate in all material respects and not misleading in any material respect (including by omission) as at the date of this document, or if given later, when given;
- (h) **(disclosure of relevant information)** he has disclosed to the Mortgagee all the information that is material to an assessment by the Mortgagee of the risks that it assumes by entering into any Transaction Document;
- (i) **(no filings or Taxes)** it is not necessary or desirable, to ensure that any Transaction Document is legal, valid, binding or admissible in evidence, that any Transaction Document or any other document be filed or registered with any Government Agency, or that any Taxes (other than loan security duty of \$1,600) be paid;
- (j) **(no default)** no Event of Default or Potential Event of Default has occurred and is continuing, and he is not in breach of any other document or agreement in a manner that could have a Material Adverse Effect on it; and
- (k) **(no Controller)** no Controller is currently appointed in relation to any of his property.

5.2 Representations and warranties regarding Mortgaged Property

The Mortgagor represents and warrants that:

- (a) **(title)** he has good right and title to, and full power to mortgage, the Mortgaged Property in the manner provided in this document; and
- (b) **(no Encumbrances)** the Mortgaged Property is free from all Encumbrances other than Permitted Encumbrances;
- (c) **(no interest in Shares in the Company)** he does not have any interest in any Shares in the Company other than the Present Shares;
- (d) **(no escrow or other conditions)** the Mortgaged Property is not subject to any escrow or other conditions imposed by the Corporations Act or under the rules of any stock exchange;
- (e) **(all calls satisfied)** all calls made in respect of the Mortgaged Property have been satisfied;
- (f) **(fully paid Shares)** the Shares in the Mortgaged Property are all fully paid; and
- (g) **(no money owing to Company)** no money is owing by the Mortgagor to the Company on any account.

5.3 Repetition of representations and warranties

The representations and warranties in this clause are taken to be repeated on each date on which the Mortgagor acquires Mortgaged Property or on which the Mortgagor repeats its representations and warranties in any underlying facility document, on the basis of the facts and circumstances as at that date.

5.4 Reliance on representations and warranties

The Mortgagor acknowledges that the Mortgagee has executed this document and agreed to take part in the transactions that this document contemplates in reliance on the representations and warranties that are made or repeated in this clause.

5.5 No representations by the Mortgagee

The Mortgagor acknowledges that he has not relied and will not rely on any representation, statement or promise made by or on behalf of the Mortgagee in deciding to enter into this document or to exercise any right under it.

6. MORTGAGOR'S UNDERTAKINGS

6.1 General undertakings

The Mortgagor must:

-
- (a) **(obligation to pay)** punctually pay the Secured Money when it becomes payable in accordance with the terms of any written agreement between the Mortgagor and the Mortgagee or, in the absence of any agreement or after default under any agreement, on demand by the Mortgagee;
 - (b) **(hold Authorisations)** obtain and maintain each Authorisation that is necessary or desirable to:
 - (i) execute the Transaction Documents and to carry out the transactions that they contemplate;
 - (ii) ensure that each Transaction Document is legal, valid, binding and admissible in evidence;

and must comply with any conditions to which any of these Authorisations is subject;

- (c) **(registration and stamping)** immediately at his own cost:
 - (i) register this document in any places which the Mortgagee notifies to the Mortgagor if the Mortgagee is reasonably satisfied that registration is necessary or desirable to perfect the Mortgage or to protect the rights of the Mortgagee under this document; and
 - (ii) ensure that this document is stamped for the proper amount in each state and territory of Australia in which this document is required to be stamped.

6.2 Reports and information

The Mortgagor must give the Mortgagee:

- (a) **(notice of default)** as soon as he becomes aware that an Event of Default or Potential Event of Default has occurred, full details of that Event of Default or Potential Event of Default;
- (b) **(other information)** promptly on request (and in any event within 5 Business Days), any other information relating to his financial condition, business, property and affairs that the Mortgagee reasonably requests.

6.3 Undertakings regarding Mortgaged Property

The Mortgagor must:

- (a) **(preserve and protect security)** promptly do everything necessary or reasonably required by the Mortgagee to:
 - (i) preserve and protect the value of Mortgaged Property; or

-
- (ii) protect and enforce his title and the Mortgagee's title as mortgagee to Mortgaged Property;
 - (b) **(comply with constitutions)** do everything the Mortgagor is required to do (including the payment of calls or instalments) by the constitution of the Company;
 - (c) **(register)** not request or consent to the removal of any Present Shares from the register on which they are recorded or registered at the date of this document without the Mortgagee's consent;
 - (d) **(New Rights)** give the Mortgagee particulars of all New Rights and documentary or other evidence of New Rights immediately after becoming aware of the New Rights;
 - (e) **(take up)** at the Mortgagee's request take up New Rights if, in the Mortgagee's opinion, failure to do so could mean the Mortgaged Property or this Mortgage may become materially lessened in value or prejudicially affected;
 - (f) **(exercise rights)** at the Mortgagee's request, take any action reasonably required against any person to protect and enforce his rights relating to the Mortgaged Property;
 - (g) **(comply with obligations)** do everything the Mortgagor is required to do under or in connection with Mortgaged Property;
 - (h) **(negative pledge)** not create or permit to exist any Encumbrance over any Mortgaged Property, other than a Permitted Encumbrance;
 - (i) **(sponsorship agreement)** ensure that a Sponsorship Agreement or (as the case may be) Holding Lock Agreement is in force at all times in relation to all Uncertificated Shares in the Mortgaged Property; and
 - (j) **(location of registers)** ensure that:
 - (i) as at the date of which a Share is mortgaged in accordance with clause 3, it is recorded on the CHESSE Subregister or (as the case may be) Issuer Sponsored Subregister for the issuer of the Share or another register approved by the Mortgagee in writing; and
 - (ii) ensure that a Share is not removed from that register without the Mortgagee's consent.

7. MORTGAGEE'S POWERS

7.1 **Mortgagee may exercise powers without notice**

To the full extent permitted by law, the Mortgagee is not required to give any notice or allow any time to elapse before:

- (a) enforcing a Transaction Document;
- (b) appointing a Receiver; or
- (c) exercising any power, right, discretion or remedy given to the Mortgagee by any law,

and the Mortgagor waives any statutory requirements for notice or lapse of time.

7.2 **Mortgagee's right to make good a default**

- (a) If the Mortgagor breaches this document, the Mortgagee may do everything it considers to be necessary or desirable to attempt to remedy the breach to the Mortgagee's satisfaction. The Mortgagee is not obliged to do so.
- (b) Paragraph (a) does not limit any other right the Mortgagee has under this document or at law.

7.3 **Powers on enforcement**

If this document has become enforceable, the Mortgagee or any of its Authorised Representatives, without notice to the Mortgagor, may:

- (a) exercise any of the powers that might be exercised by a mortgagee or a Receiver (even if a Receiver has not been appointed); and
- (b) complete any Transfer, other transfer or instrument of any nature executed by or on behalf of the Mortgagor in blank and deposited with the Mortgagee as Collateral Security, in favour of the Mortgagee or any appointee of the Mortgagee or any other person.

8. POWER OF ATTORNEY

8.1 **Appointment of Attorneys**

The Mortgagor irrevocably appoints the Mortgagee and each Authorised Representative of the Mortgagee and as an independent appointment appoints any Receiver, severally his attorney to:

- (a) **(all acts necessary)** do anything necessary or desirable in the opinion of the Mortgagee or the Attorney to:
 - (i) give full effect to this document;

-
- (ii) better secure the Mortgaged Property to the Mortgagee in a manner not inconsistent with this document; or
 - (iii) assist in the execution or exercise of any power,
including execute any Transfer and other transfer (including any Transfer and other transfer in blank) or other document.
- (b) **(recover Mortgaged Property)** demand, sue for, recover and give discharge for Mortgaged Property;
 - (c) **(commence actions)** commence, carry on, enforce, settle, arrange and compromise any proceedings to obtain or enforce the payment or delivery of Mortgaged Property;
 - (d) **(bankruptcy and winding up)** take any necessary proceedings to procure the bankruptcy or the winding up of any debtor of the Mortgagor in connection with the Mortgaged Property, and attend and vote at meetings of creditors, receive dividends in any bankruptcy or winding up or appoint a proxy for any of these things;
 - (e) **(compound debts)** compound, settle or compromise any debt of the Mortgagor in connection with the Mortgaged Property;
 - (f) **(execute deeds)** execute any deed of assignment, composition or release in connection with the Mortgaged Property;
 - (g) **(exercise Share owner's rights)** subject to clause 3.4, exercise all or any powers, rights, discretions and remedies available to any owner or holder (whether beneficial or otherwise) of any Shares included in the Mortgaged Property (including rights available to an owner of Shares under the Corporations Act or any other statute, or under the rules of any stock exchange); and
 - (h) **(general)** do anything else that the Mortgagor must or may do, or that the Mortgagee may do, under this document or by law,

at the Mortgagor's cost.

Each Attorney may appoint and remove substitutes, and may delegate its powers (including this power of delegation) and revoke any delegation.

8.2 General

- (a) An Attorney may do anything contemplated by this clause even if the Attorney is affected by an actual or potential conflict of interest or duty, or might benefit from doing it.
- (b) An Attorney may do anything contemplated by this clause in its name, in the name of the Mortgagor or in the name of both of them.

-
- (c) The Mortgagor must ratify anything done by an Attorney under this clause.
 - (d) The Mortgagor gives the power of attorney in this clause:
 - (i) to secure performance by the Mortgagor of his obligations to the Mortgagee under this document and any property interest of the Mortgagee under this document; and
 - (ii) for valuable consideration, receipt of which is acknowledged by the Mortgagor.

9. ENFORCEMENT

9.1 **Circumstances when this document may be enforced**

The Secured Money will immediately become payable at the Mortgagee's option (despite any delay or previous waiver of the right to exercise that option) without the need for any demand or notice, and this document will immediately become enforceable (whether or not the Secured Money has become payable in this manner) if any of the following events occurs:

- (a) **(non-payment)** if a Relevant Person fails to pay any amount that is due and payable by it under any Transaction Document when it is due;
- (b) **(other obligations)** if a Relevant Person fails to comply with any of its obligations under any Transaction Document (other than a failure referred to elsewhere in this clause) and:
 - (i) the Mortgagee considers that the failure cannot be remedied; or
 - (ii) the Mortgagee considers that the failure can be remedied, and the failure is not remedied within 10 Business Days after it occurs;
- (c) **(misrepresentation)** if any representation, warranty or statement made by, or repeated by, the Mortgagor, in or in connection with any Transaction Document is untrue or misleading (whether by omission or otherwise) in any material respect when so made or repeated;
- (d) **(Insolvency Event)** if an Insolvency Event occurs in respect of any Relevant Person;
- (e) **(Material Adverse Effect)** if an event or a change occurs which could, or could in the opinion of the Mortgagee, have a Material Adverse Effect on any Relevant Person;

-
- (f) **(cross-default)** if:
- (i) any Financial Indebtedness of any Relevant Person becomes due for payment or delivery (other than at the option of any Relevant Person) before its stated maturity;
 - (ii) an agreement by any person with any Relevant Person to provide or underwrite financial accommodation, or to acquire or assume any risk in respect of Financial Indebtedness, is prematurely terminated;
 - (iii) any money or commodity owing or deliverable by any Relevant Person in respect of any Financial Indebtedness is not paid or delivered when due for payment or delivery (having regard to any applicable grace period); or
 - (iv) any condition, covenant, term or provision of any Transaction Document is breached or not complied with, or an event of default (however described) occurs under any Transaction Document;
- (g) **(Encumbrance)** if the Mortgagor:
- (i) creates or permits to exist any Encumbrance over or affecting any Mortgaged Property, other than a Permitted Encumbrance;
 - (ii) sells, transfers, assigns, surrenders or otherwise disposes of or parts with the possession of Mortgaged Property; or
 - (iii) attempts to do anything specified in the preceding subparagraphs;
- (h) **(inability to perform)** if a Relevant Person ceases for any reason to be able lawfully to carry out all the transactions which any Transaction Document contemplates may be carried out by it;
- (i) **(provisions void)** if all or any material provision of any Transaction Document is or becomes void, voidable, illegal or unenforceable or of limited force (other than because of equitable principles or laws affecting creditors' rights generally), or a Relevant Person claims this to be the case;
- (j) **(Relevant Person's constitution)** the constitution of a Relevant Person is amended without the Mortgagee's consent;
- (k) **(de-listing)** any part of the Mortgaged Property that has an official quotation on any stock exchange ceases to have an official quotation or is suspended from having an official quotation for 10 days; and
- (l) **(Corporations Act)** a declaration or order is made in respect of the Mortgaged Property under sections 657A or 1325A of the Corporations Act.

9.2 **Enforcement despite earlier payment**

This document may be enforced:

- (a) even if the Mortgagee accepts a payment of any amount after any default; and
- (b) without the need for any notice to, or of any consent or agreement of, the Mortgagor or any other person.

10. APPOINTMENT OF RECEIVER AND POWERS

10.1 **Appointment**

If this document has become enforceable (whether or not the Mortgagee has entered into possession of all or any of the Mortgaged Property) the Mortgagee or any Authorised Representative of the Mortgagee may at any time:

- (a) appoint any person or any 2 or more persons jointly and severally to be a receiver or receiver and manager (or an additional receiver or receiver and manager) of Mortgaged Property;
- (b) remove the Receiver and in case of the removal, retirement or death of any Receiver appoint another as a replacement; and
- (c) fix the remuneration of the Receiver.

Subject to clause 10.2 and the next sentence, every Receiver appointed under this subclause will be the Mortgagor's agent and the Mortgagor alone will be responsible for his acts and defaults and remuneration. The Mortgagee may by notice to the Mortgagor and the Receiver require the Receiver to act as the Mortgagee's agent.

10.2 **Receiver other than as Mortgagor's agent**

The power to appoint a Receiver under this clause may be exercised even though:

- (a) at the time when this document becomes enforceable or when an appointment is made, an order may have been made or a resolution may have been passed to bankrupt the Mortgagor; or
- (b) a Receiver appointed in the circumstances specified in the preceding paragraph may not, or may not in some respects, act as the Mortgagor's agent.

10.3 **Powers of Receiver**

The Receiver will have full power to do all or any of the following:

- (a) **(take possession)** take possession of, collect and get in the Certificates and the Transfers held or entitled to be held by the Mortgagee under the Mortgage and the Mortgaged Property and for that purpose to take proceedings (in the name of the Mortgagor or otherwise);

-
- (b) **(give up possession)** give up possession of the Certificates and the Transfers held or entitled to be held by the Mortgagee under the Mortgage and the Mortgaged Property;
- (c) **(exercise Mortgagee's rights):**
- (i) exercise all or any of the Mortgagee's powers, rights, discretions and remedies under this document; and
 - (ii) comply with the directions given by the Mortgagee;
- (d) **(borrow from Mortgagee):**
- (i) borrow from the Mortgagee any money that may be required for the purpose of exercising the Mortgagee's rights under the Transaction Documents; and
 - (ii) (in the name of the Mortgagor or otherwise) secure any money borrowed by mortgage or charge over Mortgaged Property so that the mortgage or charge may rank in priority to, equally with or after the Mortgage,
- without the Mortgagee being bound to enquire whether the borrowing is necessary or proper or responsible for the misapplication or non application of any money borrowed;
- (e) **(exercise Share owner's rights)** exercise all or any powers, rights, discretions and remedies available to any owner or holder (whether beneficial or otherwise) of any Shares included in the Mortgaged Property (including give directions to any Controlling Participant or the Company and exercise of any rights available to an owner of Shares under the Corporations Act or any other statute, or under the rules of any stock exchange);
- (f) **(registration)** do everything necessary to obtain registration of the Mortgaged Property in the name of the Mortgagee or its nominee and to enable the Mortgagee or its nominee to receive New Rights;
- (g) **(New Rights)** receive all New Rights;
- (h) **(settle disputes):**
- (i) settle, arrange and compromise any accounts, claims, questions or disputes that may arise in connection with the Mortgaged Property or in any way relating to this document; and
 - (ii) execute releases or other discharges in relation to the settlement, arrangement, or compromise;

-
- (i) **(sell)** sell or agree to sell (whether or not the Receiver has taken possession), exchange or otherwise dispose of (absolutely or conditionally) Mortgaged Property (or agree to do so):
 - (i) by public auction, private sale or tender for cash or on credit;
 - (ii) in one lot or in parcels;
 - (iii) with or without special conditions, (such as conditions as to title or time or method of payment of purchase money) including by allowing the purchase money to remain:
 - (A) outstanding on the security of a mortgage over the property sold or over any other property; or
 - (B) owing without any security; and
 - (iv) on other terms the Receiver considers desirable,
without being responsible for any loss;
 - (j) **(transfer on sale)** execute Transfers, other transfers and assignments of Mortgaged Property (including in the name of the Mortgagor), and do everything to complete any sale under paragraph (i) that the Receiver thinks necessary;
 - (k) **(employees and agents)** engage employees, agents, advisers and contractors for any of the purposes of this clause on terms that the Receiver thinks appropriate;
 - (l) **(give receipts)** give receipts for all money and other property that may come into the hands of the Receiver in exercise of any power given by this document;
 - (m) **(enforce contracts)** carry out and enforce or otherwise obtain the benefit of all contracts:
 - (i) entered into or held by the Mortgagor in connection with the Mortgaged Property; or
 - (ii) entered into in exercise of the powers given by this document;
 - (n) **(make debtors bankrupt)** make debtors bankrupt and wind up companies and do everything in connection with any bankruptcy or winding up that the Receiver thinks desirable to recover or protect Mortgaged Property;
 - (o) **(perform undertakings)** do everything necessary to perform any undertaking of the Mortgagor in this document;
 - (p) **(receive money)** receive all money or other property payable or deliverable to the Mortgagor from Mortgaged Property;

-
- (q) **(desirable or incidental matters):**
 - (i) do or cause to be done everything that the Receiver thinks desirable in the interests of the Mortgagee; and
 - (ii) do anything incidental to the exercise of any other power;
 - (r) **(take legal proceedings)** take proceedings (including in the name of the Mortgagor) in connection with any of the above; and
 - (s) **(delegate)** with the Mortgagee's consent delegate any of the powers given to the Receiver by this clause to any person.

11. PROTECTION OF MORTGAGEE AND APPOINTEES

11.1 Protection of Mortgagee and Receiver

- (a) The Mortgagee is not obliged to:
 - (i) notify any debtor or member of the Mortgagor or any other person of this document; or
 - (ii) enforce payment of any money payable to the Mortgagor, or take any step or proceeding for any similar purpose,but may do so.
- (b) None of the Mortgagee, any of its Authorised Representatives or any Receiver is liable for any omission or delay in exercising any power, right, discretion or remedy under this document or for any involuntary loss or irregularity that may occur in relation to the exercise or non-exercise of any of them except to the extent of its own fraud, gross negligence or wilful misconduct.

11.2 Conflict of interests

The Mortgagee, an Authorised Representative of the Mortgagee or other person appointed by the Mortgagee under this document, an administrator of the Mortgagor appointed by the Mortgagee, an Attorney and a Receiver may exercise or agree to exercising a power given by this document or by law even though that person may have a conflict of interests in exercising the power.

11.3 Liability for loss

- (a) The Mortgagee is not liable for any loss that the Mortgagor suffers as a direct or indirect result of:
 - (i) the exercise or attempted exercise of, or failure to exercise, any of its rights contained in this document; and

-
- (ii) any release or dealing with any other Guarantee or Encumbrance (including any prejudice to or loss of the Mortgagor's rights of subrogation),

except to the extent of its own fraud, gross negligence or wilful misconduct.

- (b) If the Mortgagee or a Receiver enters into possession of Mortgaged Property, none of the Mortgagee, any of its Authorised Representatives or any Receiver is liable:

- (i) to account as mortgagee in possession or for anything except actual receipts; or

- (ii) for any loss on realisation or for any default or omission for which a mortgagee in possession might be liable,

except to the extent of its own fraud, gross negligence or wilful misconduct.

12. PROTECTION OF THIRD PARTIES

12.1 Dealings under this document

A purchaser or other party to a disposal or dealing in or attempted exercise of a power contained in this document is not:

- (a) bound to enquire whether there has been a default, whether a Receiver has been properly appointed or about the propriety or regularity of a sale, disposal or dealing; or
- (b) affected by notice that a sale, disposal or dealing is unnecessary or improper.

Despite any irregularity or impropriety in a sale, disposal or dealing, it is to be treated, for the protection of the purchaser or other party to the disposal or dealing, as being authorised by this document and valid.

12.2 Receipts

A receipt that the Mortgagee, one of its Authorised Representatives or a Receiver gives for any money payable to or receivable by the Mortgagee or the Receiver because of this document will:

- (a) relieve the person paying or handing over money or other property from all liability:
 - (i) for the application (or any loss or misapplication) of the money or other property;
 - (ii) to enquire whether the Secured Money has become payable; and
 - (iii) (where appropriate) as to the propriety or regularity of the appointment of the Receiver; and

-
- (b) discharge the person paying that money from its liability to pay that money.

13. APPLICATION OF MONEY

13.1 Order

- (a) Money that the Mortgagee or a Receiver receives under or because of this document is to be applied in the following order:
 - (i) **(expenses)** first in payment of all expenses that the Mortgagee or a Receiver incurs in or incidental to the exercise or attempted exercise of a power or otherwise in relation to any Transaction Document;
 - (ii) **(outgoings)** then in payment of any other outgoings that the Receiver or the Mortgagee thinks it appropriate to pay;
 - (iii) **(Receiver)** then in payment to the Receiver of any remuneration (whether by way of commission or otherwise);
 - (iv) **(indemnities)** then in payment to the Mortgagee or a Receiver of any amount necessary to give effect to any indemnity contained in this document; and
 - (v) **(Secured Money)** then in payment to the Mortgagee of the Secured Money.
- (b) Any surplus will belong to the Mortgagor or other persons entitled to it. The Mortgagee or Receiver may pay the surplus to the credit of a bank account in the name of the Mortgagor or other person entitled to it and will then be under no further liability in relation to it. The surplus will not accrue interest.

13.2 Only actual receipts credited

In applying any money towards the Secured Money, the Mortgagor's account will be credited only with the amount of the money that the Mortgagee actually receives for that purpose. The credit will date from the time of receipt.

13.3 Compensation

If any compensation becomes payable for Mortgaged Property, the Mortgagee may:

- (a) apply the sum received on account of any compensation, at the Mortgagee's option, in or towards repayment of the Secured Money;
- (b) make, enforce, settle or compromise any claims relating to compensation; and
- (c) execute any necessary assurances and releases in the names of the Mortgagor and the Mortgagee.

If any compensation comes into the hands of the Mortgagor before a final irrevocable discharge of this document, the Mortgagor must immediately pay it to the Mortgagee.

14. CONTINUING SECURITY

14.1 **Continuity**

The Mortgage:

- (a) is a continuing security, and remains in full force until a final irrevocable discharge of the Mortgage is given to the Mortgagor despite any transaction or other thing (including a settlement of account or intervening payment); and
- (b) will apply to the present and future balance of the Secured Money.

14.2 **Limitations on Mortgagor's rights**

Until the Secured Money has been irrevocably paid and discharged in full, the Mortgagor may not:

- (a) share in any Guarantee, Encumbrance or money received or receivable by the Mortgagee in relation to the Secured Money or stand in the place of the Mortgagee in relation to any Guarantee, Encumbrance or right to receive money;
- (b) in reduction of his liability under this document, raise a defence, set off or counterclaim against the Mortgagee or claim a set off or make a counterclaim against the Mortgagee; or
- (c) claim to be entitled by way of contribution, indemnity, subrogation, marshalling or otherwise to the benefit of any document or agreement to which the Mortgagee is a party.

14.3 **No marshalling**

The Mortgagee is not under any obligation to marshal or appropriate in favour of the Mortgagor or to exercise, apply, perfect or recover any Encumbrance that the Mortgagee holds at any time or any funds or property that the Mortgagee may be entitled to receive or have a claim on.

14.4 **Effect of Insolvency Event**

- (a) If an Insolvency Event has occurred in relation to a Relevant Person, any amount paid by that Relevant Person (as the case may be) (**relevant payment**) will only be applied against any Secured Money if:
 - (i) the Mortgagee forms the opinion in good faith (which will be conclusively binding on the Mortgagor) that it will not be required to pay the relevant payment to any person under any law relating to bankruptcy, winding up or the protection of creditors; or
 - (ii) a final judgment is given by a court of competent jurisdiction in favour of the Mortgagee that it is not required to pay the relevant payment to any

person under any law relating to bankruptcy, winding up or the protection of creditors.

- (b) If an amount is applied against any Secured Money and the Mortgagee forms the opinion in good faith that it is obliged to pay the relevant payment to any person under any law relating to bankruptcy, winding up or the protection of creditors:
 - (i) the Mortgagee's rights are to be reinstated and will be the same in relation to that amount as if the application, or the payment or transaction giving rise to it, had not been made; and
 - (ii) the Mortgagor must immediately do anything (including the signing of documents) required by the Mortgagee to restore to the Mortgagee any Guarantee or Encumbrance to which it was entitled immediately before that application or the payment or transaction giving rise to it.
- (c) Any discharge or release between the Mortgagee and the Mortgagor is subject to reinstatement of the Mortgagee's rights under this subclause.

15. INDEMNITIES

15.1 Indemnity for breach or preservation of rights

The Mortgagor must indemnify the Mortgagee against, and must pay the Mortgagee on demand the amount of, all losses, liabilities, expenses and Taxes (other than Excluded Taxes) incurred in connection with:

- (a) any Event of Default or Potential Event of Default;
- (b) the administration, and any actual or attempted preservation or enforcement, of any rights under any Transaction Document; and
- (c) any amount required to be paid under any Transaction Document not being paid on its due date including because of:
 - (i) the cancellation, termination or alteration of any swap or other arrangement made by the Mortgagee to fund that amount; or
 - (ii) any liquidation or re-employment of deposits or other funds acquired by the Mortgagee to fund that amount.

15.2 Indemnity for exercise of rights or proceedings

To the extent permitted by law, the Mortgagor must indemnify each of the Mortgagee, each Authorised Representative of the Mortgagee and each Receiver, Attorney, agent, administrator of the Mortgagor or other person appointed under this document or the Corporations Act by or on behalf of the Mortgagee as mortgagee under this document against, and must pay each of them on demand the amount of all losses, liabilities, expenses and Taxes (other than Excluded Taxes) that they each incur:

-
- (a) (directly or indirectly) in the exercise or attempted exercise of any of the powers, rights, discretions or remedies (express or implied) vested in them under this document or the Corporations Act; and
 - (b) in connection with all proceedings, expenses, claims and demands in relation to anything done or omitted in any way relating to Mortgaged Property,

including legal expenses on a full indemnity basis and expenses incurred in engaging consultants.

15.3 **Recovery from Mortgaged Property**

A person who is entitled to be indemnified for a loss, liability, expense or Tax under clause 15.1 or 15.2 may recover the amount to be indemnified direct from the Mortgaged Property.

16. DISCHARGE

16.1 **Partial Discharge**

The Mortgagee will at the request and cost of the Mortgagor release any Present Share to the Mortgagor and that Present Share will then be discharged from the Mortgagee when:

- (a) the Present Share is sold;
- (b) the Mortgagee is paid, in cleared funds, the greater of:
 - (i) 3.3 cents; and
 - (ii) 80% of the sale price; and
- (c) the Mortgagee is satisfied that clause 14.4 will not later apply.

16.2 **Discharge**

The Mortgagee must at the request and cost of the Mortgagor reconvey, surrender or release any remaining Mortgaged Property (as appropriate) to the Mortgagor and the Mortgaged Property will then be discharged from the Mortgage:

- (a) when the Mortgagee is satisfied that:
 - (i) all the Secured Money has been irrevocably paid and discharged in full or satisfied in accordance with this document and (without limiting this) that clause 14.4 will not later apply; and
 - (ii) no amount remains contingently payable or may become payable on the security of the Mortgage (including under an indemnity); and
- (b) on payment or retention of all expenses incurred by or payable to the Mortgagee, its Authorised Representatives or any Receiver or Attorney.

16.3 Discharge Conditions

Any discharge is subject to clause 14.4.

17. NOTICES

17.1 How to give a notice

A notice, consent or other communication under this document is only effective if it is:

- (a) in writing, signed by or on behalf of the person giving it;
- (b) addressed to the person to whom it is to be given; and
- (c) either:
 - (i) delivered or sent by pre-paid mail (by airmail, if the addressee is overseas) to that person's address; or
 - (ii) sent by fax to that person's fax number and the machine from which it is sent produces a report that states that it was sent in full.

17.2 When a notice is given

A notice, consent or other communication that complies with this clause is regarded as given and received:

- (a) if it is delivered or sent by fax:
 - (i) by 5.00 pm (local time in the place of receipt) on a Business Day - on that day; or
 - (ii) after 5.00 pm (local time in the place of receipt) on a Business Day, or on a day that is not a Business Day - on the next Business Day; and
- (b) if it is sent by mail - on actual receipt.

17.3 Address for notices

A person's address and fax number are those set out below, or as the person notifies the sender:

Mortgagee

Address: Level 26, Piccadilly House
133 Castlereagh Street
Sydney NSW 2000
Fax number: (02) 9283 3340
Attention: P. Lincoln Smith

Mortgagor

Address: 26/33 Waratah Street, Rushcutter's Bay, NSW 2011

Fax number: (02) 9361 3953

Attention: J. B. Rodger

18. AMENDMENT AND ASSIGNMENT

18.1 Amendment

This document can only be amended, supplemented, replaced or novated by another document signed by the parties.

18.2 Assignment

- (a) The Mortgagor may only dispose of, declare a trust over or otherwise create an interest in its rights under any Transaction Document with the consent of the Mortgagee.
- (b) The Mortgagee may dispose of, declare a trust over or otherwise create an interest in its rights under any Transaction Document without the consent of the Mortgagor, and may disclose to any potential holder of the right or interest any information relating to any Transaction Document or any party to any of them.

19. GENERAL

19.1 Governing law

- (a) This document is governed by the law in force in New South Wales.
- (b) Each party submits to the non-exclusive jurisdiction of the courts exercising jurisdiction in New South Wales, and any court that may hear appeals from any of those courts, for any proceedings in connection with any Transaction Document, and waives any right it might have to claim that those courts are an inconvenient forum.

19.2 Liability for Taxes

The Mortgagor must pay, and must indemnify the Mortgagee against, all Taxes (other than Excluded Taxes) incurred in connection with:

- (a) the stamping and registration of each Transaction Document;
- (b) the transactions that each Transaction Document contemplates; and
- (c) any amendment to, or any consent, approval, waiver, release or discharge of or under, any Transaction Document.

19.3 Giving effect to this document

The Mortgagor must do anything, and must ensure that its employees and agents do anything, that the Mortgagee may reasonably require to:

- (a) give full effect to this document;
- (b) better secure the Mortgaged Property to the Mortgagee in a manner not inconsistent with this document; or
- (c) assist in the execution or exercise of any power,

including execute any Transfer and other transfer (including any Transfer and other transfer in blank) or other document.

19.4 Waiver of rights

A right may only be waived in writing, signed by the Mortgagee, and:

- (a) no other conduct of the Mortgagee (including a failure to exercise, or delay in exercising, the right) operates as a waiver of the right or otherwise prevents the exercise of the right;
- (b) a waiver of a right on one or more occasions does not operate as a waiver of that right if it arises again; and
- (c) the exercise of a right does not prevent any further exercise of that right or of any other right.

19.5 Operation of this document

- (a) This document contains the entire agreement between the parties about its subject matter. Any previous understanding, agreement, representation or warranty relating to that subject matter is replaced by this document and has no further effect.
- (b) Any right that the Mortgagee may have under this document is in addition to, and does not replace or limit, any other right that the Mortgagee may have.
- (c) Any provision of this document which is unenforceable or partly unenforceable is, where possible, to be severed to the extent necessary to make this document enforceable, unless this would materially change the intended effect of this document.

19.6 Operation of indemnities

- (a) Each indemnity in this document survives the expiry or termination of this document.

-
- (b) The Mortgagee may recover a payment under an indemnity in this document before it makes the payment in respect of which the indemnity is given.

19.7 **Consents**

Where this document contemplates that the Mortgagee may agree or consent to something (however it is described), the Mortgagee may:

- (a) agree or consent, or not agree or consent, in its absolute discretion; and
- (b) agree or consent subject to conditions,

unless this document expressly contemplates otherwise.

19.8 **Statements by Mortgagee**

A statement by an Authorised Representative of the Mortgagee on any matter relating to any Transaction Document (including any amount owing by the Mortgagor) is evidence of its contents.

19.9 **Set-off**

If an Event of Default occurs, the Mortgagee, without notice to the Mortgagor, may set off any amount that is or may become owing by the Mortgagee to the Mortgagor against any amount owing by the Mortgagor to the Mortgagee under any Transaction Document. For this purpose the Mortgagee may:

- (a) change the terms (including the repayment date) of any payment obligation between the parties; and
- (b) do anything (including execute any document) in the name of the Mortgagor that the Mortgagee considers necessary or desirable.

This subclause overrides any other document or agreement to the contrary.

19.10 **No merger**

Nothing in this document merges with any other Security Interest, or any Guarantee, judgment or other right or remedy, that the Mortgagee may hold at any time.

19.11 **Exclusion of contrary legislation**

Any legislation that adversely affects an obligation of the Mortgagor, or the exercise by the Mortgagee of a right or remedy, under or relating to this document is excluded to the full extent permitted by law.

19.12 **Inconsistency with other documents**

If this document is inconsistent with any other document or agreement between the parties, this document prevails to the extent of the inconsistency.

19.13 Counterparts

This document may be executed in counterparts.

19.14 Attorneys

Each person who executes this document on behalf of a party under a power of attorney declares that he or she is not aware of any fact or circumstance that might affect his or her authority to do so under that power of attorney.

SCHEDULE 1

PRESENT SHARES

Name of Company: Magnum Gold NL

Number of Shares: 12,000,000

Class: Ordinary

EXECUTED as a deed,

SIGNED, SEALED and DELIVERED by
JOHN BRIAN RODGER in the presence
of:

Signature of party

Signature of witness

Name

THE COMMON SEAL of PALMARC
INVESTMENTS PTY LIMITED, the fixing
of which was witnessed by:



Signature of ~~director~~ SECRETARY

Signature of director/~~secretary~~

Name

Name