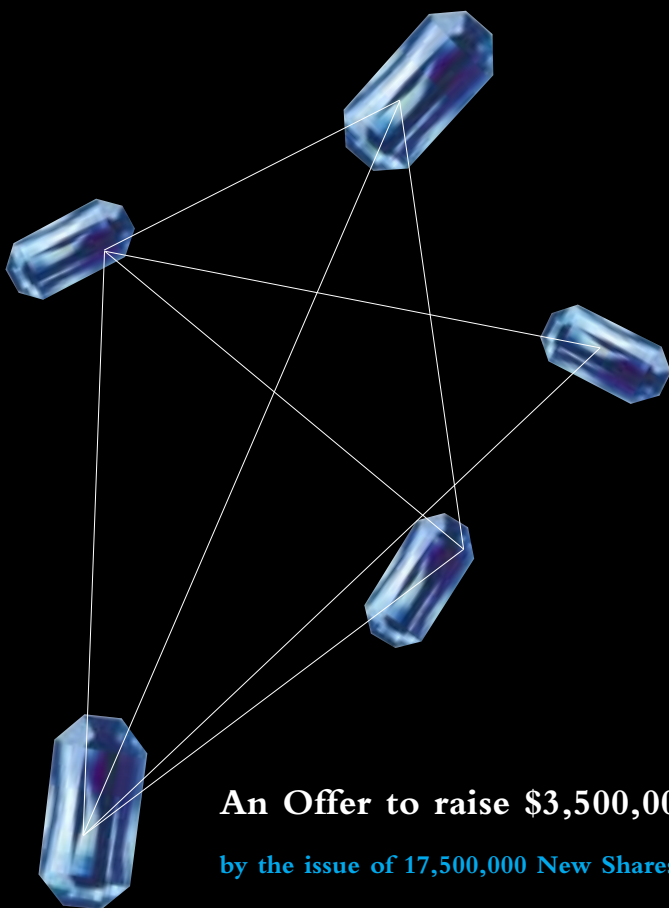




AUSTRALIS

AUSTRALIS MINING CORPORATION LTD
ACN 108 649 421

Prospectus



An Offer to raise \$3,500,000
by the issue of 17,500,000 New Shares
in the Company at an issue price of
20 cents per New Share with one Attaching
Option at no additional cost for every
2 New Shares issued pursuant to the
Offer with a right for the Company
to accept Oversubscriptions of up
to a further \$2,500,000.

Axis



This is an important document. Please consult your professional adviser(s) if you have any questions. Any investment in the New Shares offered by this Prospectus should be regarded as speculative in nature.

CORPORATE DIRECTORY

Directors

C.W (Bill) DuChatel, Non-Executive Chairman
Anthony Damianos, CEO & Executive Director
Robert Coenraads, Executive Director
Ted Tzovaras, Non-Executive Director
Keith Taylor, Non-Executive Director
Elias Christianos, Alternate Director to Ted Tzovaras

Company Secretary & Legal Counsel

Penelope Kyros

Principal Place of Business & Registered Office

AMP Building, Level 36, 50 Bridge Street
Sydney NSW 2000

Sponsoring Brokers

Axis Financial Group (Australia) Limited
Level 25, Royal Exchange Building
56 Pitt Street
Sydney NSW 2000

and

Baker Young Stockbrokers Limited
Level 4, 81 Flinders Street
Adelaide SA 5000

Independent Geologist

BR Senior & Associates Pty Limited
“Woodside”, 303 Shingle Hill Way
Bungendore NSW 2621

Solicitor’s Report

MacGillivrays
The Anzac Square Building,
Level 2, 200 Adelaide Street
Brisbane QLD 4000

Minerals Industry Consultants

Behre Dolbear Australia Pty Ltd
Level 9, 80 Mount Street
North Sydney NSW 2060

Auditors

RSM Bird Cameron Partners
Level 12, 60 Castlereagh Street
Sydney NSW 2000

Investigating Accountants

RSM Bird Cameron Corporate Pty Ltd
8 St Georges Terrace
Perth WA 6000

Solicitors to the Company

Minter Ellison
15th Floor,
1 King William Street
Adelaide SA 5000

Share Registry

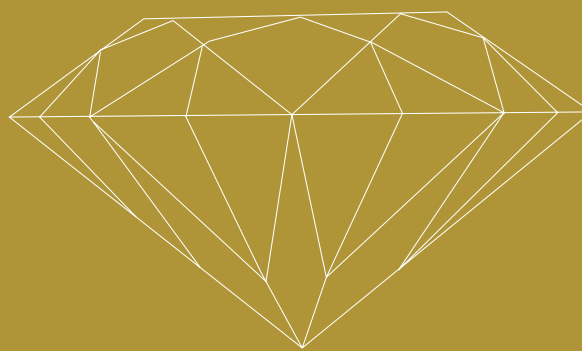
Registries Limited
Level 2,
28 Margaret Street
Sydney NSW 2000

Stock Exchange

The Company will apply for its Securities to be quoted on the official list of Australian Stock Exchange Limited under the following codes:

Shares: AUV

Options: AUVO





INVESTMENT HIGHLIGHTS

- 1 The Company's aim is to become a significant producer and marketer in the world sapphire industry.
- 2 When all of its Mining Lease Applications are granted this Company will be the largest mining tenement owner in the Queensland Anakie Field holding approximately 3,222 hectares of potential alluvial sapphire-rich ground.
- 3 Through the acquisition of its now-sub subsidiary company, Australis Mining Operations Qld Pty Ltd (AMO), formerly called Junior Mining (Operations) Pty Ltd (JMO), Australis is now positioned to establish a world-class sapphire mining operation within the Anakie Field located in central Queensland. Australis currently owns the largest sapphire recovery plant in Australia. The near new plant is transportable and is currently undergoing refurbishment and further upgrading. With the successful commissioning of the plant and development of the open cut alluvial mine, Australis will be positioned to become the largest single producer of sapphires in the southern hemisphere.
- 4 Australis has a well-credentialed and experienced Board of Directors with a proven capability in mine project development and operation, gemstone mining, corporate governance and financial management, which will be supported by a strong and experienced management team with a track record in mining and marketing of precious and semi-precious stones.
- 5 The Company will use conventional open-pit mining techniques and, based on conservative assumptions, this will result in an annual production of about 4.16 million grams of sapphire. Currently the proven mining reserves, containing an average grade of 8.0 grams per loose cubic metre, will last for approximately 5.3 years at this annual production rate and based on current geological interpretation. The Company has plans in place to extend this mine life by pursuing a robust exploration program.
- 6 Australis also intends to seek out and evaluate opportunities for production and sales of other alluvial precious and semi-precious stones, in particular, diamonds.
- 7 The Company is forecasting an after tax profit of \$2.48 million in the financial year ending June 30, 2005.

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IMPORTANT NOTICE

This Prospectus is dated 19 November 2004 and was lodged with the Australian Securities and Investments Commission (ASIC) on that date. No Securities will be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus. Securities allotted or issued pursuant to this Prospectus will be allotted or issued on terms and conditions set out in this Prospectus.

Neither the ASIC nor the ASX nor any of their respective officers take any responsibility for the contents of this Prospectus. No person is authorised to provide any information or to make any representation in connection with the Offer contained in this Prospectus which is not contained in this Prospectus.

This Offer does not take into account the investment objectives, financial situation and particular needs of any investor. Before deciding to invest in the Company potential investors should read the entire Prospectus and the risk factors that could affect the financial performance of the Company. The Securities offered under this Prospectus should be considered speculative. The price of securities may rise or fall according to a number of factors. You should carefully consider these risks in light of your personal circumstances (including financial and taxation issues) and seek professional advice from your accountant, stockbroker, lawyer or other professional adviser before deciding whether to invest.

The Offer made pursuant to this Prospectus is not made in any jurisdiction other than in Australia. This Prospectus does not constitute an offer in any place which, or to any person to whom, it would not be lawful to make such an offer. The distribution of the Prospectus in a jurisdiction other than Australia may be restricted by law, and persons who come into possession of the Prospectus should seek advice on, and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. It is the responsibility of all overseas Applicants to ensure their compliance with the laws of any country relevant to their application for Securities under this Prospectus. Residents of other jurisdictions could consider doing so using Australian domiciled entities, including nominee companies affiliated with Australian broking firms and should seek their own advice.

Exposure Period

Pursuant to the *Corporations Act*, this Prospectus is subject to an exposure period of 7 days from the date of lodgement with ASIC, which period may be extended by ASIC by a further period of 7 days.

The Exposure Period enables this Prospectus to be examined by market participants prior to the raising of funds. The examination may result in the identification of deficiencies in this Prospectus. If deficiencies are detected, the Company will:

- return any Application Moneys that the Company has received; or
- give to each Applicant a supplementary or replacement Prospectus that corrects the deficiency and give the Applicant the option to withdraw the Application within one month and be repaid the Application Moneys; or
- issue to the Applicant the Securities applied for in the application, give to each Applicant a supplementary or replacement Prospectus that corrects the deficiency and give the Applicant the option to withdraw the Application within one month and be repaid the Application Money.

Applications received prior to the expiration of the Exposure Period will not be processed until after the Exposure Period. No preference will be conferred on Applications received during the Exposure Period and all Applications received during the Exposure Period will be treated as if they were simultaneously received on the Opening Date.

IMPORTANT NOTICE

Electronic Prospectus

This Prospectus may be viewed online at www.australismining.com.au.

The Offer pursuant to this Prospectus is available to persons receiving an electronic version of this Prospectus within Australia. The Offer made under this Prospectus is only available to persons receiving this Prospectus in this jurisdiction. The Company is entitled to refuse an Application for Shares under this Prospectus if it believes the Applicant did not receive the Offer in Australia.

There is no facility for online applications. Any person accessing the electronic version of this Prospectus for the purpose of making an investment in the Company must only access the Prospectus from within Australia.

Shares to which this Prospectus relates will only be issued on receipt of an Application Form issued together with the Prospectus.

Applications must be made by completing a paper copy of the Application Form. The Company will not accept Application Forms electronically.

The *Corporations Act* prohibits any person from passing on to another person the Application Form unless it is attached to a paper copy of this Prospectus or accompanies the complete and unaltered version of this Prospectus. During the Offer Period, any person may obtain a paper copy of this Prospectus free of charge by contacting the Company at Level 36, AMP Building, 50 Bridge Street Sydney, New South Wales or by telephone on (02) 8256 0888 during normal business hours.

Key Dates

Lodgement of Prospectus with ASIC	19th November 2004
Opening Date for Applications	29th November 2004*
Closing Date Applications (5.00pm EST)	31st December 2004*
Allotment of Shares under this Prospectus (anticipated)	6th January 2005
Trading of Shares to commence on ASX (anticipated)	10th January 2005

Although Applications may be lodged on the date of lodgement of this Prospectus, the Company will not accept those Applications until the expiry of the Exposure Period. No preference or priority of any nature will be given to Applications received before expiry of the Exposure Period.

- * The Company reserves the right to change the Opening Date or the Closing Date or both, which could shorten or extend the Offer Period without prior notice, which may have a consequential impact on other dates.



Letter from the Chairman

On behalf of the Directors, I am very pleased to introduce this Prospectus for Australis Mining Corporation Limited and invite you to consider becoming a shareholder in the Company.

Australis Mining Corporation Limited (Australis) is a new precious gem production company that has acquired a 100% interest in mining tenements and mining tenement applications covering 3,222 hectares in the Anakie Field of Queensland. The Company plans to raise \$3.5 million minimum subscription by offering 17.5 million fully paid up shares at 20 cents and with the ability to accept a further \$2.5 million in oversubscriptions, with the objective of developing a large scale commercial sapphire mining and marketing operation in tenements containing already proven sapphire reserves and to conduct extensive sampling and resource evaluation over as yet unexplored parts of the mining tenements as well as exploration of areas the subject of application.

Evaluation by large-diameter Calweld drilling indicates that the proven reserves are adequate to support an operation producing approximately 22 million grams of commercial grade rough sapphire. There are further as yet untested areas which may host extensions of the palaeochannel placer gravels that contain commercial grade sapphire deposits.

Australis has purchased the private gem mining and marketing company Junior Mining (Operations) Pty Ltd (JMO), since renamed Australis Mining Operations Qld Pty Ltd (AMO), which owns tangible assets including a near-new 200 cubic metres per hour alluvial gravel processing and sapphire concentrate gravity recovery plant, a magnetic concentrate processing plant and gem sorting facilities, a 160 tonne hydraulic excavator, an 80 tonne hydraulic excavator, Komatsu 475-2A bulldozer, two 85 short-ton capacity rear dump trucks, miscellaneous light equipment and maintenance and administration facilities. JMO is also the holder of the granted mining tenements and mining tenement applications and has received formal approval from the Queensland Department of Mines for the planned mining operations.

The principals of JMO have a proven track record of sourcing sapphires from the Queensland gemfields, initially as buyers of gems from other producers then as JMO as the operator of a JMO-Cluff sapphire mining joint venture and marketer of product from that joint venture. While operating experience is of great importance, experience in the understanding of product marketing worldwide is of vital importance. Key personnel from JMO will hold operations and sales executive roles in Australis to underpin the Company's selling initiatives for the sapphire rough to a long established network of major international buyers and cutters of sapphires and gemstones.

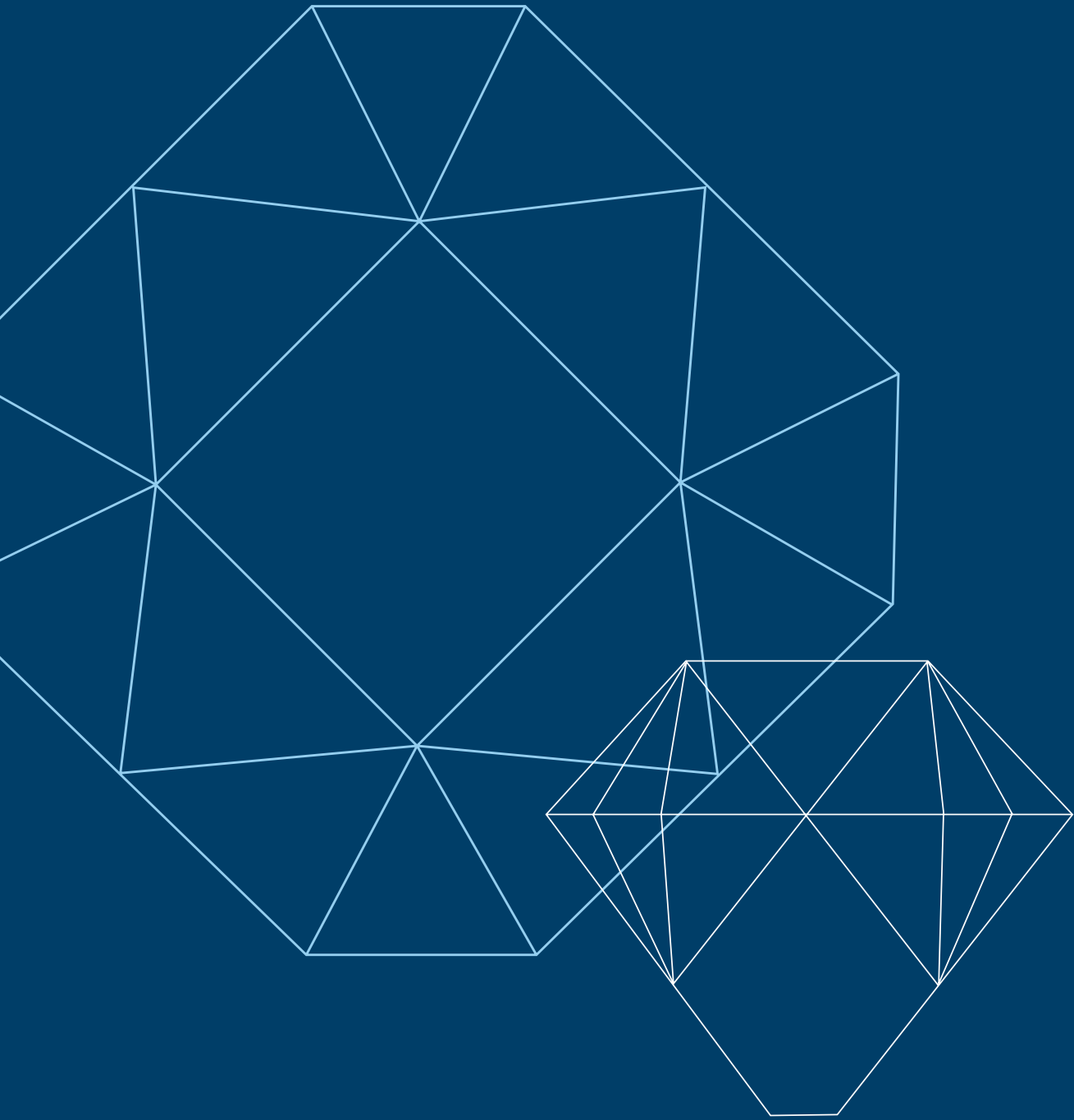
In addition to having operations and sales expertise, the Board of Australis which has a majority of non-executive directors, has been especially selected to bring a thorough understanding of, and direct experience in, mining project development, alluvial exploration and evaluation, product beneficiation and listed company corporate governance.

It is estimated that the planned sapphire mining project can be brought into full production by the end of the calendar year because the mining plan has been approved and there is a compensation agreement in place with the freehold landowners and, being freehold land, there are no native title issues to impede development. It is the Directors' agreed intention to declare dividends from after tax profits on a six monthly basis, has to be subject to consideration of the Company's cash flow and capital requirements at the relevant time.

On behalf of the Directors of Australis, I recommend this investment opportunity to you and look forward to your participation in the rewards that the Directors expect to flow from the successful implementation of the sapphire mining project.

Yours sincerely,

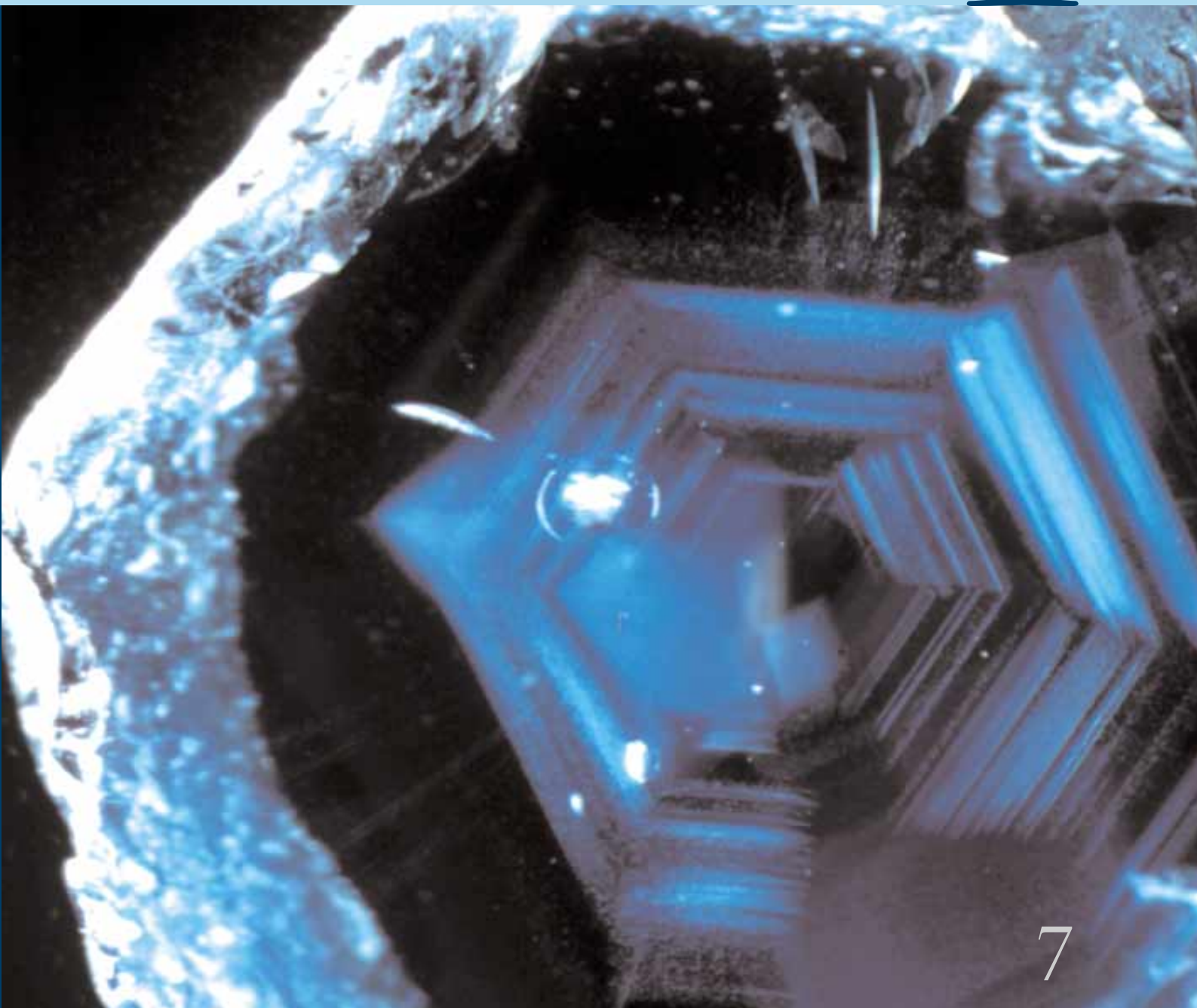
C.W (Bill) DuChatel
Chairman
15 November 2004





SECTION 1

DETAILS OF THE OFFER



1 DETAILS OF THE OFFER

This Prospectus invites investors to apply for a total of 17,500,000 New Shares at a price of 20 cents for each New Share, to raise funds of \$3.5 million if fully subscribed, with the right to accept oversubscriptions for an additional 12,500,000 shares at 20 cents per New Share to raise an additional \$2,500,000. One Attaching Option will be issued at no additional cost for every two New Shares issued pursuant to the Offer (including Oversubscriptions).

All Application Moneys are payable in full on application.

No New Shares will be issued until the Minimum Subscription has been achieved. If the Company does not achieve the Minimum Subscription within four months after the date of this Prospectus, all Application Moneys will be returned in full without interest. The Company believes the Minimum Subscription to be raised under this Prospectus is sufficient to achieve its objectives as set out in this Prospectus.

1.1 PURPOSE OF THE OFFER

The principal purposes of the Offer are:

- to provide the Company with working capital to enable the Company to develop a large scale commercial sapphire mining and marketing operation;
- to retire debt;
- to facilitate the listing of the Company's Securities on the ASX; and
- to enable the Company to undertake further exploration of tenement areas.

The Company plans to raise \$3,500,000 under the Offer (excluding Oversubscriptions) and has set a Minimum Subscription of \$3,500,000.

The Company intends to apply the funds raised from the Offer over the period and for the purposes referred to in Table 1 below. It is intended that any Oversubscriptions accepted will be applied to provide additional working capital.

1.2 PROPOSED USE OF FUNDS

It is intended that the funds raised from the Offer will be used in accordance with the following Table.

	(\$000) Minimum*	(\$000) Maximum**
Gross Funds Raised	3,500	6,000
Less Issue Costs (refer Section 12.9)	545	685
	2,955	5,315
Intended use of funds:		
Repayment of JMO Guaranteed Third Party Loans	742***	742***
Payment of JMO Trade Debts	470***	470***
Repayment JMO Guaranteed Related Party Loan	200***	200***
Capital Expenditure	919+	919+
Exploration Budget	300	300
Working Capital	324	2,684
	2,955	5,315

* Assumes Minimum Subscription is achieved.
** Assumes maximum Oversubscriptions are taken up under the Offer.
*** Refer to Additional Information Section 12.
+ Refer to Company Information Section 4.

1.3 CAPITAL STRUCTURE

Set out in Table 2 below is a summary of the Shares presently on issue and Shares on issue after the completion of the Offer, based on the Offer being fully subscribed and assuming no Oversubscriptions:

Table 2 Capital Structure

	Number of Shares	%
Existing Shares	75,700,000	81.2
New Shares issued under the Offer	17,500,000	18.8
Total	93,200,000	100.0

The Company has approved the issue of up to 12,500,000 New Shares at the Offer Price of \$0.20 as Oversubscriptions. In the event that all these New Shares are issued as Oversubscriptions, the Company's issued share capital will comprise 105,700,000 Shares.

The Attaching Options are exercisable at a price of \$0.20 per Attaching Option at any time from the date of their issue until 31 December 2006.

There are 25,700,000 Options presently on issue ("Existing Options"). Set out in Table 3 below is a summary of the Options presently on issue and the Options on issue after the completion of the Offer, based on the Offer being fully subscribed and assuming no Oversubscriptions:

Table 3 Options

	Number of Options	%
Existing Options	25,700,000	74.6
Attaching Options	8,750,000	25.4
Total	34,450,000	100.0

Application will be made for quotation of the Existing Securities, the New Shares and the Attaching Options on the ASX.

For details of the rights attaching to all Shares and Options, refer to Section 12 of the Prospectus.

1.4 SUMMARY FINANCIAL INFORMATION

The table below summarises the historical Financial Performance and Forecast Statements of Australis Mining Corporation Limited and JMO consisting of;

- the results of Australis' subsidiary JMO for the year ended 30 June 2003, and
- the results of the Economic Entity for the year ended 30 June 2004, together with the Directors' forecast of the Economic Entity results for the Year ended 30 June 2005.

Table 4 Financial Information

	JMO Year ended 30-Jun-03 Pro-Forma ⁺ (\$000)	ECONOMIC ENTITY Year ended 30-Jun-04 Actual (\$000)	ECONOMIC ENTITY Year ending 30-Jun-05 Forecast* (\$000)
Sales Revenue	7	0	9,074
EBITDA	(752)	(346)	5,238
Depreciation & Amortisation	23	0	1,664
EBIT	(777)	(346)	3,574
Interest Expense & Tax	22	39	1,086
Net Profit to Shareholders	(799)	(385)	2,488

⁺ These results are from the operations of JMO only. Revenue has not been derived in the years ended 2003 & 2004 due to restricted access to mining leases because of Native Title issues, now resolved.

^{*} Based on \$3.5 million minimum capital raising.

1 DETAILS OF THE OFFER

1.5 ISSUE STATISTICS

	Minimum*	Maximum**
Existing Shares	75,700,000	75,700,000
New Shares pursuant to Offer	17,500,000	30,000,000
Total shares following the Offer	93,200,000	105,700,000
Market capitalisation at Offer Price	\$18,640,000	\$21,140,000
Fully diluted number of Shares ***	127,650,000	146,400,000
EBITDA per share - forecast 2005 non-diluted	5.8 cents	5.1 cents
Earnings per share - forecast 2005 non-diluted	2.7 cents	2.3 cents
Price earnings ratio - forecast 2005 non-diluted	7.5 times	8.5 times
-forecast 2005 fully-diluted	10.3 times	11.8 times
Net tangible assets per share		
-forecast 2005 non-diluted	15.2 cents	15.6 cents
-forecast 2005 fully-diluted	16.5 cents	16.8cents

* Assumes Minimum Subscription is achieved.

** Assumes Maximum Oversubscriptions are taken up under the Offer.

*** Refer to Additional Information Section 12. Assumes all Options are exercised.

1.6 APPLICATION FOR SHARES

To participate in the Issue you must either:

- complete the Application Form included in this Prospectus in accordance with the instructions set out on the back of that form; or
- print and complete the Application Form that can be found included in the online prospectus on the Internet at www.australismining.com.au in accordance with the instructions found on that website.

Applications must be for a minimum of 10,000 New Shares (being minimum application moneys of \$2,000), and thereafter in multiples of 5,000 New Shares (\$1,000).

The Application Form must be accompanied by a cheque, denominated in Australian dollars, for the full amount of your Application Moneys. Cheques must be made payable to Australis Mining Corporation Limited Share Applications Account and should be crossed "Not Negotiable".

No brokerage or stamp duty is payable by Applicants in respect of applications for shares under this Prospectus. All Application Moneys will be paid into a trust account.

Properly completed Application Forms must be received by no later than the dates specified above. Completed Application Form and accompanying cheque should then be returned to:

By delivery to:

Axis Financial Group (Australia) Limited Level 25, 56 Pitt Street Sydney NSW 2000	or	Baker Young Stockbrokers Limited Level 4, 81 Flinders Street Adelaide SA 5000
	or	Registries Limited Level 2, 28 Margaret Street Sydney NSW 2000

By Post to:

Axis Financial Group (Australia) Limited PO Box R1464 Royal Exchange NSW 1225	or	Baker Young Stockbrokers Limited Level 4, 81 Flinders Street Adelaide SA 5000
	or	Registries Limited PO Box R67 t Royal Exchange NSW 1223

An original, completed and lodged Application Form, together with a cheque for the Application Moneys, constitutes a binding and irrevocable offer to subscribe for the number of New Shares specified in the Application Form. The Application Form does not need to be signed to be a valid application. An Application will be deemed to have been accepted by the Company upon allotment of the New Shares.

If the Application Form is not completed correctly, or if the accompanying payment of the Application Moneys is for the wrong amount, it may still be treated as valid. The Directors' decision as to whether to treat the application as valid and how to construe, amend or complete the Application Form is final. However, an Applicant will not be treated as having applied for more New Shares than is indicated by the amount of the cheque for the Application Moneys.

1.7 ACCEPTANCE OF APPLICATIONS

The Company reserves the right to reject any Application or to allocate to any Applicant fewer New Shares than the number applied for. The Company also reserves the right to reject or aggregate multiple applications in determining final allocations.

In the event an Application is rejected or not accepted in full, the relevant portion of the Application Moneys will be returned to Applicants without interest.

Successful Applicants will be forwarded notification of their allocation as soon as practicable after allocation has taken place.

All Application Moneys will be deposited into a separate bank account of the Company and held in trust for Applicants until the New Shares are issued or Application Moneys returned. If the Minimum Subscription is not achieved within a period of four months from the date of this Prospectus, all Application Moneys will be refunded in full without interest, and no New Shares will be allotted pursuant to this Prospectus.

The Directors may at any time decide to withdraw this Prospectus and the Offer in which case the Company will return all Application Moneys within 28 days of giving notice of such withdrawal.

The allotment of New Shares will occur as soon as practicable after the Minimum Subscription has been raised and the closure of the Offer.

1.8 DIVIDENDS

It is the Directors' intention to declare dividends from after tax profits on a six monthly basis, but subject to consideration of the Company's cash flow and capital requirements at the relevant time. However, the Directors can give no assurance as to the likelihood, extent, timing or payment of dividends in the future, as the Company's capacity to pay a dividend will be dependant on a number of factors which include future earnings, capital and exploration expenditure requirements and its financial position from time to time.

1.9 UNDERWRITING

The Offer is not underwritten, however, the Offer is sponsored by Axis Financial Group (Australia) Limited and Baker Young Stockbrokers Limited.

1 DETAILS OF THE OFFER

1.10 ASX LISTING

The Company will make an application to the ASX within seven days after the date of issue of the Prospectus for the Company to be admitted to the official list of the ASX and for the official quotation of the Existing Securities the New Shares (including any Oversubscriptions) and the Attaching Options. The fact that ASX may admit the Company to its official list and grant official quotation to the Existing Securities, New Shares and Attaching Options is not to be taken as an indication by the ASX of the merits of the Company or of any of the Securities. ASX quotation, if granted, will commence as soon as practicable after holding statements are despatched. ASX does not take any responsibility for the contents of the Prospectus. The Directors do not intend to allot any shares or options unless and until ASX grants permission for the Existing Securities, New Shares and Attaching Options to be listed for quotation unconditionally or on terms acceptable to the Directors.

If permission is not granted for the Existing Securities, New Shares and Attaching Options to be listed for quotation before the end of three months after the date of this Prospectus or such longer period permitted by the Corporations Act with the consent of ASIC, all Application Moneys received pursuant to the Prospectus will be refunded without interest to Applicants in full within the time prescribed by the Corporations Act.

1.11 RESTRICTED SECURITIES

ASX may classify certain Existing Securities as being subject to the restricted securities provisions of the Listing Rules. Those Shares and Options will be required to be held in escrow for a period determined by the ASX.

1.12 CHESS

The Company will be applying for admission to participate in the Clearing House Electronic Subregister System (CHESS) in accordance with the Listing Rules and the ASTC Settlement Rules. On admission to CHESS, the Company will operate an electronic issuer sponsored sub-register and an electronic CHESS sub-register. The two sub-registers together will make up the Company's principal register of securities.

The Company will not issue certificates to Shareholders. Instead, Shareholders that elect to hold their shares on the issuer sponsored sub-register will be provided with a holding statement (similar to a bank account statement) which sets out the number of Securities issued to each investor under this Prospectus and at the end of the month of issue, CHESS (acting on behalf of the Company) will provide Shareholders with a holding statement that confirms the number of Shares so recorded in the name of that Shareholder.

A holding statement (whether issued by CHESS or the Company) will also provide details of a Shareholder's Holder Identification Number (HIN) in the case of a holding on the CHESS sub-register or Shareholder Reference Number (SRN) in the case of a holding on the issuer sponsored sub-register. Following distribution of these initial holding statements to all Shareholders, a holding statement will only routinely be provided to a Shareholder at the end of any subsequent month during which the balance of the investor's holding of Shares changes.

1.13 TAX CONSIDERATION

Investors should seek and rely on their own professional taxation advice in relation to an investment in the Company.

1.14 DISTRIBUTION OF PROSPECTUS

The Prospectus has been prepared by the Company. In preparing the Prospectus, the Company has taken reasonable steps to ensure that the information in the Prospectus is not false or misleading. In so doing, the Company has had regard to the prospectus requirements of the Corporations Act.

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

The Prospectus does not constitute an offer in any country or place in which, or to any person to whom, it would not be lawful to make such an offer.

1.15 ENQUIRIES

Prospective investors should read the full text of the Prospectus. No person is authorised to give any information in relation to or to make any representation in connection with the Offer that is not contained in the Prospectus. Any such information or representation may not be relied upon as having been authorised by the Company in connection with the Offer.

The Prospectus provides information to assist Investors in deciding whether they wish to invest in the Company and should be read in its entirety. If you have any questions about its contents or investing in the Company you should contact your stockbroker, accountant or other financial adviser.

Questions relating to the Offer can be directed to the Company on +(61) 2 8256 0888.

Questions relating to the completion of the Application Form can be directed to

Investor enquires:

Mr Keith Taylor

Axis Financial Group (Australia) Limited

Ph: +(61) 2 9247 4444

Fax: +(61) 2 9247 4844

Mr Duncan Gordon

Baker Young Stockbrokers Limited

Ph: +(61) 8 8236 8888

Fax: +(61) 8 8232 3877

1.16 WEBSITE - ELECTRONIC PROSPECTUS

A copy of the Prospectus can be downloaded from the website of the Company at www.australismining.com.au or the website of the Sponsoring Brokers at www.axisfinancial.com.au and www.bakeryoung.com.au. Any person accessing the electronic version of the Prospectus for the purposes of making an investment in the Company must be an Australian resident person or company and must only access the Prospectus from within Australia.

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

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus (and any relevant supplementary or replacement prospectus).

There is no facility for online applications.

1

Details of
the offer



1 DETAILS OF THE OFFER

1.17 NON-RESIDENT INVESTORS

Intending investors resident outside Australia should first consult their professional advisers as to whether or not governmental or other consents are required, or whether formalities need to be observed to enable them to invest. Intending non-resident investors should also seek advice in respect of the taxation effect of an investment in the Company and dividends that the Company may distribute in the future.

The return of a duly completed Application will be taken to constitute a representation and warranty that there has been no breach of such laws and that all necessary approvals and consents have been obtained.

No action has been taken to register or qualify the Shares or the Offer, or otherwise to permit a public offering of the Shares in any jurisdiction outside Australia.

1.18 PRIVACY

The Application Form accompanying this Prospectus requires you to provide information that may be personal information for the purposes of the Privacy Act 1988. The Company (and its share registry on behalf of the Company) may collect, hold and use that personal information in order to assess your Application, service your needs as a Shareholder and provide facilities and services that you request and to administer the Company.

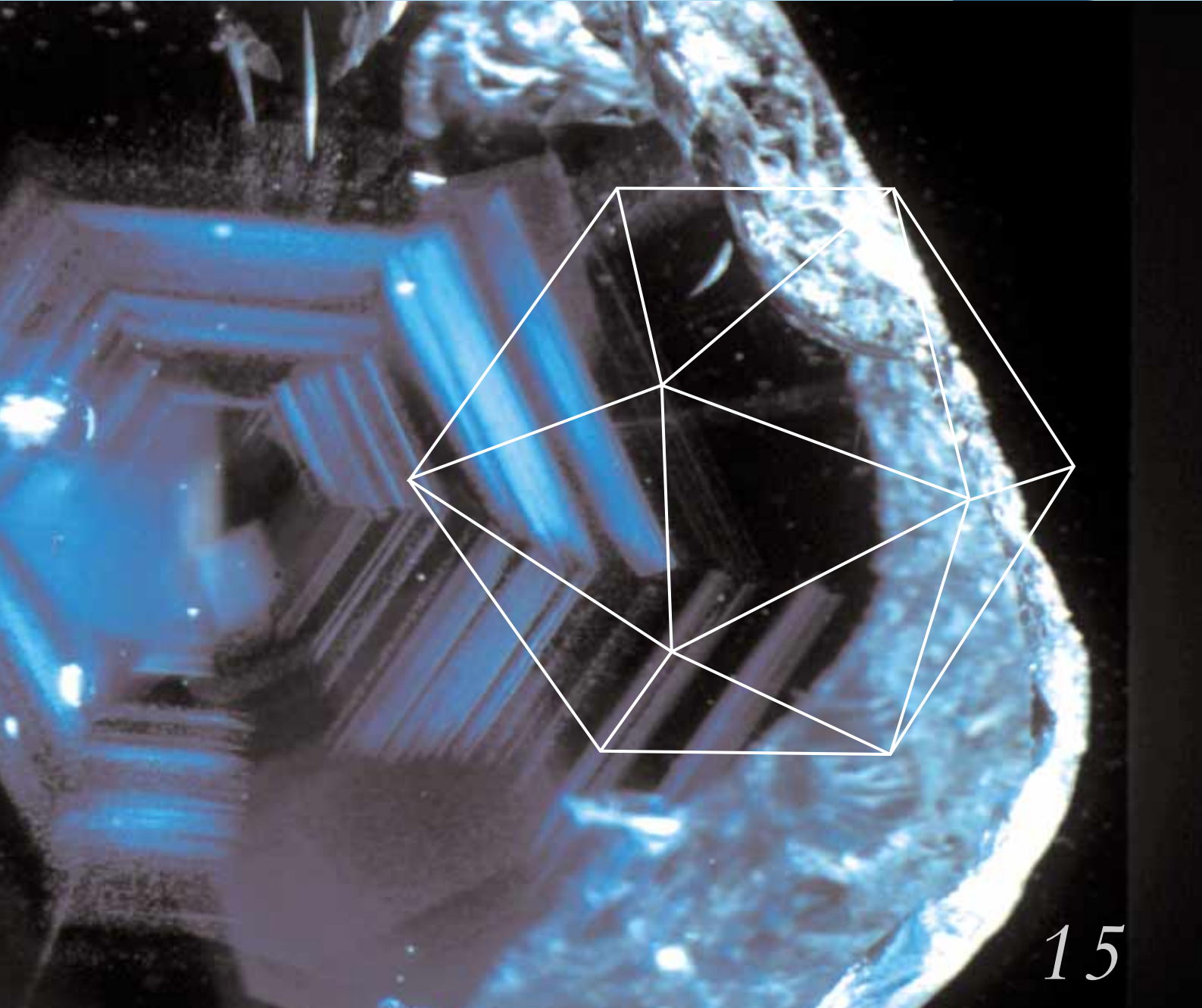
Access to information may also be provided to the Company's agents and service providers on the basis that they deal with such information in accordance with the Company's privacy policy. If you do not provide the information requested of you in the Application Form, the Company's share registry may not be able to process your Application or administer your holding of Shares appropriately. Under the Privacy Act 1988 (as amended), you may request access to your personal information held by (or on behalf of) the Company. You can request access to your personal information by telephoning or writing to the Company to the attention of the Privacy Officer.

1.19 GLOSSARY

Certain terms and abbreviations used in this Prospectus have defined meanings set out in the Glossary. Where in the Prospectus the first letter of any word, or each word in any phrase consistently appears in a capitalised form, that is an indication that such word or phrase may be defined in the Glossary, which should in any such instance be cross referenced so as to establish whether or not it is a defined word or phrase. All financial amounts shown in this Prospectus are expressed in Australian dollars, unless otherwise stated. Unless otherwise specified, all figures and statistical and operational information contained in this document are materially accurate as at the date of the Prospectus.

SECTION 2

CAPITAL STRUCTURE



2 CAPITAL STRUCTURE

The capital structure of the Company before and after the completion of the Offer is set out below:

Shares	Minimum*	Maximum**		
Shares issued on JMO acquisition	50,000,000	50,000,000		
Other Shares issued pre Offer	25,700,000	25,700,000		
Shares issued under the Offer	17,500,000	30,000,000		
	<u>93,200,000</u>	<u>105,700,000</u>		

Options	Minimum*	Maximum**		
Existing Options	25,700,000	25,700,000		
Attaching Options	8,750,000	15,000,000		
	<u>34,450,000</u>	<u>40,700,000</u>		

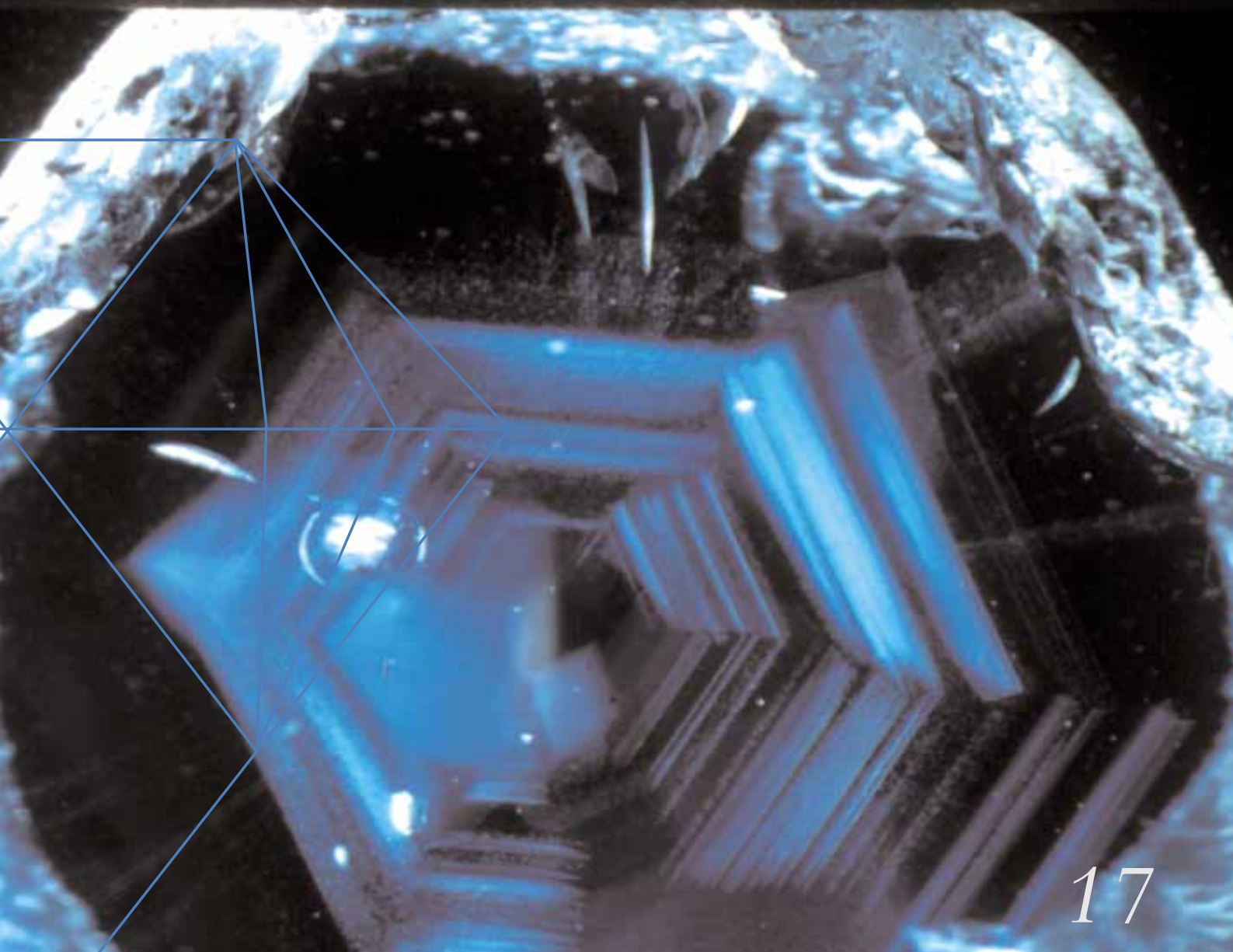
Fully diluted share capital	Minimum*	%	Maximum**	%
Shares issued on JMO Acquisition	50,000,000	39.2	50,000,000	34.2
Other issued shares pre Offer	25,700,000	20.1	25,700,000	17.6
Shares issued under the Offer	17,500,000	13.7	30,000,000	20.5
Shares issued on exercise of the Attaching Options	8,750,000	6.9	15,000,000	10.2
Shares issued on exercise of the Existing Options	25,700,000	20.1	25,700,000	17.5
	<u>127,650,000</u>	<u>100.0</u>	<u>146,400,000</u>	<u>100.0</u>

* Assumes Minimum Subscription is achieved.

** Assumes Maximum Oversubscriptions are taken up under the Offer.



SECTION 3
DIRECTORS &
MANAGEMENT



3 DIRECTORS AND MANAGEMENT

3.1 THE BOARD OF DIRECTORS

C.W (Bill) DuChatel *Non Executive Chairman* *BE Mining, FAusIMM, FAIE, CPEng, FAICD*

Mr DuChatel (aged 70 years) is past Chairman, now non-executive Director, of Giants Reef Mining Limited and a non-executive Director of Striker Resources N L. He has been actively associated with the mining industry since 1958 and has held executive positions in mine operations, project design and construction and senior executive management fields with a number of publicly listed companies including Pancontinental Mining Limited, Comalco Limited, Noranda Australia Limited, Thiess Holdings Limited and MIM Holdings Limited. He is a past President of the Australian Mineral Industries Research Association and was a director of Pancontinental Mining Limited and Ashton Mining Limited.

Anthony M. Damianos *Executive Director* *Chief Executive Officer*

Mr. Damianos (aged 29 years) has been involved in all aspects of the precious and semi-precious gem industry which included roles in mining, marketing and administration. He has extensive experience in sapphire, chrysoprase, emerald and tiger iron mining operations within Australasia. Mr Damianos is a founding member of the Queensland Sapphire Project, which he has worked on for the last five years as Chief Operations Officer. He was responsible for project planning, the construction and commissioning of the largest sapphire processing plant in the southern hemisphere as well as the day to day operations of the open cut mining including environmental compliance, management structure, rough sapphire classification and order fulfilment.

Robert Coenraads *Executive Director* *Chief Geologist* *BA (Hons), M.Sc., Ph.D., Dip. Gemm. Dip. Diamond Technology.*

Dr. Coenraads (aged 47 years) is a gemmologist, geologist, geophysicist with over 25 years of industry and academic experience. He is a lecturer for the Gemmological Association of Australia, and author of 30 scientific publications and two books. Dr. Coenraads specializes in sapphire and ruby exploration, heat treatment and processing, and has worked on major gemfields in Australia, Laos and Thailand. He is a Fellow of the Gemmological Association of Australia and Research Associate of the Australian Museum.

Ted Tzovaras *Non-Executive Director* *LLB LLM, MBA, FAICD.*

Mr. Tzovaras (aged 52 years) is a Solicitor and Barrister of the Supreme Court of New South Wales and of the High Court of Australia. He is also a Director of Austcorp Group Limited, President of the European Australian Business Council Ltd, Director, Belgium - Luxembourg Chamber of Commerce in Australia, Director, Hellenic Australia Chamber of Commerce and Industry. He is the founder of Tzovaras Legal, author of several legal and commercial publications and has held a number of academic appointments.

Keith Taylor *Non-Executive Director* *M Com, MBA, CPA, FCIS, ASIA*

Mr Taylor (aged 56 years) is experienced in equity raising, corporate advisory, merchant banking and property funds management. Keith has been the Company Secretary/Financial Controller for the Manager of the ASX listed Goodman Hardie Industrial Property Trust (now Macquarie Goodman Industrial Property Trust) and the Company Secretary of ASX listed Triden Corporation Limited (now Macquarie Goodman Management Limited). Mr Taylor has also held a position as a senior executive for a number of years with an Australian merchant bank. He is a Director of Asquith Managed Investments Limited and is Executive Director, Axis Corporate Advisory, for Axis Financial Group (Australia) Limited.



3

Directors & Management

BOARD OF DIRECTORS AND LEGAL COUNSEL

1. C.W DuChatel 2. Anthony M. Damianos 3. Robert Coenraads
4. Ted Tzovaras 5. Keith Taylor 6. Elias Christianos 7. Penelope Kyros

Elias Christianos *Alternate Director for Ted Tzovaras*

Mr Christianos (aged 57 years) has spent his lifetime working in all aspects of the gemstone industry, including mining and marketing opals, diamonds and sapphires. His working life began in 1958 in the family mine at Eight-Mile Diggings, Coober Pedy, South Australia where large opal discoveries were made. He first commenced mining sapphires at the Anakie Gem Field, Queensland in 1972 and, after running a number of offshore mines, established offices in Bangkok and Chanthaburi, Thailand for the sale of rough sapphires. Junior Mining Operations Pty Ltd, Queensland was incorporated in 1998 initially to buy sapphires and sell them through the Thailand and Hong Kong offices before becoming a sapphire miner itself. Mr. Christianos will have responsibility for selling of the Australis rough sapphires in Hong Kong and Thailand. Mr Christianos retains a significant shareholding in the Company through his interest in Nikiticorp (L) BHD.

3.2 COMPANY SECRETARY AND LEGAL COUNSEL

Penelope Kyros *BA (Jurs) LLB, GDLP*

Ms Kyros (aged 33 years) is a solicitor of the Supreme Courts of SA & NSW and the High Court of Australia and a member of the Australian Corporate Lawyers Association. She specialises as an in-house legal counsel after 10 years of private practice in the areas of commercial and property law and tenures in an in-house capacity at Hutchison 3g (London) and Newmont Mining Corporation Limited utilising her legal and management skills in company secretarial and legal matters.

3.3 MANAGEMENT

Warren Kember *Chief Financial Officer B.Com., MBA, CA*

Warren Kember (aged 43 years) has over 20 years of professional and commercial experience as a chartered accountant. After an initial career in audit with a large chartered accounting firm and subsequently with an investment bank, Mr Kember had over 10 years experience as Financial Officer for private and public companies. Mr Kember has specialised in restructuring and business development roles, which have involved improving business processes, reporting systems and financial management. Mr Kember is a chartered accountant and holds a Masters of Business Administration degree.

3 DIRECTORS AND MANAGEMENT

Christian E. Christianos *General Manager of Sales, Hong Kong*

Christian Christianos (aged 28 years) has been involved in the precious stone industry specializing in the international sales and promotions of rough gemstones. He has participated in leading international gemstone exhibitions and trade fairs including the Tucson Show, USA, the Japan Trade Fair, the Hong Kong Gem and Jewellery Fair, and the Basel Jewellery Fair, Switzerland. Mr Christianos brings a wealth of hands-on industry experience to Australis Mining Corporation Limited and family affiliations gained over three generations in the industry. Mr Christianos is also an honorary member of the China Jade and Gem Association.

George E. Christianos *General Manager of Operations, Sapphire, Queensland*

George Christianos (aged 34 years) comes from a third generation mining background. He will bring to Australis Mining Corporation Limited experience in all facets of mining including mine management, mine tenure administration as well as exploration and operations. He has been involved in major operations in the mining of gold, diamonds, emeralds, sapphires, opal, amethyst, tiger iron and chrysoprase domestically and internationally. Mr Christianos has gained his experience whilst serving tenures in operations within Australia and abroad whilst working in mining and operational roles in various gemstone mines in Brazil, West Africa and Laos. Mr Christianos is also an honorary member of the China Jade and Gem Association.



SECTION 4

THE COMPANY

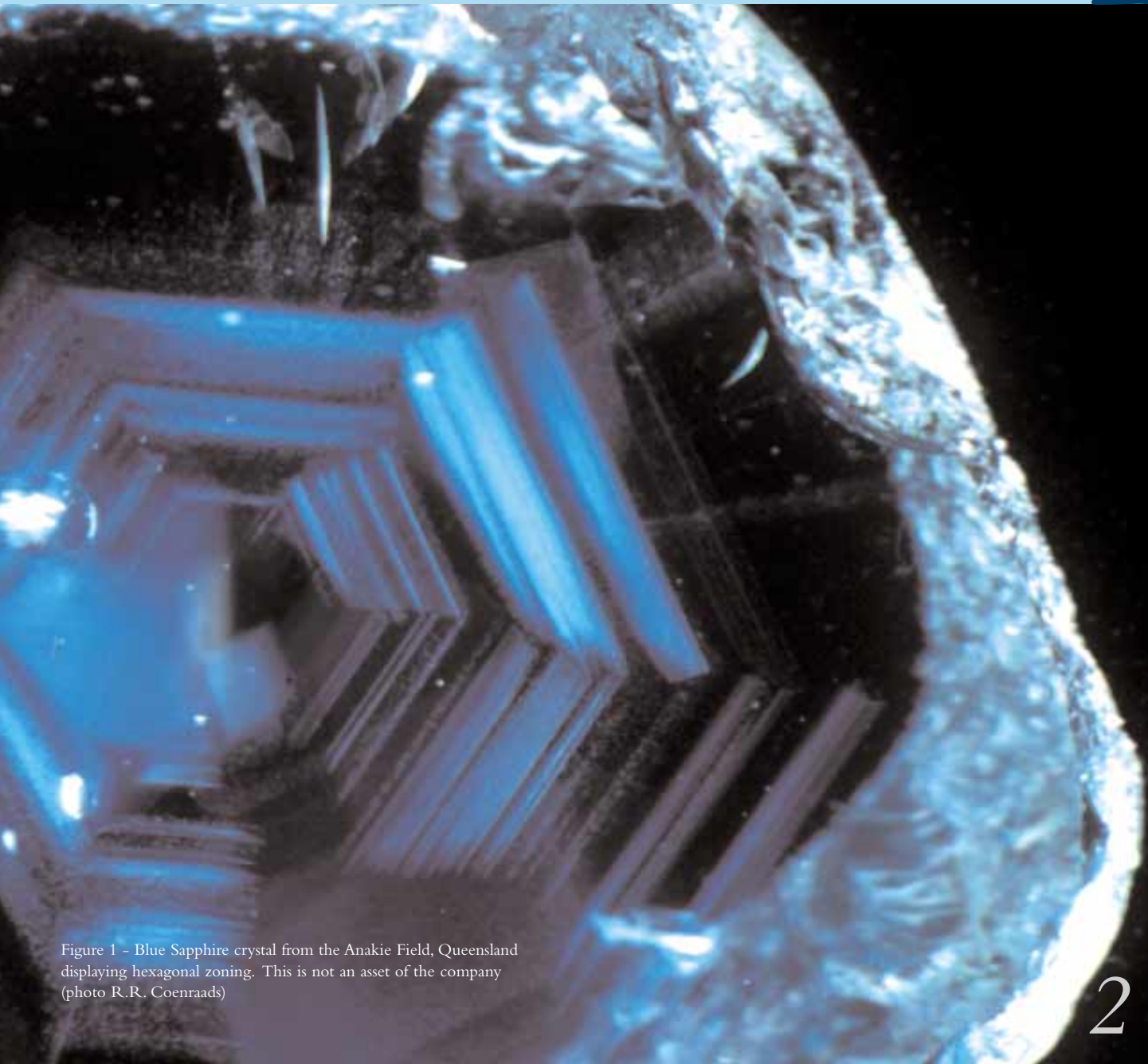


Figure 1 - Blue Sapphire crystal from the Anakie Field, Queensland displaying hexagonal zoning. This is not an asset of the company (photo R.R. Coenraads)

4 THE COMPANY

4.1 CORPORATE OVERVIEW

The acquisition of JMO, a previously successful miner and marketer with a production of 1.2 million grams from the Sapphire, Queensland, region since commencement of JMO operations, has enabled the Board of Australis to adopt a project development strategy directed at achieving the earliest possible start up of sapphire production and overseas distribution and sales. From its incorporation and acquisition of JMO, Australis has been able to move aggressively toward this objective, the highlights of which are as follows;

- acquisition of and independent confirmation of an **existing proven mineable sapphire reserve**,
- acquisition of mining leases on freehold property and additional mining leases on crown land free from native title issues,
- valid applications for exploration licences over geologically favourable ground,
- acquisition of existing and specialised plant and equipment purpose-built for the Company's sapphire reserves,
- experience within JMO for the utilization of contemporary technology in mine planning, control of mine operations and the control of extraction and processing operations,
- acquisition of **established international sales and distribution channels** particularly throughout Asia and Europe.

Part of the funds raised by the Issue will be applied in accordance with the following development plan which is targeted at beginning production of sapphire in late 2004:

- Supplement the residual JMO workforce with additional mining operations and maintenance staff for the capital development activities (\$16,000).
- Complete the construction of a 6m wide gravel mine access road currently partly constructed (approximately \$5,000 to complete).
- Remove and place in a managed stockpile for later rehabilitation usage of topsoil removed from the temporary water storage cut using the company Terex scraper-loader (\$4,000).
- Remove, haul and stockpile (part, the rest used for Tailings Dam wall construction and haul road formation) 55,000 bcm overburden overlying the sapphire bearing 'wash' in the temporary process water storage cut depth and construct haul road to plant site: (\$99,000).
- Prepare the first site for the re-location and re-commissioning of the now Australis owned 200 bcm per hour sapphire recovery process plant using overburden, where required, from the process water excavation. This plant site is optimum for the processing of the existing proven mining reserve (\$20,000).
- Erect the transportable process plant and re-commission (\$20,000).
- Construct the initial walls for one compartment of a four compartment tailing dam able to be progressively expanded to accommodate sufficient of the fine and course jig tailings to allow solids settling, process water drainage and recovery and tailings drying to allow removal and placement of tailings back in mine voids as part of continuous mine rehabilitation (\$75,000).
- Complete the commissioning of the sapphire concentrate drying and electromagnetic upgrading equipment that was acquired as an asset of JMO (\$22,000).
- Drill and condition a process water supply bore, including provision of pump and reticulation (\$12,000).
- Acquire 1 additional 4x4 light vehicle (\$34,000).

Sub-total, with 10% contingency allowance, Phase 1 **\$337,000**

Completion of the previous works will permit commencement of production gemstones, albeit to reach the production levels forecast the following additional works will be required to be completed:

- Acquire 2 additional used 85 short-ton rear dump trucks and a used Cat 14E class road grader all in reliable working condition from the used mining equipment vendors (\$350,000).
- Remove and place in a managed stockpile for later rehabilitation usage, 0.5m of topsoil removed from 250m length of 50m wide mining strips (\$12,500).
- Remove, haul and stockpile (part, the rest used for Tailings Dam wall construction and haul road

formation) overburden overlying the sapphire bearing 'wash' in the first mining strips, 200m by 50m, avg depth 6m so as to provide unimpeded access for the extraction of 'wash' on a continuous basis at the planned rate of extraction and processing (\$108,000).

- Complete construction of a 10m wide 2.2 km long all weather compacted gravel surfaced haulage road from the first 50m wide mine strip to the process plant ROM bin ramp using Australis mining equipment and part of initial strip overburden for formation construction (\$22,000)
- Construct the second compartment of a four compartment tailing dam able to be progressively expanded to accommodate sufficient of the fine and course jig tailing to allow solids settling, process water drainage and recovery and tailings drying to allow removal and placement of tailings back in mine voids as part of continuous mine rehabilitation (\$40,000)

Sub total, including a \$50,000 contingency allowance, Phase 2	\$582,000
Grand total for ongoing production to forecast plan	\$919,000

After its listing on the ASX and full year's production, Australis "...is likely to become the largest single producer of sapphires in the Southern Hemisphere" according to the independent geological report by B R Senior & Associates Pty Ltd dated 20 August 2004.

4.2 CORPORATE HISTORY

(a) The Acquisition of JMO

Australis was incorporated in April 2004 to undertake gemstone mining and exploration in Australia and the sales of the production via an established network of distribution channels throughout the world. Shortly after its incorporation, Australis acquired the privately owned gem and semi-precious gem miner and distributor, Junior Mining (Operations) Pty Ltd, (JMO), now a subsidiary company called Australis Mining Operations Qld Pty Ltd. (AMO)

Prior to that acquisition JMO was owned by Mr Elias Christianos. Mr Christianos and his family have been engaged in various opal, diamond and sapphire mining ventures, and have developed expertise in the marketing, distribution and sale of gemstones.

(b) The Existing Operations purchased by Australis

In 2003, JMO purchased from Great Northern Mining Pty Ltd four major mining leases over a property known as "Nardoo" located close to JMO's existing holdings. With the acquisition of these tenements, the potential to support a world-scale sapphire production operation was realised. In acquiring 100 percent of JMO, Australis now controls 10 mining tenements and has 23 mining tenement applications within the Anakie Field of central Queensland, covering approximately 3,300 hectares of land either containing, or with the potential to contain, commercial grade deposits of sapphire.

4.3 THE CORUNDUM FAMILY OF GEMSTONES (SAPPHIRE AND RUBY)

Sapphires and rubies are members of the corundum family, an aluminium oxide with the chemical composition Al_2O_3 . They are the most popular coloured gemstone used in jewellery today. Corundum is second only to diamond in hardness and a large high-quality ruby can be more valuable than a diamond of similar size. Colourless when pure, corundum is one of those crystalline minerals that can occur in a number of colours depending on trace elements that are around when it is growing. Ruby is the red form of corundum, coloured by trace amounts of chromium, while sapphire can occur in blue, green, yellow and orange, tinted by various combinations of iron, titanium and magnesium. Padparadsha (pinkish-orange) sapphires were extremely

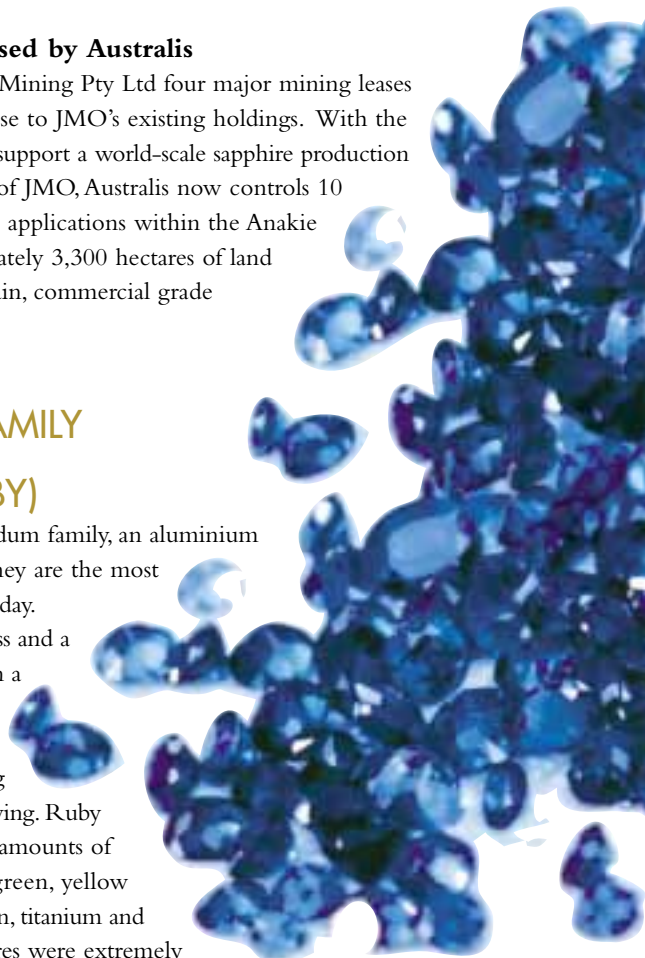


Figure 2 – Cut blue sapphire. This is not an asset of the company (photo R.R.Coenraads)

4 THE COMPANY

rare until recently when a new heating process was developed in Thailand. Lower value greenish stones are heated in a furnace for several days above 1600°C with powdered beryllium to produce fine yellow, orange and padparadsha colours. This led to a notable increase in demand and price of green rough sapphire that was being sold by JMO.

Gem quality corundum crystals (Figure 1) grow in either rocks formed by volcanic activity (igneous rocks), or those formed by heat and pressure (metamorphic rocks), however it is most commonly mined from concentrations in river systems that drain these source rocks. Corundum is concentrated by the processes of weathering and erosion into alluvial deposits by virtue of its having a much higher specific gravity than other very common minerals such as quartz. Corundum is not broken down in the rivers owing to its extreme hardness, lack of planes of weakness (cleavage) and resistance to chemical weathering. It is found together with other hard and chemically resistant heavy minerals, such as zircon, spinel, ilmenite, and garnet, some of which also make fine gemstones.

A large number of important sapphire and ruby gem fields throughout the world are associated with igneous rocks. These are predominantly around volcanoes which have built up of layers of lava flows and explosive tuffs and breccias of an alkaline-type basaltic composition. The repeated explosive volcanic eruptions carried the corundum crystals rapidly to the surface from where they grew, some 75 to 100 kilometres down, below the Earth's crust.

Gemfields associated with alkaline volcanoes include New England, New South Wales (blue sapphire), Barrington, New South Wales (ruby) and Anakie, central Queensland (world's best green and yellow sapphire) in Australia; Pailin in Cambodia; Chanthaburi-Trat, Denchai, Bo Ploi and Khorat Plateau in Thailand; Ban Huai Xai in Laos; the Bokeo, Xuan Loc, Cardamones Massif, Solovens and Kassens plateaux in Kampuchea; Haut Chalong, Pleiku, Darlac and Djiring plateaux in Vietnam; Kouang Tcheoci Wan, Fujian Province and Hainan Island in Southern China; Mercaderes-Rio Mayo area in Colombia; Gimi Valley and Kaduna Province in Nigeria; Songea in Tanzania; and Madagascar.

In Australia, a series of alkali volcanoes of Cainozoic age (less than 65 million years old) lie in a belt within the Eastern Australian Highlands that stretches from Cooktown in Queensland to Hobart in Tasmania, a distance of over 4,400 kilometres (Figure 4). Sapphires have been found in varying quality and quantity in streams and rivers draining many of these volcanoes. Of these, there are two volcanic provinces that are known to contain economic quantities of sapphire; the Central Province in northern New South Wales (the New England Gemfield), and the Hoy Province in Central Queensland (the Anakie Field).

4.4 THE AUSTRALIAN AND INTERNATIONAL SAPPHIRE INDUSTRY

The existing gem industry in Australia has developed mainly around sapphire, opal and diamonds and minor amounts of semi-precious stones such as chrysoprase, tiger iron, rhodonite and jade. The first reported occurrence of sapphire was in 1853 when the Reverend W.B. Clark found sapphire associated with alluvial tin in the vicinity of Inverell, New South Wales. Sapphires were then discovered at Sapphire in Central Queensland in 1873 by a railway surveyor, Archibald John Richardson. Immediately after the Queensland discovery, underground hand miners commenced digging near Sapphire. Early sapphire mining took place in the Anakie Field and New England Field (Figure 4) from the 1890's to the 1920's with most of the production going to Tsarist Russia and Germany. It was not until the 1960's however that commercial mechanised mining began to take place on a large scale due to an increase in demand for rough sapphires throughout Asia. During the 1970's and 80's Australia was a major supplier of sapphire, supplying between 65% to 70% of the world market with production coming almost entirely from the Queensland and New South Wales fields. In 1989 a peak revenue of \$31.6 million was attained from rough sapphire exports, principally to Thailand.



Figure 3 - Selling Australian rough sapphire in Asia (photo E. Christianos)

Thailand is the world's most important sapphire trading centre. Most of the world's production of rough sapphire passes through the Bangkok and Chantaburi markets where the stones are heat treated, cut and polished and, in many cases, set into jewellery

Sapphire exports from Thailand, the major cutting and processing centre, have continued to rise year by year. Total sales of loose sapphire and sapphire jewellery for 2003 was US\$2.515 billion. About 90% of Thailand's sales went to 12 countries in 2003 with the principal purchaser nations, in order of importance, being the USA (25%), Switzerland (14%), Israel (14%), Belgium (10%), Hong Kong (5%), United Kingdom (5%), Japan (5%), Germany (4%), Australia (3%), France (2%), Italy (1%), and the United Arab Emirates (1%). Countries such as Switzerland, Israel and Belgium appear higher than normally expected in this per capita luxury ranking as they are traditional gem trading centres from where top-quality gemstone product is on-sold. The global sapphire gemstone industry is very solid notwithstanding the rise and fall of individual supplier nations.

These statistics support the Directors' belief that there is ample demand to meet the proposed revenue of about \$9 million for the first forecast year of Australis ending 30 June 2005. This level of revenue should be easily absorbed into the international gemstone marketplace.



4.5 GEOLOGY OF THE ANAKIE FIELD OF QUEENSLAND

The Anakie Field is centred on the small towns of Sapphire, Rubyvale, Anakie and Willows which lie about 40 kilometres west of Emerald in central Queensland (Figure 5). Access to all of these centres is by good quality sealed road. The sapphire deposits within the gemfield are found in the Tertiary and Quaternary alluvial deposits of Tomahawk Creek, Kettle Creek, Policemans Creek, Retreat Creek, Woodbine Creek and Medway Creek. These creeks drain the ancient Hoy Volcanic Complex, which is one of the above-mentioned north-south trending belt of sapphire-bearing Cainozoic volcanic provinces in eastern Australia. Today, all that is left of the Hoy volcano is a group of at least 70 eroded basalt vent plugs, which have mainly intruded the pre-Devonian age Retreat Granite. Many of these are visible as prominent pointy basalt hills in the landscape, such as Mt Hoy, Mt Pleasant, Mt Newsome, Mt Dumb Bell, Mt Leura, Mt Mica, Mt Ball, Double Point and Bald Hill. The Hoy Basalt is characterised by large olivine crystals and contains inclusions of ultrabasic rocks from the Earth's mantle including peridotite.

Figure 4 - Distribution of Cainozoic volcanic provinces in Eastern Australia. Economic deposits of sapphire have been mined in the Anakie Field and the New England Field. (Prepared by R.R.Coenraads)

4 THE COMPANY

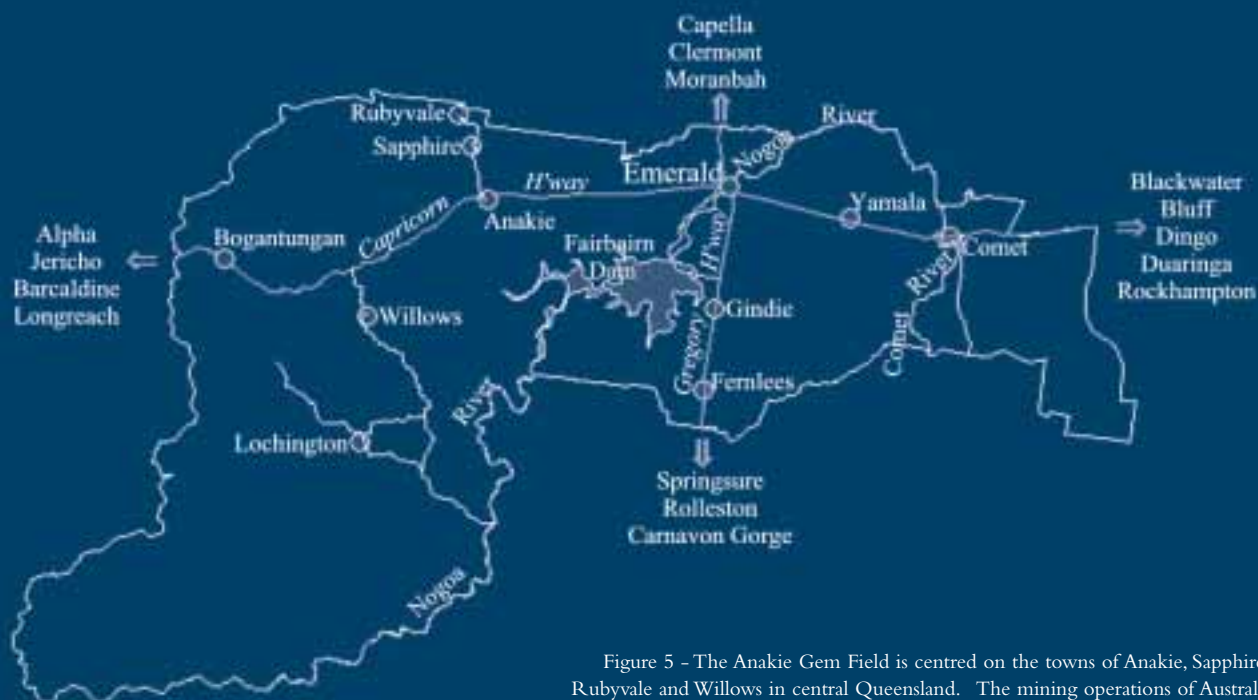


Figure 5 - The Ankie Gem Field is centred on the towns of Anakie, Sapphire, Rubyvale and Willows in central Queensland. The mining operations of Australis are located about 10 kilometres east of Sapphire township (prepared by R.R. Coenraads).

The sapphires within the field are derived from the weathering and erosion of Tertiary alkali-volcanic rocks, mostly basaltic lavas, pyroclastics and volcanoclastics which once formed the cone, or cones, of the Hoy Volcanic Complex. The high rainfall of the Tertiary meant that these radially-draining rivers were once energetic braided fluvial systems which have since decreased in size and have been in part buried by Quaternary alluvium.

Within the field, Tertiary-age sapphire-bearing palaeodrainage systems have been reworked by the modern drainage systems to form lower-level, newer sapphire-bearing alluvium. Remnants of the older alluvium occur in many areas as primary, high-level gravels on elevated ridges between or adjacent to the present drainage. Sapphire-bearing alluvium (known as wash) may be exposed at the surface or covered up by up to 20 metres of barren overburden. The sapphires and associated heavy minerals are commonly concentrated in “runs” along particular drainage channels. The character and size of sapphire grains, associated heavy mineral assemblage and detritus, may vary considerably from river system to river system.

From the time of discovery, the Ankie Field has been renowned for producing large blue and coloured sapphires, including yellow, green and multi-coloured, or parti-coloured, sapphires. A large proportion of the sapphires mined in this field are medium to dark blue, due to the high iron content and are often heat treated to improve both clarity and colour.

Historically, the Ankie Field was mined by hand, during which time the largest single rough sapphire found was over 2,000 carats (400 grams). Today, the implementation of modern earth moving equipment and processing plants, allows miners to produce much larger quantities of sapphire.

Since it commenced mining in central Queensland, JMO has produced in excess of 6 million carats from around the township of Sapphire.

4.6 THE AUSTRALIS MINING TENEMENTS AND PROVEN RESERVE

4.6.1 Mining Tenements

The initial discoveries that led to the establishment of the townships of Rubyvale and Sapphire were made on one of the larger ancient river (palaeochannel) systems which drained eastwards off the remnants of the Hoy Volcano (see Figure 1 of the Independent Geologist's Report in Section 6 of this Prospectus). Initial discovery of sapphire from this palaeochannel in the hinterland around the towns was made because the sapphire-bearing gravels outcrop at or near the surface in this area. The "Common Area" around the townships was mined initially by hand-dug shafts, and later by mechanized operations such as that of JMO. Moving eastwards the main palaeochannel can be traced through the Subera Property, which was drilled and mined by Great Northern Mining Pty Ltd, and then through the Australis tenements on the Nardoo Property. It is this section of this palaeochannel in the Australis Leases ML 70006, 70005, 70004, and 70029 upon which the results presented in this Prospectus are based. The location of these key leases, which represent only 10% of Australis' holding, together with the remaining unexplored Australis leases, are shown on Figures 2 and 3 of the Independent Geologist's Report.

The Company holds sufficient of its tenements as granted mining leases to allow for, at least, 5 years of advance mining and exploration. The remainder of its tenements are held under application (as MLA's), as it is not in the Company's interests to convert them from applications to granted mining leases until such time as the Company wishes to explore or mine those leases. Once a lease is granted it incurs rehabilitation bonds, landowner compensation payments and rental fees. Compensation payments are those made to the landowners by the miner to cover loss of income normally received from that land whilst it is being mined.

The Directors have adopted a carrying value of approximately \$12 million for the tenements (please refer to Section 8.4 Note 4).

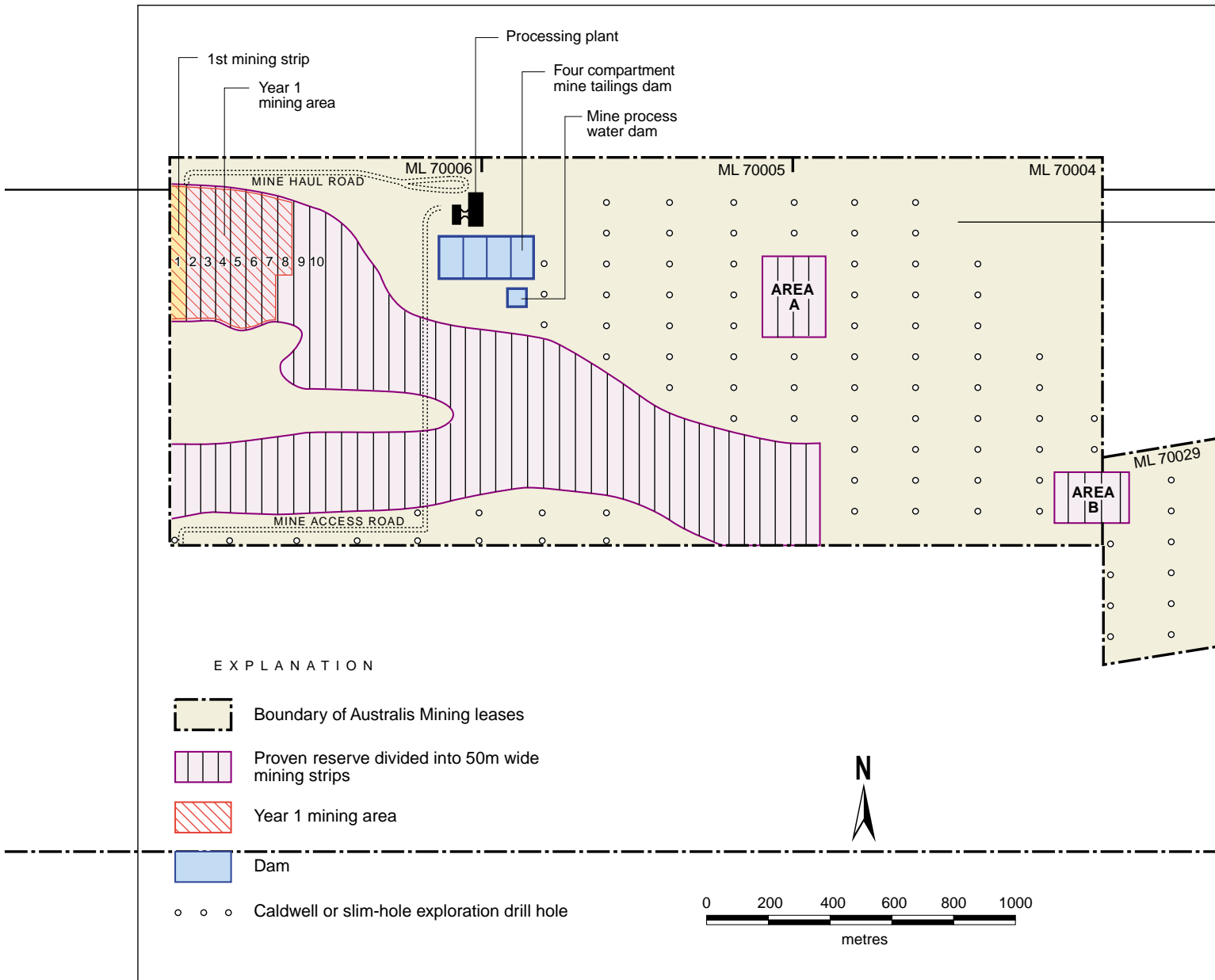
Tenement Status Summary

Continued access to exploration land likely to contain minable sapphire deposits is vital for the Company's future profitable operations. The following list is a summary of the Company's lease holdings and how they are being managed.

- a) Mining leases 70004, 70005, 70006 and 70029 have had renewal applications lodged with the mining registrar on the 1st October 2003. The renewal of these leases will extend the term for which the Company may use them to 31 August 2014. ML2077 will expire on 30 Nov 2004 at which point the company will decide as to whether there is economic justification to renew this lease. ML's 70144 and 70132 will expire on 31 Aug 2011.
- b) Mining leases 70004, 70005, 70006 and 70029 are located on freehold land and are currently subject to a compensation agreement with the landowner. The Company has allowed for this in its cash cost forecasts.
- c) Mining leases 2181 and 2123 have expired and are currently being rehabilitated. Once rehabilitation is completed these mined-out leases will be surrendered and returned to their original land use.
- d) Mining lease applications 70245, 70246, 70247, 70248, 70249 70250 and 70251 do not have an expiry date. They are ready for grant, however the company will only finalise granting once it is ready to explore or mine these leases. At that stage, the Company will advance to the draft Environmental Authority (EA) stage and submit an EMOS (Environmental Management Over Study) and negotiate a compensation agreement with landowners as necessary.
- e) Mining lease applications 70272, 70273, 70274, 70275, 70276, 70277, 70278, 70279, 70280, 70281, 70282, 70283, 70284, 70172, 70173 and 70174 are ready for grant, as above, but are also subject to Native Title compensation payments under an Indigenous Land Use Agreement (ILUA) with the Kanguoulu People. The Company will only finalise granting when it is ready to explore or mine these areas.



4 THE COMPANY



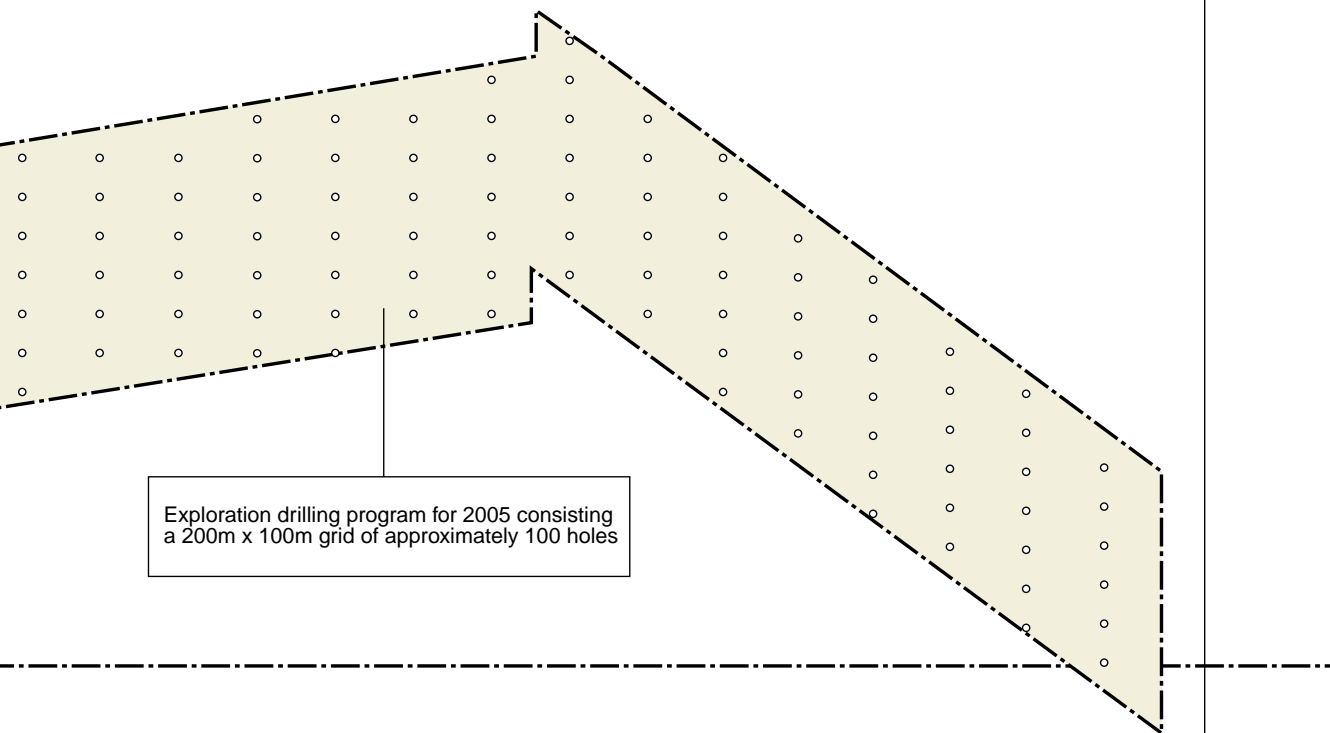
4.6.2 Proven Reserves

The section of palaeochannel which forms the Company's proven reserve has been defined by drilling in MLs 70004, 70005, 70006, and 70029 (see Figure 6 of the Independent Geologist's Report). It has a width about half a kilometre and a length of about 2 kilometres with an average grade of 8 grams per loose cubic metre (1 loose cubic metre (lcm) = 0.83 bank cubic metre (bcm) assuming a swell factor of 1.2). The edges of the minable reserve are defined by a cut-off grade of 3 grams per loose cubic metre. The sapphire-bearing gravels are between 1 and 3 metres thick and lie beneath an average of 9 metres of overburden. The Company's proven reserve is described in more detail in Section 6.

A large alluvial sapphire processing plant and associated equipment, is being transported to the site and re-assembled. The former plant site and mining leases previously worked by JMO are undergoing rehabilitation and preparations for a tailings dam and water supply at the new site are underway.



Exploration drilling program for 2004 on leases ML70004, 70005 and 70006 consisting of approximately 80 holes in a 200m x 100m grid



Exploration drilling program for 2005 consisting a 200m x 100m grid of approximately 100 holes

Figure 6 - Operations Plan prepared by R.R. Coenraads. **OPERATIONS PLAN**

Figure 7 - The Australis processing plant is designed to be transported as modular units to the different mine sites (photo E. Christianos)



Figure 8 - Australis owned heavy equipment in the Company's open pit. Sapphire-bearing gravels are loaded by excavator into trucks for transport to the processing plant. (photo E. Christianos).



4 THE COMPANY

4.7 DESCRIPTION OF THE PROPOSED OPERATIONS OF AUSTRALIS

4.7.1 Mining

The sapphire-bearing gravels in the Company's proven reserve in mining leases 70004, 70005, 70006, and 70029 will be mined over a period of approximately 5.3 years. An operation plan (Figure 6) will be used that is designed to follow the channel deposit in an efficient and environmentally appropriate manner. Mining will be conducted using a standard four unit open-cut operation previously used by JMO when it was mining along another portion of the same palaeochannel.

The four mining unit-operations are as follows:

(i) Topsoil removal

Topsoil will be removed by a contractor to a depth of about half a metre by motorised scrapers and then subsequently replaced over reclaimed pit areas once the backfilling operations are established. Over the course of the planned operation, a total of 580,000 bank cubic metres (bcm) of topsoil will be removed. Informal quotes ranged from \$1.20 to \$2.00 per bcm so for the purposes of the directors forecast a cost of \$2.00 per bcm was adopted.

(ii) Overburden removal

Overburden will be removed to expose the ore body using a 160 tonne excavator (Figure 10) and 85 short-ton dump trucks . As part of the progressive rehabilitation process, the overburden will be used to progressively backfill the previously worked mining pit behind the active mining face. Approximately 10 million bcm of overburden will be removed during the 5.3 year mining operation. To maximise the utilization of the trucking fleet, overburden will be removed on a separate 10 hour shift to that in which the underlying 'wash' is mined.



Figure 9 - Trucks dump sapphire-bearing gravels into the feed bin of the Australis processing plant (photo E. Christianos).

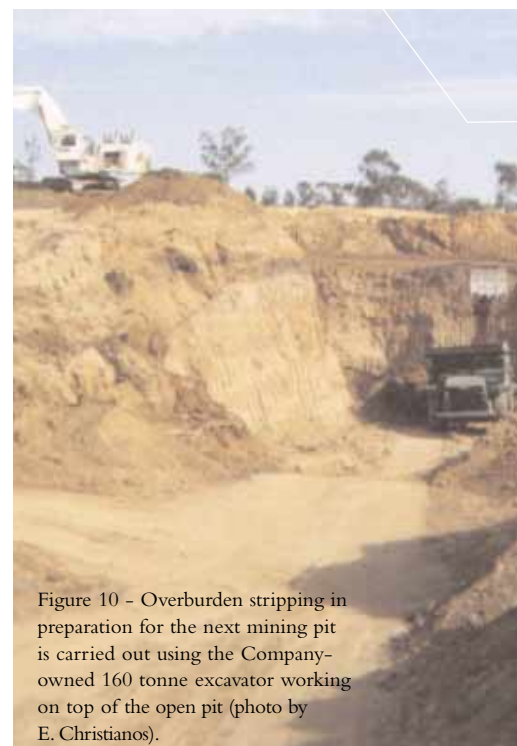


Figure 10 - Overburden stripping in preparation for the next mining pit is carried out using the Company-owned 160 tonne excavator working on top of the open pit (photo by E. Christianos).

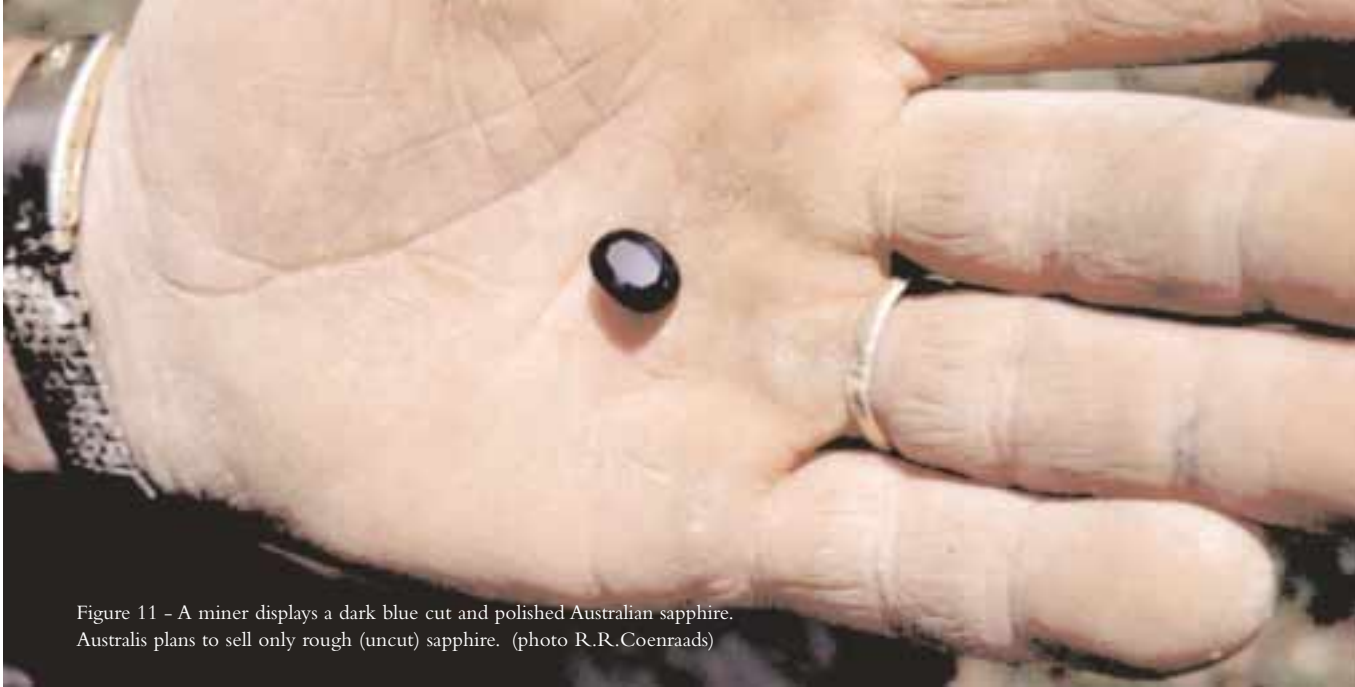


Figure 11 – A miner displays a dark blue cut and polished Australian sapphire. Australis plans to sell only rough (uncut) sapphire. (photo R.R.Coenraads)

(iii) Extraction of the ore or “wash”

Once the top level of the orebody, known as “wash”, is exposed, it will be extracted from the pit using a 70 tonne excavator and transported to the processing plant using 85 short-ton dump trucks (Figure 8). The capacity and production rate of Australis’ sapphire recovery plant is 200 loose cubic metres per hour and over a 10 hour ‘day’ shift is expected to process 2,000 cubic metres of sapphire bearing wash per shift which is expected to recover 22 million grams of sapphire during the 5.3 year mining period.

(iv) Rehabilitation.

All of the above processes will occur simultaneously, with only a one-hectare mining pit being open at any one time. Rehabilitation is the final stage that takes place after sufficient time has been allowed for settling of the in-filled pits. The topsoil for this rehabilitation is taken from the surface of the next area being prepared for overburden removal ahead of the mining operation. The topsoil is graded flat and re-seeded with an appropriate grass, and these former mining areas are then returned to the landowner at the expiry of the mining lease.

4.7.2 Processing

Processing of the wash to remove the valuable sapphire will be carried out with the Company’s purpose-built alluvial processing plant (Figures 7 and 9) capable of treating at least 200 loose cubic metres (lcm) per hour. The plant will operate for one 10 hour shift per day, 6 days per week and for 48 weeks per year. (It is assumed that the processing plant will be available 85% of the time it is scheduled to be operated, due to downtime for maintenance and repairs, and that the utilization efficiency will be 95% of the available time). Details of the mining and processing steps are summarized in a flowchart (Figure 12).

The sapphire-bearing wash is dumped into the feed bin at the top of the plant where it is fed into a large rotating screening trommel. Within the trommel, the wash is blasted with high pressure water to disintegrate it into small clean pieces. The mesh screens of the trommel reject rocks coarser than 20mm in size (“oversize” which is unlikely to be sapphire, and which is later back-loaded to the mined out areas), while allowing the remaining finer sapphire-bearing material to pass. The material passes through a splitting system and is distributed evenly across two 6-cell pulsating jigs. The jigs, working on the principle of specific gravity, retain and concentrate the heavy minerals (sapphire, corundum, zircon, spinel and ilmenite) and reject the light and fine minerals (quartz and clays) which are confined and dried in a tailings storage dam before being back-loaded to the mined out areas.

The jig concentrate, containing the sapphires and other heavy minerals, is transferred into a fully-sealed, locked container at the end of each day using an industrial vacuum. The container is transported approximately 10 kilometres to the Company’s security warehouse and separation facility in Sapphire, Queensland.

4 THE COMPANY

4.7.3 Classification and Grading

The jig concentrate is dried and sized in a rotating heating trommel located within the Company's classification and grading facility. It is then fed into a three-stage magnetic separator that removes the magnetic minerals (spinel, ilmenite) and ironstone from the non-magnetic minerals (sapphire, zircon). The sapphires and zircons are weighed and washed overnight in hydrofluoric acid to remove any impurities that may mar the appearance of the stones. After the zircons are removed by hand, the sapphires are then graded by skilled sorters using mirrored tabletops and sunlight, which is a standard procedure in the gem industry to ensure fast and accurate grading without the need to pick up each stone and hold it up to the light. A number of standard size and colour categories (Figure 12) are used for sale in the international marketplace. These are as follows:

(i) Blue Sapphires

The largest and most valuable group is the blue sapphires which have been long established in the marketplace. Blue sapphires are divided into two categories for sale: Blue #1 and Blue #2.

- a) Blue #1 are those stones that are transparent and free from fractures and flaws such as large inclusions that would mar the appearance of the final cut product. When cut, stones in this category give a return of 20 to 25% of their original rough weights. Rough stones in this category are generally sold according to size. Sizes range from greater than sieve size +42 (>8.9mm) to sieve size 18 (4.1mm).
- b) Blue #2 are those stones with fractures and inclusions that must be removed during the cutting process. As a result there is a severe cutting loss resulting in a return of only 6 to 10% recovery of the original stone weight after cutting, and the resultant cut stones are also much smaller. Rough stones in this category are generally sold without being sorted for size.

(ii) Green and Colour Zoned (Parti) Sapphires

Recently the green and blue-green colour zoned (particolour) stones have been achieving similar prices to the blue stones since the development of the beryllium heat treatment process in Thailand which can change the greens into brilliant strong yellows and oranges. In a similar fashion to the blue stones, they are divided into two categories, Colour #1 and Colour #2.

(iii) Smaller Mixed Stones (-18 Mix)

The smaller "mixed" stones are those less than sieve size 18 (4.1mm) and which are not sorted according to colour, and also contain some orange-red zircon. This material is sold in bulk.

(iv) Non-Gem Corundum

The non-gem quality sapphire or "corundum" is material that is either opaque or so badly fractured as to render it unsuitable for cutting. It may be blue, brown or black in colour. Some may be used for low quality beads and the worst has no value except as an abrasive. This material is sold in bulk at very low prices.

4.7.4 Sales

The process of selling sapphires is in its self simple but it is built upon many years of JMO experience. From Australia, the product will be shipped to Hong Kong from where various categories will be further distributed, principally within Asia. Some of the large first grade material may be sold directly to European cutting centres. The majority of rough sapphire from the Australis operations will be sold as mine run parcels to long-standing clients of JMO in international gem markets centred in Thailand and Hong Kong. As in diamond selling, there are no forward sales contracts and payments are made directly upon inspection or 'sighting' of the goods. Sales are typically conducted on a person to person basis with

long-standing clients in the gem industry. Following sales, the stone passes out of the Company's hands and on to the cutting factories and jewellery manufacturing centres, then finally into the retail market place.

The average sale price of sapphire in the Nardoo leases, for the purposes of this Prospectus, has been estimated from those prices achieved through the sale of material recovered from the adjacent Subera leases and sold by JMO between 1999 and 2003. Some 1,532,000 grams of mine run sapphire were sold through the Thailand office for A\$7,775,000 yielding an average value of \$5.08 per gram during this period. This average figure of \$5.08 compares favourably with the figure of \$4.76 based on the minimum sales price analysis of the colour and size categories expected by the Company from its mining operations. These figures are discussed in further detail in Section 8 (see Independent Valuation Report).

Supply and demand factors may affect price such as new sapphire discoveries in other parts of the world, and problems that may affect global demand for luxury products. Australis needs to be able to continue to sell sapphires and compete under any foreseeable circumstances. For these reasons, the sales team has advised the Board to apply a discount factor to the minimum currently available sapphire price categories. For the purposes of this prospectus, a value of \$4.50 per gram has been used for calculating the in ground value of the proven portions of the Australis leases (Nardoo). In comparison with this figure, the company's total costs (including cash, non-cash and corporate overheads) will be approximately \$2.22 per gram, based on the budget forecast costs for Australis.

Sales will all be made in Australian dollars and local foreign currency funds have to be converted to meet the Australian dollar invoice amount, therefore there is minimal foreign exchange risk. Foreign exchange movements as a potential reduction in sales demand and other risks are listed in Section 5.

4.7.5 Product Security

Security of the low-volume high-value sapphire product (gem grades) is of paramount importance. The Company maintains insurance against theft at all times and the product is secured during the processing stages in safes and strong-boxes. The moment the sapphire concentrate leaves the locked concentrate storage box at the processing facility, it is awarded a consecutive sample number based on the day it was mined (for example 2004-12-01) and then weighed. As the sample is sized, graded and classified in up to as many as 30 separate categories further extensions are added to the sample number (for example 2004-12-01 Category Blue#1, Size plus 30 sieve). These category weights must be accounted for, and tally with, the original throughout the entire process until the parcels are sold. High security shipping and handling is used and the product is also fully insured at all stages. Finally, the product is hand delivered to known buyers by Australis personnel.

4.8 EXPLORATION PROGRAM AND BUDGET PROPOSED FOR THE AUSTRALIS TENEMENTS

As the current proven resource will take only about 5.3 years to mine, Australis plans to constantly explore for and define new economic resource for mining and processing. An ongoing resource evaluation and exploration program, with an annual budget of \$600,000 (\$300,000, year 1), is proposed to delineate further resource in the unexplored Australis mining leases, as well determine new prospective ground for take-up. Exploration will be carried out using mapping, aerial photographic interpretation, ground checking of potential areas, exploration slim-hole drilling and logging programs, and geophysical surveys. Finally, bulk sampling with a large-diameter drilling rig (Figure 13) will be used to prove up an economic resource.



Figure 13 - Exploration drilling using a large diameter Calweld drill rig. Samples are taken to a test plant to determine their sapphire content. This equipment is not an asset of the Company (photo R. Webber).



4 THE COMPANY

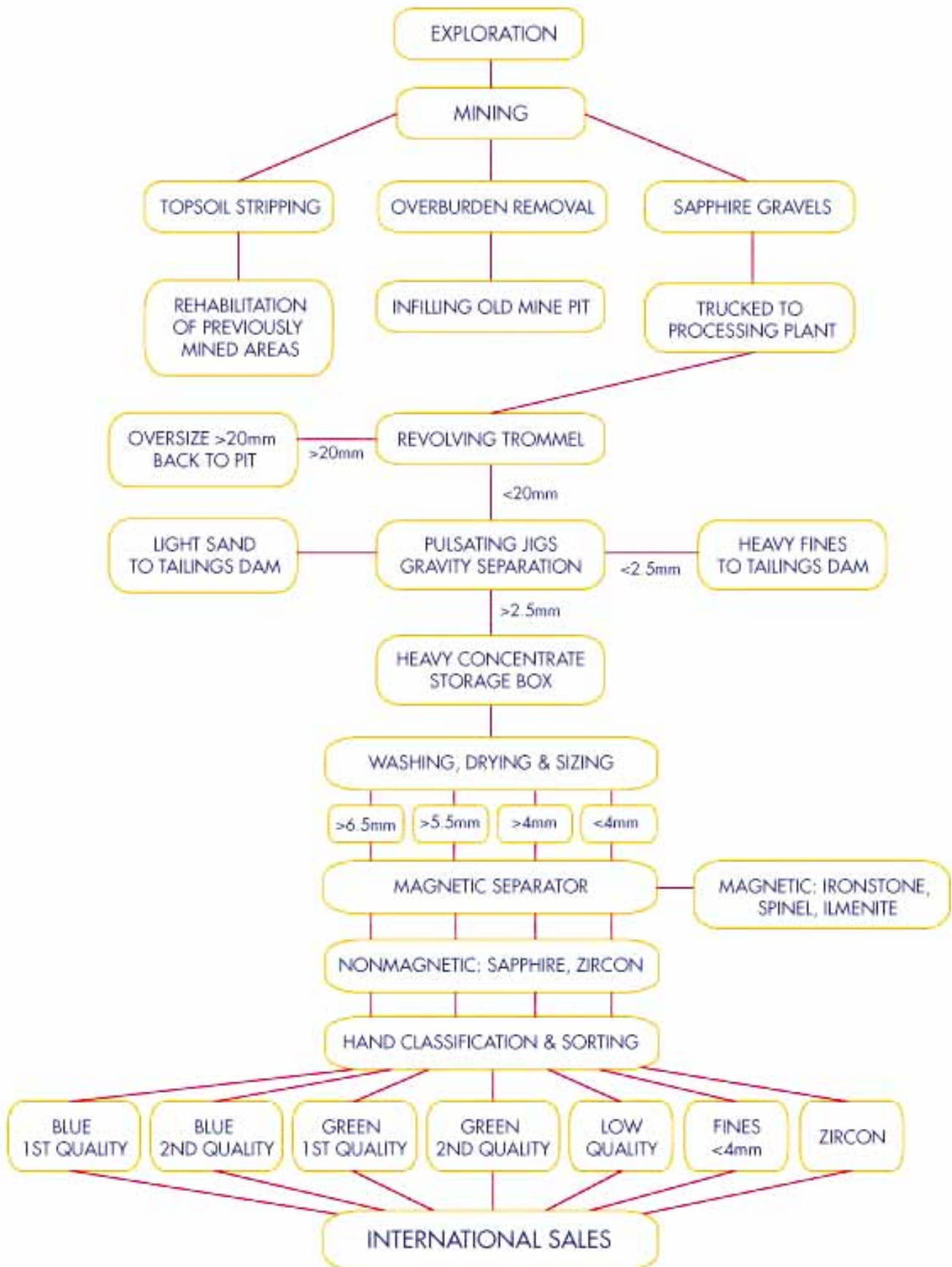


Figure 12 - Australis Mining Corporation Limited flowchart illustrating the process of exploration, mining, processing, classification and sales. (Prepared by R.R. Coenraads).

There are good prospects for discovery of an economic resource with an exploration program of drill holes spaced 100 metres apart, in lines that are 200 metres apart, running across the length of the palaeochannel. In accordance with the Company's relinquishment policy, tenements can be considered of no further use to Australis if that level of drilling fails to reveal a useful resource.

4.8.1 Exploration of Inferred and Indicated Resources that have not yet been added to the Measured Resource

The 2004–2005 exploration program is planned to increase the size of the Company's proven reserve (refer to glossary for definition of JORC code terms). The program proposes to follow and map the indicated and inferred sections of sapphire-bearing palaeochannel by means of close-spaced Calweld drilling and geophysical logging.

The sapphire-bearing palaeochannel runs eastwards from the Subera leases (where it was successfully mined by Great Northern Resources Limited) into Australis' Nardoo leases (ML70006, 70005 and 70004) as measured by the drilling data. In this measured portion of the Nardoo leases, the palaeochannel is about 2,200 metres long and 400–500 metres wide, and the gravels have sapphire grades of approximately 8 grams per loose cubic metre. Within this area there are some 22 million grams of sapphire (as reported by the Independent Geologist in Section 6). That is to say, as the mining operation progresses along the palaeochannel, it will recover 10,000 grams of sapphire for each linear metre of the channel mined (i.e. 22 million total grams divided by 2,200 metres of palaeochannel length). Estimates of sapphire present in less well defined measured lengths of the paleochannel can be made using this approximation.

At present, the continuity of the palaeochannel beyond the western boundary of ML70004 is unproven because of inconclusive drilling data (see Figure 6 of the Independent Geologist's Report). However, in actuality, the ancient rivers that created the palaeochannels would have been continuous, so there is a likelihood that the palaeochannel continues through ML7004 to the boundary of ML70029 where a drill hole has intersected similar grades of sapphire gravels (labelled Area B in Figure 6 of the Independent Geologist's Report). From there, it is likely that the palaeochannel continues into ML70029 carrying similar sapphire grades and being of similar dimensions.

At least 80 Calweld holes are proposed as part of the exploration program planned for ML's 70004, 70005 and 70006. Conservatively, this program will test an additional 900 metres of palaeochannel as shown in Figure 6.

A similar conservative program planned for early 2005 will follow the palaeochannel downstream into ML70029 for the length of this lease (Figure 6). The proving of this indicated resource is somewhat more speculative being further from the proven reserve, but, at least 1300 metres of palaeochannel will be tested with some 100 drill holes on ML70029.

By the end of the 2004–2005 financial year, exploration is expected to double the length of the palaeochannel explored by drilling, and this measured sapphire resource will be added to the Company's current proven reserves.





SECTION 5
RISKS FACTORS

5 RISK FACTORS

The Securities offered under this Prospectus should be regarded as speculative. Exploration for, production and marketing of gemstones has inherent risks, which may have a material effect on the Company's future performance and the value of its Securities. Investors should consider whether the speculative Securities offered under this Prospectus are a suitable investment having regard to their own individual investment objectives, financial circumstances and the risk factors set out below. This is not an exhaustive list and, if in any doubt, investors should consult their professional advisers before deciding whether to apply for Securities pursuant to this Prospectus.

5.1 GENERAL INVESTMENT RISKS

General economic conditions in Australia and its major trading partners and in those countries which constitute the market for sapphires, in particular, inflation rates, foreign exchange rates, interest rates, commodity supply and demand factors and industrial disruptions.

5.2 SHARE MARKET

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

- economic conditions and general economic outlook;
- changes in Australian and international stock markets;
- interest rates and inflation rates;
- currency fluctuation;
- changes in commodity prices;
- changes in investor sentiment towards particular market sectors;
- taxation, government and monetary policies;
- the demand for, and supply of capital; and
- war, terrorism and other hostilities.

5.3. INDUSTRY RISKS

- risks inherent in exploration and mining including, among other things, satisfactory performance of mining operations, contractors and competent management;
- commodity prices and in particular the demand and price of sapphires;
- because Australian sapphires are priced in Australian dollars a potential downward movement in a local currency, or upward movement in the Australian dollar, could lead to less demand;
- competition with the producers of gemstones, and in particular, producers in Australia and overseas; and
- inclement weather conditions over a prolonged period which might adversely affect mining activities.

5.4 GOVERNMENT

Changes in Government, monetary policies, taxation and other laws can have a significant influence on the outlook for companies and the return to investors. The impact of actions by Government including such matters as access to land and infrastructure, compliance with environmental regulations, taxation and royalties.

5.5 EXPLORATION AND PRODUCTION

Exploration and production activities may be curtailed, delayed or cancelled as a result of weather conditions, mechanical difficulties, and shortages or delays in the delivery of equipment. No assurance can be given that funds spent on exploration will result in discoveries that will support viable production.

5.6 OPERATIONAL RISKS

Industry operating risks include fire, explosions, breakdowns of plant machinery and equipment and environmental hazards such as accidental spills or leakage. The occurrence of any of these risks could result in legal proceedings being instituted against the Company and substantial losses due to injury or loss of life, damage to or destruction of property, natural resources, or equipment, pollution or other environmental damage, cleanup responsibilities, regulatory investigation, and penalties or suspension of operations. Damage occurring to third parties as a result of such risks may give rise to claims by third parties.

5.7 COMMERCIALISATION

There is no guarantee that the Company will be able to successfully market sapphires and achieve a commercial return.

5.8 INSURANCE

Insurance of all risks associated with the exploration for and production of sapphires may not always be available, and where available, the cost can be high. The Company will endeavour to have all insurance in place that is considered appropriate for the Company's needs. The Company may not be able to be insured against all possible losses, whether because of unavailability of cover or because the premiums may be excessive relative to the benefits that would accrue.

5.9 NATIVE TITLE AND ABORIGINAL HERITAGE

For a discussion of these issues please refer to the Solicitor's Report in Section 7 of this Prospectus.

5.10 REGULATORY APPROVALS

The Company will from time to time require various government regulatory approvals for its operations and must comply with those approvals and applicable laws, regulations and policies. This may affect the timing and scope of work that can be undertaken, and failure to comply may result in the loss of permits and licences.

5.11 RISKS ASSOCIATED WITH AUSTRALIS MINING CORPORATION LIMITED

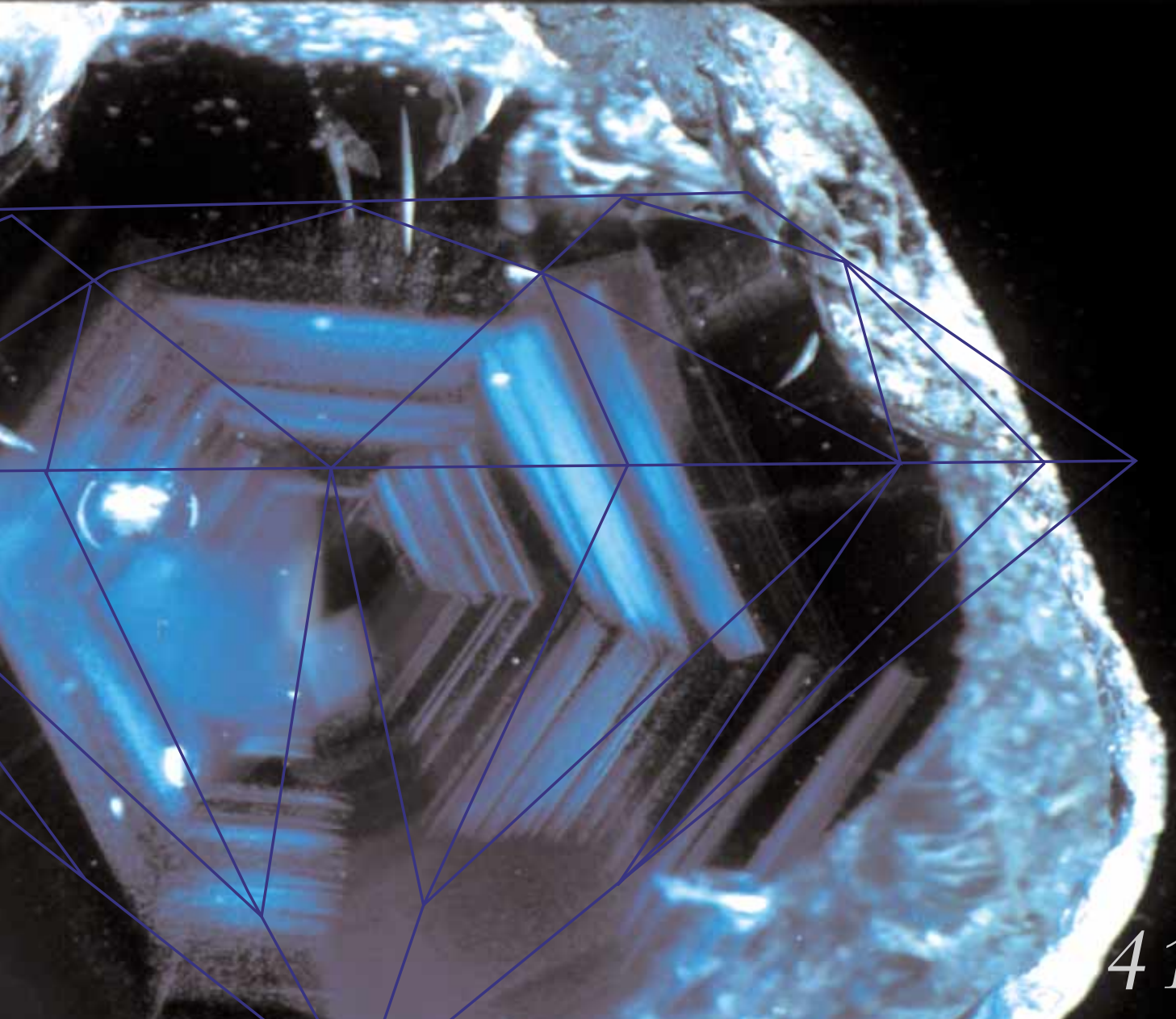
- the Company's mining lease applications, not being granted or mining leases already granted not being re-renewed, because of Native Title legislation or for any other reason;
- the Company's exploration program failing to produce any more proven reserves or very low grade reserves;
- the Company's ability to successfully manage its operations, distribution, marketing, financial systems, procedures and controls and its ability to develop, expand, retain, train and manage its staff, and manage future growth;
- environmental management issues with which the Company may be required to comply from time to time;
- unforeseen delays in mining or processing, together with slower than anticipated selling of sapphires, could have a negative effect on initial working capital;
- the Company's ability to retain the services of key employees, consultants and members of the Board of Directors; and
- the ability to manage technological change that impacts on the exploration and mining process.

5.12 NATURE OF THE ISSUE

While the Directors commend this Issue to investors, the Securities offered under this Prospectus, to the extent that part of the Company's business is exploration and evaluation of mineral properties and in view of some of the factors listed above, an investment in the Company is considered speculative. This list of risk factors, however, is not intended to be exhaustive and potential investors should read this Prospectus in its entirety and consult their professional advisers before deciding whether to apply for Securities offered under this Prospectus.

SECTION 6

INDEPENDENT
GEOLOGIST REPORT



**REPORT OF THE INDEPENDENT CONSULTING
GEOLOGIST**

**An Independent Expert's Geological Report prepared for
Australis Mining Corporation Limited.
A review of sapphire gemstone Mining Leases
and Mining Lease Application areas, within
The Queensland Sapphire Gemfields.**

This report has been prepared for inclusion in a Prospectus
to be issued by
Australis Mining Corporation Limited.

Prepared by

B.R. Senior, B.Sc.(Hons), M.Sc., Ph.D., F.Aus.I.M.M., C.P.Geo.

of

B.R. Senior & Associates Pty Ltd

August 2004.

The Directors
Australis Mining Corporation Limited
Level 36 AMP Building
50 Bridge Street
SYDNEY NSW 2000
20th August 2004

INDEPENDENT GEOLOGICAL REPORT

Dear Sirs,

Australis Mining Corporation Limited has 10 Mining Leases and 23 Mining Lease Application areas within the Queensland Sapphire Gemfields (Olliver & Townsend, 1983) located near the township of Sapphire in Central Queensland. In total these tenements cover approximately 3222 hectares of potential sapphire-rich alluvial placers within this gemfield.

This Company is actively involved in exploration for and recovery of sapphires from alluvial gravel placer deposits and during the past five years its predecessor Junior Mining (Operations) Pty Ltd) has established mining operations within the Sapphire Gemfields. Australis Mining Corporation Limited (Australis) currently owns the largest sapphire recovery (alluvial gravel processing) plant in Australia and, if the fund raising is successful, is likely to become the largest single producer of sapphires in the Southern Hemisphere. When all of its Mining Lease Applications are granted this Company will be the largest mining tenement owner in the Queensland Sapphire Gemfields.

Australis Mining Corporation Limited is seeking to raise equity funds to expand its mining operations, to further quantify its sapphire resources and to explore its extensive tenement areas. This report has been prepared for inclusion in a Prospectus to be issued by Australis Mining Corporation Ltd.

Australis plans to use open-pit mining techniques to exploit sapphires and, on the basis of one 10 hour shift per day, has a mining and processing capability of 2000m³ of raw, sapphire rich alluvial material that produces a daily average of 16 000 grams of sapphire. Plant operating days will be based on a six-day working week for 48 weeks per year (allowing 4 weeks for holidays). That is 288 days per year. A downtime allowance of 10% is included to take into account potential problems with weather and breakdowns. This gives a final figure of 260 working days per year and would result in an annual production of about 4.16 million grams (4160kg) of sapphire. Currently identified Proven Sapphire Reserves contain an average grade of 8.0 grams per loose cubic metre. Whenever marketing conditions are favourable, the introduction of a night shift could increase this company's annual sapphire production between 40 to 60%.

Three of the four Nardoo Mining Leases have been drilled and evaluated. These tenements cover an area of approximately 390ha and comprise Mining Leases (ML's) 70004, 70005 and 70006. They were drilled, using a Caldwell rig, and bulk sampled in 1991 and an area of 115ha is identified that contains approximately 22 million grams of sapphire.

The largest tenement in the Nardoo group (ML 70029), comprising an area of 218.67 hectares and most of ML 70004, area of 130ha, remain to be evaluated. There is considerable potential to identify new economic resources within the existing Mining Leases and within the Mining Lease Application areas, once these become available for exploration. Australis's tenements are considered highly prospective as they are all located within the main zones of existing and historical sapphire production (see Fig. 1) and are situated

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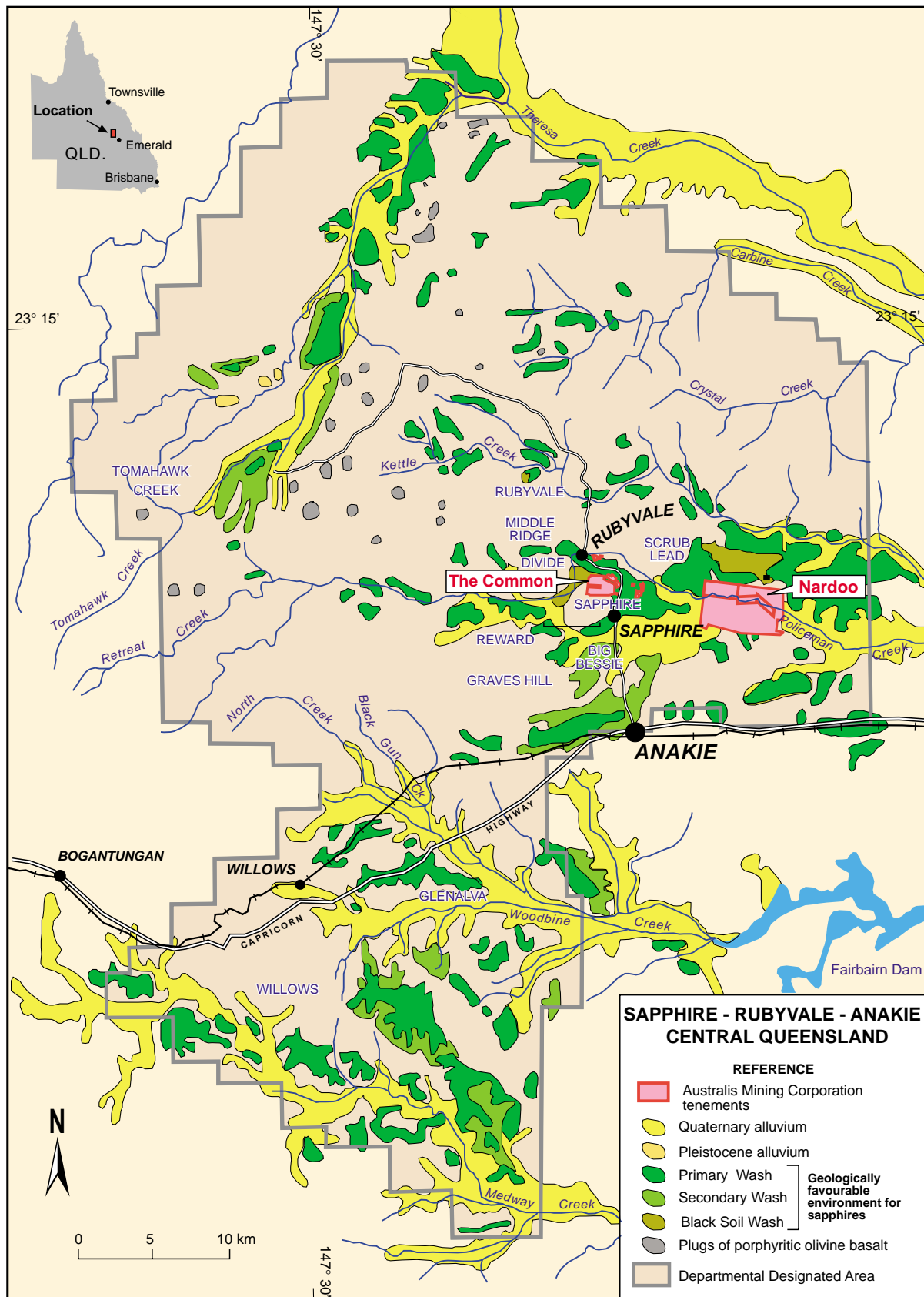


Fig. 1. The Sapphire - Rubyvale - Anakie Gemstone Field showing the distribution of sapphire wash and the general locations of Australis Mining Corporation's Tenement areas.

Prepared by B.R. Senior & Associates Pty Ltd for inclusion in this report

downstream from the Eloy Basalt that is regarded as the sapphire source rock. A vigorous exploration program, with an expenditure of about \$600 000 per annum (see Section 4.7 in this Prospectus for details) will be carried out to identify additional sapphire resources in these tenements.

INTRODUCTION

1.1 Mineral Tenure

Australis Mining Corporation Ltd tenement areas (Table 1 & Figure 1) are located in central Queensland near the centre of the Sapphire-Rubyvale-Anakie Gemfield (Olliver & Townsend, p21, 1983). Ten Mining Leases (ML's) with a total area of about 663ha are granted and will be available for renewal for a further 5 years at the end of 2004. Twenty-three areas, comprising about 2559ha, are covered by Mining Lease Applications (MLA's). If all of the MLA's are granted, Australis will own approximately 3222ha of mining leases (Figures 2 & 3).

**Table 1. Australis Mining Corporation Tenements as at 1st May 2004.
MINING LEASES (ML's) CONTAINING A PROVEN SAPPHIRE RESERVE**

ML Number	Company	Status	Area (Hectares)	Resource Status
70004 Nardoo	JMO/Australis	Granted	130,0000	Partly explored Proven Sapphire Reserve
70005 Nardoo	JMO/Australis	Granted	130,0000	Proven Sapphire Reserve
70006 Nardoo	JMO/Australis	Granted	130,0000	Proven Sapphire Reserve

MINING LEASES

70029 Nardoo	JMO/Australis	Granted	218,6700	Unexplored
2181 Subera	JMO/Australis	Granted	15,1400	Under rehabilitation
1841	JMO/Australis	Granted	3,6170	Residence and workshop
2123 Subera	JMO/Australis	Granted	19,1600	Under rehabilitation
70144 Rubyvale	JMO/Australis	Granted	2,0000	Unexplored
70132 Rubyvale	JMO/Australis	Granted	6,4300	Unexplored
2077 Rubyvale	JMO/Australis	Granted	7,9470	Unexplored
		Total area	662,964	

MINING LEASE APPLICATIONS (MLA's)

MLA Number	Company	Status	Area (Hectares)	Resource Status
70245 Nardoo	JMO/Australis	Application	1157,4506	Unexplored
70246 Nardoo	JMO/Australis	Application	916,0339	Unexplored
70247 Nardoo	JMO/Australis	Application	123,6602	Unexplored
70248 The Common	JMO/Australis	Application*	17,8340	Unexplored
70249 The Common	JMO/Australis	Application*	17,8340	Unexplored
70250 The Common	JMO/Australis	Application*	17,8340	Unexplored
70251 The Common	JMO/Australis	Application*	18,9850	Unexplored
70272 The Common	JMO/Australis	Application*	11,5682	Unexplored
70273 The Common	JMO/Australis	Application*	20,0000	Unexplored
70274 The Common	JMO/Australis	Application*	20,0000	Unexplored
70275 The Common	JMO/Australis	Application*	19,9986	Unexplored
70276 The Common	JMO/Australis	Application*	19,9988	Unexplored
70277 The Common	JMO/Australis	Application*	17,7536	Unexplored
70278 The Common	JMO/Australis	Application*	18,0831	Unexplored
70279 The Common	JMO/Australis	Application*	19,9829	Unexplored
70280 The Common	JMO/Australis	Application*	20,0000	Unexplored
70281 The Common	JMO/Australis	Application*	20,0000	Unexplored
70282 The Common	JMO/Australis	Application*	20,0000	Unexplored

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70283 The Common	JMO/Australis	Application*	20.0000	Unexplored
70284 The Common	JMO/Australis	Application*	17.9399	Unexplored
70172 The Common	JMO/Australis	Application	14.3169	Unexplored
70173 The Common	JMO/Australis	Application	16.1049	Unexplored
70174 The Common	JMO/Australis	Application	13.6072	Unexplored
		Total area	2558.9819	

The MLAs identified with an asterisk in Table 1, are areas 'ready to be granted' according to correspondence received by Australis on the 23-25th of March, from the Queensland Government, Department of Natural Resources & Mines.

ML's 70006 & 70005 and a small area along the boundary of ML's 70004 and 70005 contain a Proven Sapphire Reserve of 115ha which is the highest category of a Measured Mineral Resource according to the Australasian Code for the Reporting of Mineral Resources (the JORC code). It includes diluting materials and allowances for losses which may occur when the deposit is mined. Appropriate assessments, which include feasibility studies have been carried out, and include consideration of a realistic appraisal of the mining, processing, economic, marketing, legal, environmental, social and government factors. These assessments demonstrate at the time of this report that sapphire extraction could reasonably be justified.

1.2 Sapphire Deposit Characteristics

The sapphire deposits within the Queensland Sapphire Gemfields are mainly associated with Tertiary and Quaternary alluvial placers. Sapphires were derived through erosion of Tertiary alkali volcanic rocks, mostly basaltic lavas, pyroclastics and volcanoclastics of the Eastern Australian Cainozoic Igneous Province. The original source of the sapphires was most likely the Floy Basalt represented by a group of eroded volcanic neck plugs that intruded the pre Devonian, Retreat Granite. The lava flows emanating from these basalts have almost been completely eroded but, according to Olgers (1969), the remnant volcanic plugs contain specimens of sapphire.

Within the Queensland Sapphire Gemfields, Tertiary sapphire placers in palaeodrainage systems have, in places, been reworked by younger and present day drainage to concentrate heavy minerals, including sapphires, within alluvium (known as wash). Remnants of old alluvium occur in many areas as primary, high level gravels on elevated ridges situated between, or adjacent to, present day drainage. The distribution of environmentally favourable areas for several categories of sapphire 'wash' is shown in Figure 1.

Sapphire placer deposits may be exposed at the surface or concealed by up to 20m of barren overburden. The sapphires and associated heavy minerals are commonly concentrated along palaeochannels at various depths below the ground surface and comprise linear zones called 'runs'.

The Queensland Sapphire Gemfields are renowned for producing large blue and coloured sapphires including yellow, green, multi-coloured and rare pink sapphires. As is the case for nearly all of the world's sapphires, they are heat-treated to improve both clarity and colour.

Historically the Queensland Sapphire Gemfields were mined by hand, however with the implementation of modern earth moving machinery and processing plants, the quantity of sapphires has increased exponentially. Australis has modern plant and equipment and through its previous company (Junior Mining (Operations) Pty Ltd) has produced and sold in excess of 1.2 million grams of sapphire.

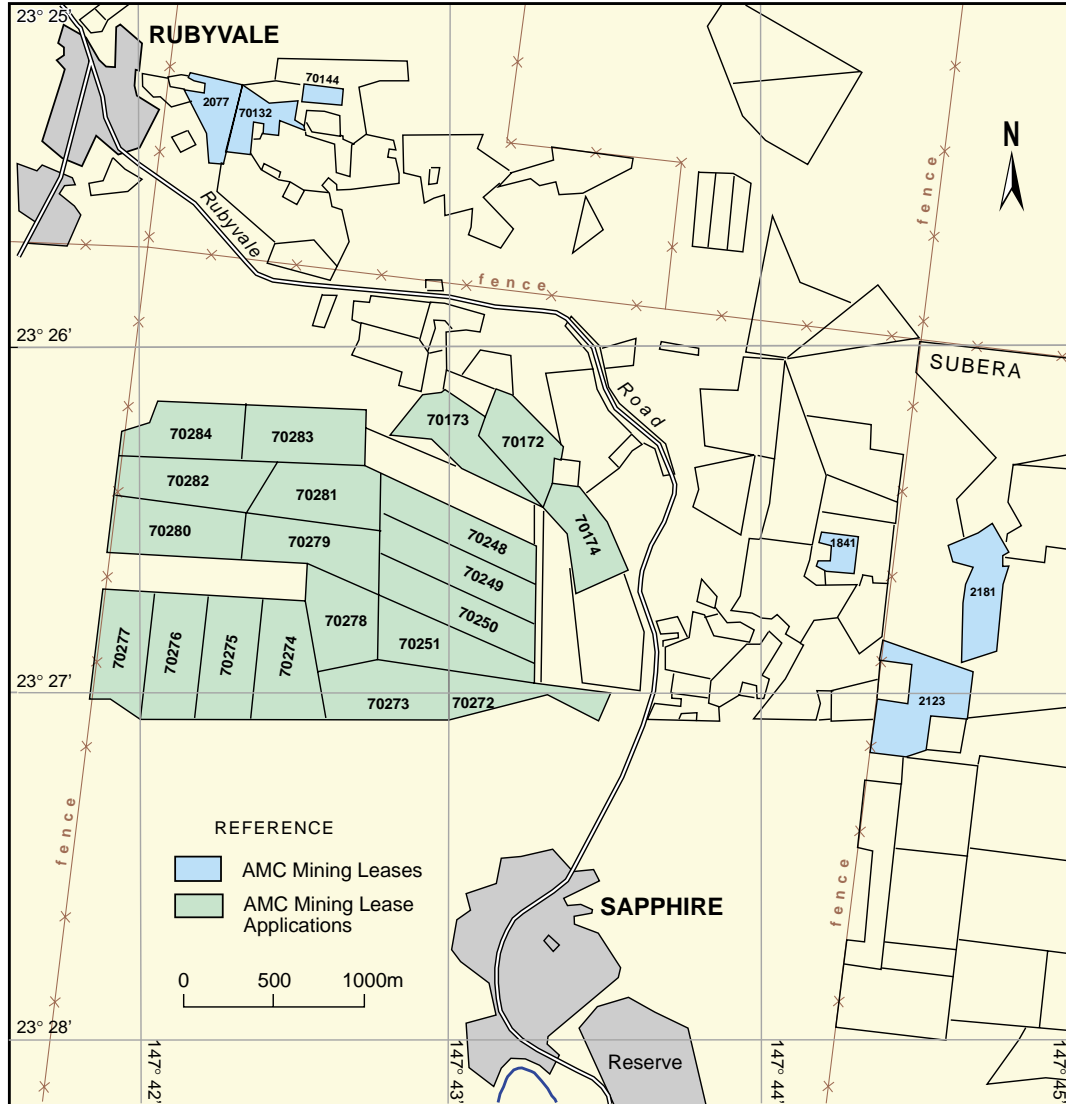


Fig. 2. Australis Mining Corporation tenements in the Sapphire & Rubyvale area.

Prepared by B.R. Senior & Associates Pty Ltd for inclusion in this report

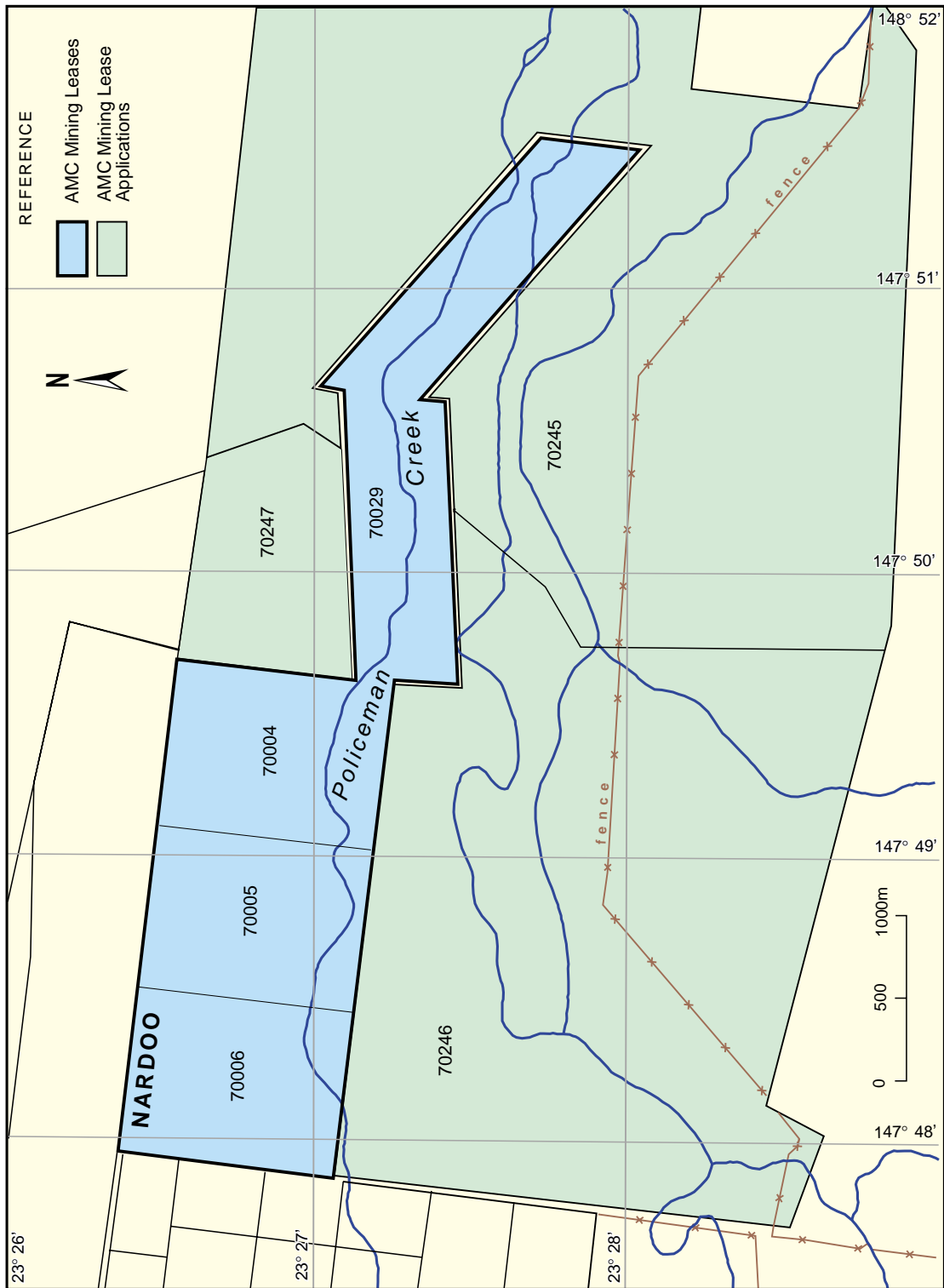


Fig. 3. Australis Mining Corporation tenements in the Nardoo area.

Prepared by B.R. Senior & Associates Pty Ltd for inclusion in this report



1.3. Mining Operations

Australis's mining operations are to be conducted by excavation of open cut mining pits that vary in depth from approximately 5 to 20 metres. The open cuts are dug with a 160 tonne excavator and dump trucks are used to remove the overburden from the open cuts. Once the ore body or 'wash' is exposed, it is extracted using a 70 tonne excavator and is trucked to the processing plant. The processing plant is computer controlled and uses a rotary trommel to free up the gravel particles and to remove certain waste before gravity concentration of heavy minerals, including sapphires, in a jig. Process water is recirculated and further concentration of the heavy mineral concentrate that contains the recovered sapphires is achieved through magnetic separation that removes most of the iron-rich, non-economic minerals. The sapphire rich concentrate is then hand sorted and classified according to colour and size into saleable groups or 'parcels'.

During a visit to the residence, office, workshops and tenement areas in the Sapphire and Rubyvale district between 19th to the 21st of April 2004 I found that all of the fixed assets, processing plant and earthmoving equipment are in good condition and appropriate for alluvial mining and sapphire processing, at a planned rate of approximately 2000 cubic metres per day.

1.4. Sapphire Quality and Size

Economic rough sapphires previously sold by Junior Mining (Operations) Pty Ltd were between 1.3 and 20mm in size. Because there is up to 60% loss during cutting, rough sapphires smaller than 1.3mm are generally not used in jewellery. There are four grades of blue and coloured sapphires:

- No. 1 quality – crystal in clarity suitable for gemstones and have no fractures.
- No. 2 quality – crystal to translucent in clarity with fractures.
- No. 3 quality – semi opaque in clarity with fractures and
- No. 4 quality – corundum, opaque in clarity (Note corundum is the same mineral species as sapphire and has a monetary value because some of this mineral can be heat-treated to produce a degree of clarity that enables it to be used as a gemstone). Corundum is also a very hard mineral and non-gem material is sold for abrasives.

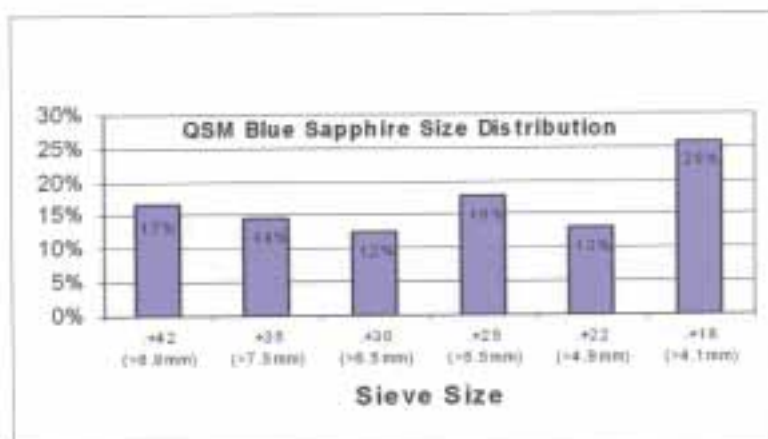
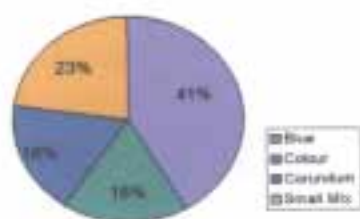
Approximate colour and size characteristics of sapphire expected from the mining of the Nardoo ML's can be gained from sapphires produced in the Subera Mining Leases such as ML's 7169 & 7162, that lie adjacent to ML 70006 (see Figure 6). The records for the period 16th May 2000 to 16th February 2002 show that sapphire and corundum mined by Queensland Sapphire Mining (QSM) under a joint venture agreement and marketed by Junior Mining (Operations) Pty Ltd, comprised the following:

- Blue – approximately 42% of all production
- Green and coloured zoned sapphires – approximately 18% of all production and
- Corundum – approximately 17% of all production,
- Mixed sapphire and corundum smaller than 4.1mm (-18 sieve size) – approximately 23%.

The proportions and sizes of sapphire and corundum recovered from the Subera ML's are summarised in Figure 4. Of the approximate 18% of green and coloured sapphires produced, the following colour range was obtained:

- Green – 55%
- Multi coloured (parti) – 25%
- Yellow – 16%
- Star sapphire 2%

Breakdown of QSM Sapphire Production



Prepared by B.R. Senior & Associates Pty Ltd for inclusion in this report

Fig. 4. Pie chart showing the proportions of sapphire and corundum and a histogram showing size distribution of blue sapphire.

Rough sapphires can be heat-treated to improve the quality of the gemstones and in some circumstances the colour can be changed. The company currently has no plans to introduce gemstone cutting or heat treatment facilities either in Australia or overseas. These labour intensive processes can be undertaken less expensively overseas.

1.5. Marketing

Unlike gold and diamonds that have a relatively stable price in the world market, the price of sapphire tends to be more variable. Supply and demand factors affecting price include development of new sapphire deposits in other parts of the world and fluctuating demand for luxury products due to global problems. The success of Australis's future marketing operations is also largely dependent on the quantity and quality of sapphires derived through open cut mining. In this regard, the geological similarity and proximity of the Australis mining leases to those previously mined in adjacent ML's indicate that the sapphires produced will have similar size and colour characteristics described above. Historically achieved sales figures for sapphires are presented in Section 4 of this Prospectus.

Australis, through its predecessor Junior Mining (Operations) Pty Ltd (now a wholly owned subsidiary), has an international network of buyers who are regular purchasers of sapphires from the Queensland Sapphire Gemfields. This Company has a knowledgeable and experienced sales and marketing team and maintains sales outlets in key overseas countries.

1.6 Environmental Compliance

Australis has an Environmental Management & Operating System (EMOS) approved by the Queensland Department of Natural Resources and Mines. The tailings dam and the processing plant are fully approved and Environmentally Relevant Activities are authorised and approved on an annual basis with the relevant authorities. An ultimate mine closure plan has been accepted and to the best of knowledge there are no environment or litigation problems outstanding or pending. Australis employs a part time Environmental Officer who monitors all aspects of the mining operation, including noise and dust levels, tailings discharge, groundwater and pumping discharge, water table and mine water discharge.

There are no chemicals used in the recovery of sapphires and there are no toxic wastes produced by this mining operation.

2. EXPLANATORY INFORMATION

2.1 Commission

Following a request from the Directors of Australis Mining Corporation Ltd on 2nd March 2004, Dr B.R. Senior undertook a preliminary review of geological data covering three of the five Mining Leases held by this company. He concluded that Australis has a dominant land position in the Queensland Sapphire Gemfields and that a substantial expansion of mining was warranted. On this basis Australis confirmed its wish, in a letter dated 14th March 2004 to engage Dr Senior to prepare a geological report covering the mining leases that Australis intended to exploit. Dr Senior accepted this project on 2nd April 2004.

2.2 Scope and Purpose

The purpose of this Technical Report was to provide geological data covering mineable sapphire placers within three of Australis's Mining Leases (ML's 70004, 70005 & 70006). This report does not include the potential reserves in 7 additional Mining Leases and in 23 Mining Lease Application areas, as these remain to be geologically evaluated and their economic potential is unknown (see Table 1 & Figures 2 & 3).

Previous geological, mining and exploration data were made available and were to be reviewed and recommendations made on methods and techniques to be applied and the proposed mining program by Australis was to be verified as appropriate.

The aim of the Technical Report is to gather, interpret and summarise the material information related to the tenements in accordance with the requirements of:

1. the Code and Guidelines for Technical Assessment and/or Valuation of Mineral and Petroleum Securities for Independent Expert Reports ("the Valmin Code") and
2. the Australian Code for Reporting of Identified Mineral Resources and Ore Reserves ("JORC Code").

The Technical Report is not to be used for any other purpose other than identified above.

2.3 Competence

The Technical Report was compiled by Brian Roy Senior principal of B.R. Senior & Associates Pty Ltd. ABN 41 841 557 398 of 303 Shingle Hill Way, Bungendore, NSW 2621.

Dr Senior graduated with a B.Sc (Hons) from Victoria University of Wellington in 1965, obtained an M.Sc in 1966 and a Ph.D from the University of New South Wales in 1978. He worked for BMR (now Geoscience Australia) from 1966 to 1980 on geological mapping projects in Queensland, SA and NT. For the last 23 years he has been an independent consultant in geological mapping, exploration and mining in Australia, PNG, Kalimantan, South Africa, NZ and Argentina. He spent three years geologically mapping and evaluating sapphire and ruby resources in Laos and is an acknowledged expert in gemstone (sapphire, ruby and precious opal), regolith research and Queensland geology.

He is a Fellow of the AusIMM, is subject to the AusIMM Code of Ethics and is aware of the VALMIN and JORC codes. Dr Senior is also a member of the Geological Society of Australia Inc.



The estimated cost for the Technical Report was \$20 000, comprising \$16 800 professional fees, and travel, accommodation and sundry expenses of approximately \$3 200.

2.4 Independence

Dr Senior has not been associated with the directors of Australis Mining Corporation Ltd, or its predecessor Junior Mining (Operations) Pty Ltd and neither he or immediate family or their employers or any associate of their employers, hold or have any pecuniary or other interests in the Australis tenements other than the professional fee and reimbursement of expenses paid in connection with the Technical Report as set out herein. Dr Senior has no beneficial interest in the outcome of the assessment.

2.5 Access to data

The Technical Report has been prepared independently and in accordance with the VALMIN and JORC codes and there has been no material departure from these codes.

Australis Mining Corporation Ltd has represented to Dr Senior in writing that:

- Full disclosure has been made of all Material Information and that, to the best of its knowledge and understanding, such information is complete, accurate and true
- All information may be presented in a public version of the Report and none has been determined to be confidential.

Accordingly nothing contained in the Technical Report is attributable to information which Australis Mining Corporation Ltd regards as confidential and which has been used by Dr Senior but which is not disclosed in the technical report. The Technical Report is based on:

1. The information provided by Australis.
2. Published and open file data from the Department of Natural Resources & Mines, Queensland.
3. Dr Senior's own records, copies of geological reports, maps and reference library. All such sources are referred to in the text of the Report and listed in standard format at the end of the Report.
4. Information collected by Dr Senior during site inspection.

The author has undertaken all checks, enquiries and procedures that he considered necessary to verify the accuracy of the Material in the Technical Report.

2.6 Draft version

Australis Mining Corporation Ltd received a progress copy and a draft version of the Technical Report and errors of fact were identified and rectified. Accuracy and assumptions made were also questioned under due diligence and were able to be clarified or substantiated.

2.7 Site Inspection

Dr Senior made a site inspection during the period 19th to 21st April 2004. This involved airline travel from Canberra to Sapphire and return and an inspection of the tenements by helicopter and by 4-wheel drive vehicle. During this trip all of the mining leases were inspected and some GPS data relating to the positions of ML corners and sites of future mining were collected. Mining equipment and infrastructure were inspected to verify that the proposed mining operations could commence without undue delay. Colour photographs and field notes were collected to provide a record of this visit.

2.8 Mining Leases

A copy of a letter from the Mining Registrar, Queensland Government, Natural Resources and Mines, dated 18th July 2003, was provided to Dr Senior. This letter states that Mining Lease Numbers – ML 70004, ML 70005, ML 70006 & ML 70029 were reassigned from Great

Northern Mining Pty Ltd to Junior Mining (Operations) Ltd and this procedure was approved in the Office of the Mining Registrar in Sapphire on 18th July 2003.

2.9 Employee Relations

The author of the Technical Report is not aware of any special factors relating to employee relations and/or work practices, which may have an impact.

2.10 Material Agreements

Material agreements and contracts are not within the scope of this report.

2.11 Liabilities, Commitments and Financial Exposure

The scope of this Technical Report does not include a review and report on liabilities, actual and contingent commitments and financial exposure.

2.12 Mining & Exploration

In regard to ASX Listing Rule 1.4.4, Australis Mining Corporation Ltd has satisfactory and clearly defined mining and exploration objectives and an appropriate expenditure program covering ML's 70004, 70005, 70006 and 70029.

It should be noted that approximately \$600 000 per annum would be required for exploration of Mining Leases and Mining Lease Application areas, if and when these are granted (see Section 4.7. in this Prospectus for details).

2.13 Indemnities

Australis Mining Corporation Ltd has provided Dr Senior in a letter dated 30th March its agreement to indemnify him in respect of any compensation that he may become liable for:

- (a) That results from his reliance on information provided by Australis Mining Corporation Ltd or as a consequence of Australis Mining Corporation Ltd not providing Material Information; or
- (b) Which relates to any consequential extension to work load through queries, questions or public hearings arising from the Report, but does not absolve him from critically examining the information provided.

3. SAPPHIRE POTENTIAL OF THE MINING LEASES

3.1 Introduction.

Australis Mining Corporation Ltd intends to commence large scale sapphire mining in Mining Lease No. 70006 (Figure 5), adjacent to former mining areas owned by Great Northern Mines Pty Ltd (ML's 7169 & 7162). Records available on open file indicate actual sapphire grades in grams per loose cubic metre, varied between 9.06 - 13.65 in ML 7169 and 9.47 - 13.03 in ML 7162. In these areas a sapphire rich zone, comprising a pair of converging palaeochannels appears to extend eastwards into Australis's Mining Leases. The length and the width of this ancient drainage system have not been fully delineated by drilling and bulk sampling. However, the Proven Sapphire Reserve in this palaeochannel, that has a grade of more than 3 grams of sapphire per loose cubic metre, is at least 1 900m in length and averages approximately 250m in width (Figure 6). Two other areas in these ML's (Areas A & B) are likely to be connected with the main palaeochannel system, but these will require further drilling to determine their extent and economic potential. Area A is situated near the east boundary of ML 70005 and Area B straddles the boundary between ML 70004 & ML 70029 (Figure 6). There are insufficient data in Areas A & B for their inclusion in the resource estimate.

3.2 Sapphire Exploration Methodology

Sapphire occurs in relatively minor amounts together with other heavy minerals, such as spinel, ilmenite, magnetite, zircon, monazite and rutile, in alluvial placer deposits. Concentrations of

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Geologist
Report



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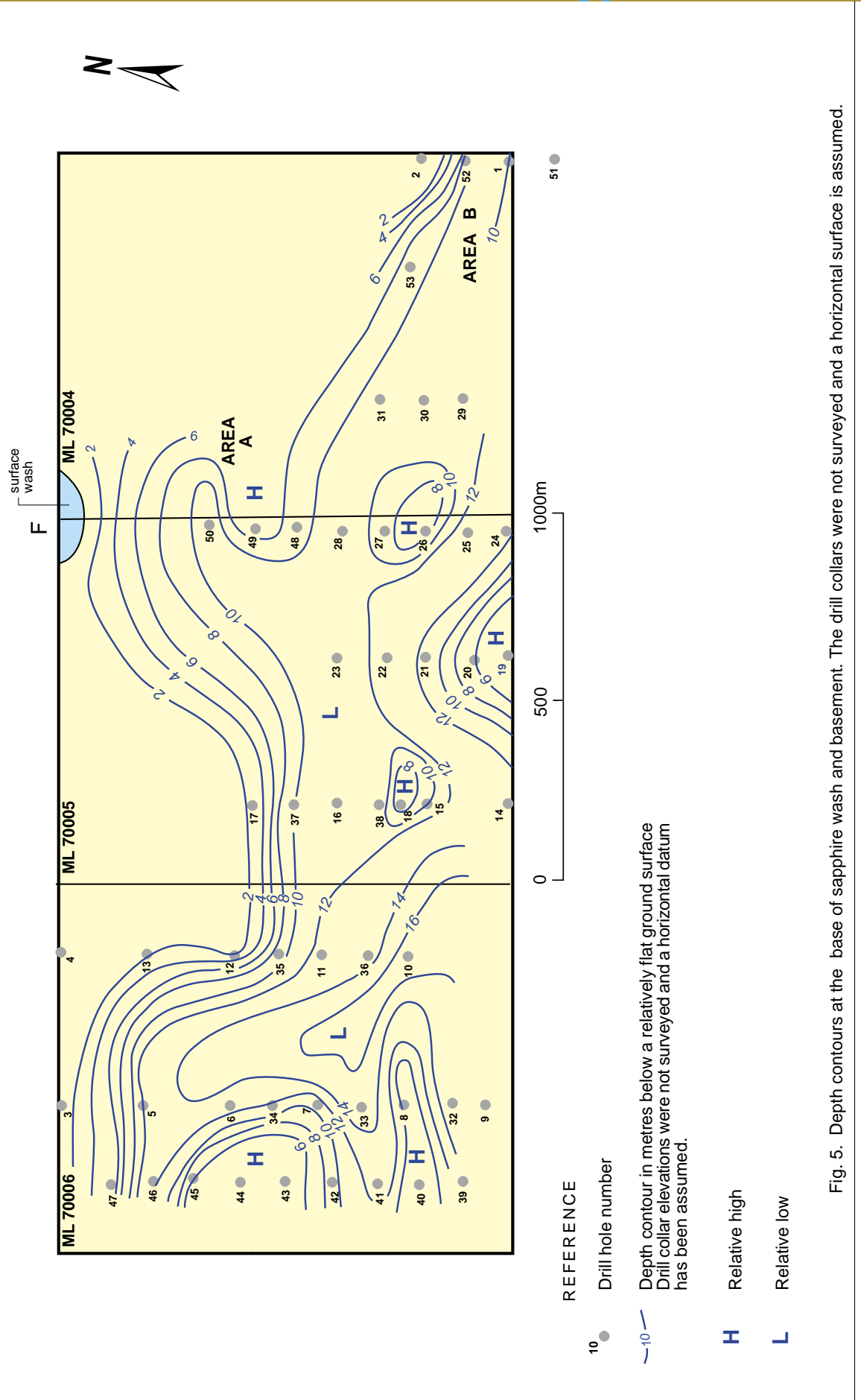


Fig. 5. Depth contours at the base of sapphire wash and basement. The drill collars were not surveyed and a horizontal surface is assumed.

sapphire may be as low as several grams per cubic metre of alluvial gravels (wash) and still represents an economic resource. It is therefore necessary to sample large volumes, in the order of several cubic metres, to determine accurate sapphire grades. For this reason sapphire exploration in Australia is often carried out using large diameter bucket drills, such as approximately 1 metre diameter Calweld drilling rigs. These produce samples of wash in the order of 0.5 to 1 cubic metre that can be processed in a test plant to yield meaningful data. Valid information can be recovered concerning grade, depth, thickness and composition of a sapphire-bearing alluvial system in this way.

3.3 Description of Sapphire Wash in the Nardoo ML's

No sapphire-bearing alluvium from the Nardoo Leases (ML's 70004, 70005, 70006 & 70029) is presently available for description, however extensive mining during February to May 2001 in ML's 7159 to 7167 and 7169 located immediately to the west and adjacent to the Nardoo ML's, yielded significant economic sapphire-bearing alluvium. Approximately 34 000 loose cubic metres was processed and provided an average grade of 8.57 grams per loose cubic metre. These results can be extrapolated into the western part of the Nardoo ML's, as they appear to be part of a continuous palaeodrainage system.

3.4 Assessment of the Nardoo Leases

In 1991, an exploration program on the Nardoo Leases led to the drilling of 53 Calweld holes. These holes were drilled in lines approximately at right angles to the course of the present day Policeman Creek and the bulk samples were processed in a test plant. These data were plotted on a map of the ML areas. The first map (Figure 5) shows the depth in metres to the base of the palaeochannel in which the wash layer lies and a two metre contour interval has been used to show the shape and continuity of this palaeochannel. The second map (Figure 6) shows the grades (measured in the test plant) in grams of sapphire per loose cubic metre (which varied from 0 to 21.4 g/lcm) and the thickness of the wash encountered (which varied from less than 1 to 3.2 metres). Six north-south geological cross sections (A - F) were drawn along the lines of drill holes (Figure 7) to show the depth and thickness of the wash layer (note: hole collar elevations were not surveyed and a horizontal datum has been assumed).

The Proven Sapphire Reserve was defined as that including all holes with sapphire grades of over 3 grams per loose cubic metre of wash. It has an area of 115 hectares and the average thickness of wash is about 2 metres giving a total mineable volume of 2.3 million bank cubic metres (bcm). Assuming a swell factor of 1.2 upon excavation, the volume of wash for processing becomes 2.76 million loose cubic metres (lcm) with a conservative average grade of 8.0g/lcm. It is estimated that this will yield about 22.08 million grams of sapphire. These results are summarised in Table 2.

Table 2. Mining Leases 70004, 70005 & 70006, showing Calweld drilling and bulk sampling results, within the palaeochannel area that have sapphire grades above 3 grams per loose cubic metre.

ML's 70004, 70005 & 70006	Average	Range
Area (square metres)	1 150 000	
Overburden thickness (metres)	9.0	1 to 17 metres
Wash thickness (metres)	2.0	1 to 3 metres
Wash to overburden ratio	1 : 4.5	
Cubic metres (bank)	2 310 000	
Swell factor	1.2	
Cubic metres (loose)	2 760 000	
Grade (grams per loose cu. metre)	8.0	1 to 21 grams/lcm
Total sapphire (grams)	22 080 000	
Plant capacity (cubic metres per day)	2000	200 cubic metres per hour



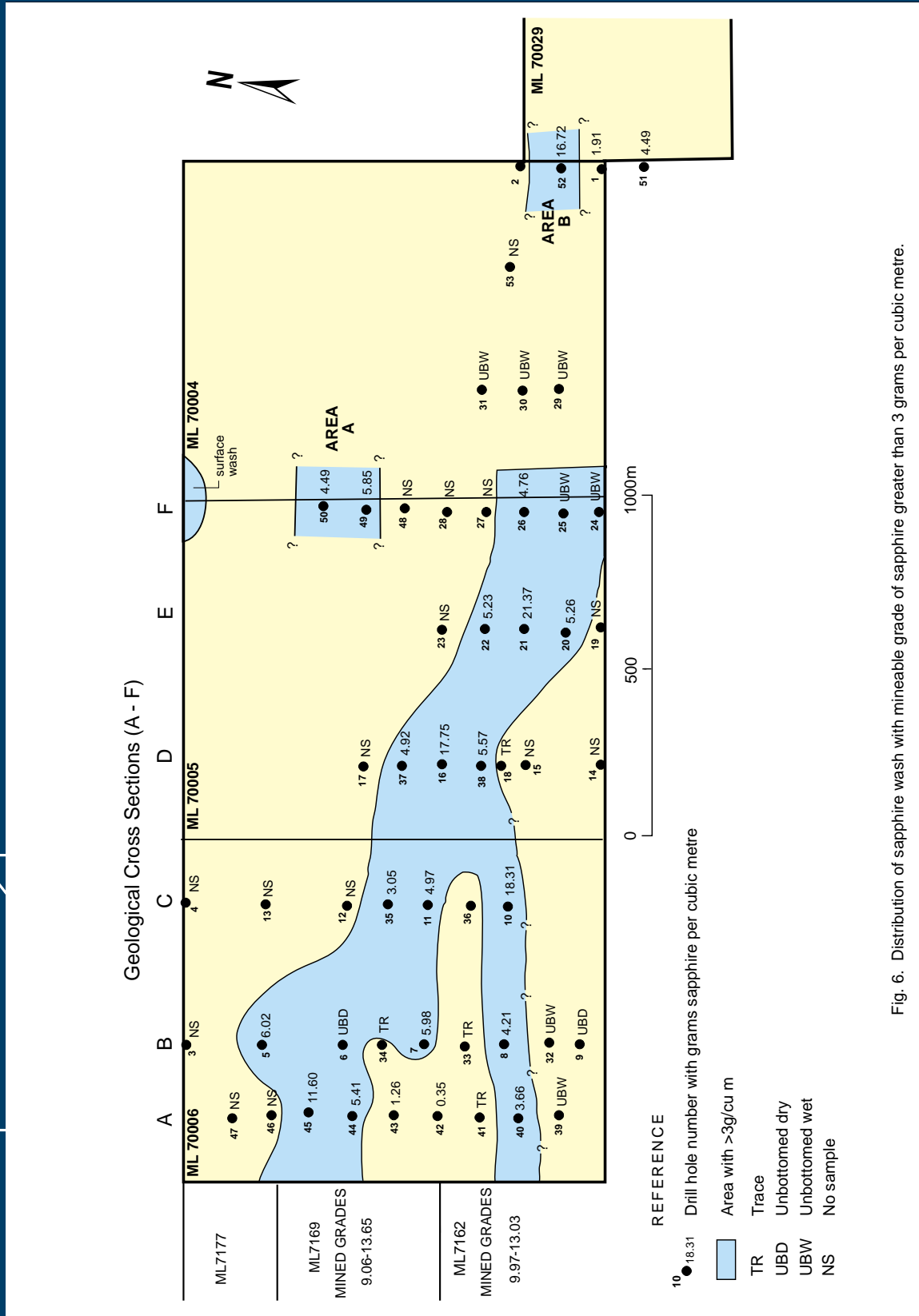


Fig. 6. Distribution of sapphire wash with mineable grade of sapphire greater than 3 grams per cubic metre.

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Sapphire produced per day (grams)	16 000	
Operating days per year	260	6 days/week, 4 weeks leave
Volume processed / annum (ton)	520 000	260 days
Sapphire produced per year (grams)	4 160 000	260 days
Life of currently identified resources	5.3 Years	

3.5 Results of Mining in Mining Leases Adjacent to ML 70006

Great Northern Mining Pty Ltd undertook systematic mining to the east and immediately adjacent to Australis's ML 70006 in the period 1st February 2001 to 9th May 2001. The average mine grade of sapphire was 10.28g/ton. Of particular relevance are the grades from ML's 7169 and 7162 situated immediately to the west of ML 70006 that averaged 11.35 and 11.5g/ton respectively. The mining results indicate that the palaeochannel system or 'laneway' is approximately linear and extends eastwards into ML 70006. Furthermore, the average grade of 8.0g/ton established from drilling and bulk sampling in ML's 70005 & 70006 is similar to the actual grade that was achieved during mining in adjacent mining leases.

4. CONCLUSIONS AND RECOMMENDATIONS

Sapphires are valued depending on the degree of processing, heat treatment, cutting and grading that they have undergone. The price of the final product at the retail level can be extraordinarily high, in the order of hundreds of dollars per cut carat, but of course these are sold in much smaller numbers by individual high cost retail outlets. At this stage Australis plans to sell large quantities of rough sapphire internationally with only the minimum amount of sizing and classification. Historically there has been little success in processing sapphires within Australia because it is labour intensive and there is strong competition from low labour cost countries in Southeast Asia. As a result value adding in this country is uneconomic.

Australis Mining Corporation holds extensive Mining Leases, covering about 663ha, in the Sapphire Gemfield of central Queensland and has a Proven Sapphire Reserve of 22.08 million grams of sapphire within three of the Nardoo Mining Leases (ML's 70006, 70005 & part of 70004). Currently identified mineable resources, averaging 8.0 grams per loose cubic metre, should last for about 5.3 years on the planned mining rate criteria. These figures are likely to be conservative, as mining experience in adjacent ML's has demonstrated that mine grades are a little higher than those established from bulk sampling of drill holes. This is due to the variability of sapphire concentrations in alluvial placers and technical difficulties in obtaining accurate and representative bulk samples from Calweld drill holes.

Although the proven sapphire reserves provide a mining life of a little over 5 years, it must be pointed out that Australis has yet to explore the majority of its tenements that are located within, or are adjacent to, active and historical sapphire mining areas. Once exploration gets underway and new sapphire placers are discovered, the life of the mining operation is likely to be considerably extended.

Two of the Mining Leases in the Nardoo area are unexplored (ML's 70048 & 70029) and one of the others in this area (ML 70004) is only partly explored. Further exploration will also be required in the Nardoo Proven Sapphire Reserve area (ML's 70005 & 70006), to establish continuity of this identified reserve, with low to high grade sapphire intersections identified in three drill holes in Areas A & B (Figure 6). In addition to the 10 granted Mining Leases, Australis has 23 Mining Lease Applications in highly prospective areas within the main sapphire field. These tenements cover approximately 2559ha of potential sapphire-rich alluvial placers and these will require a vigorous program of drilling and bulk sampling to establish their potential economic value. The company has confirmed that it will spend \$0.6 million per annum on exploration and resource evaluation.



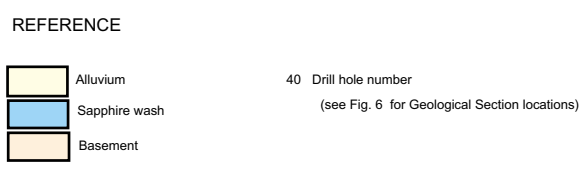
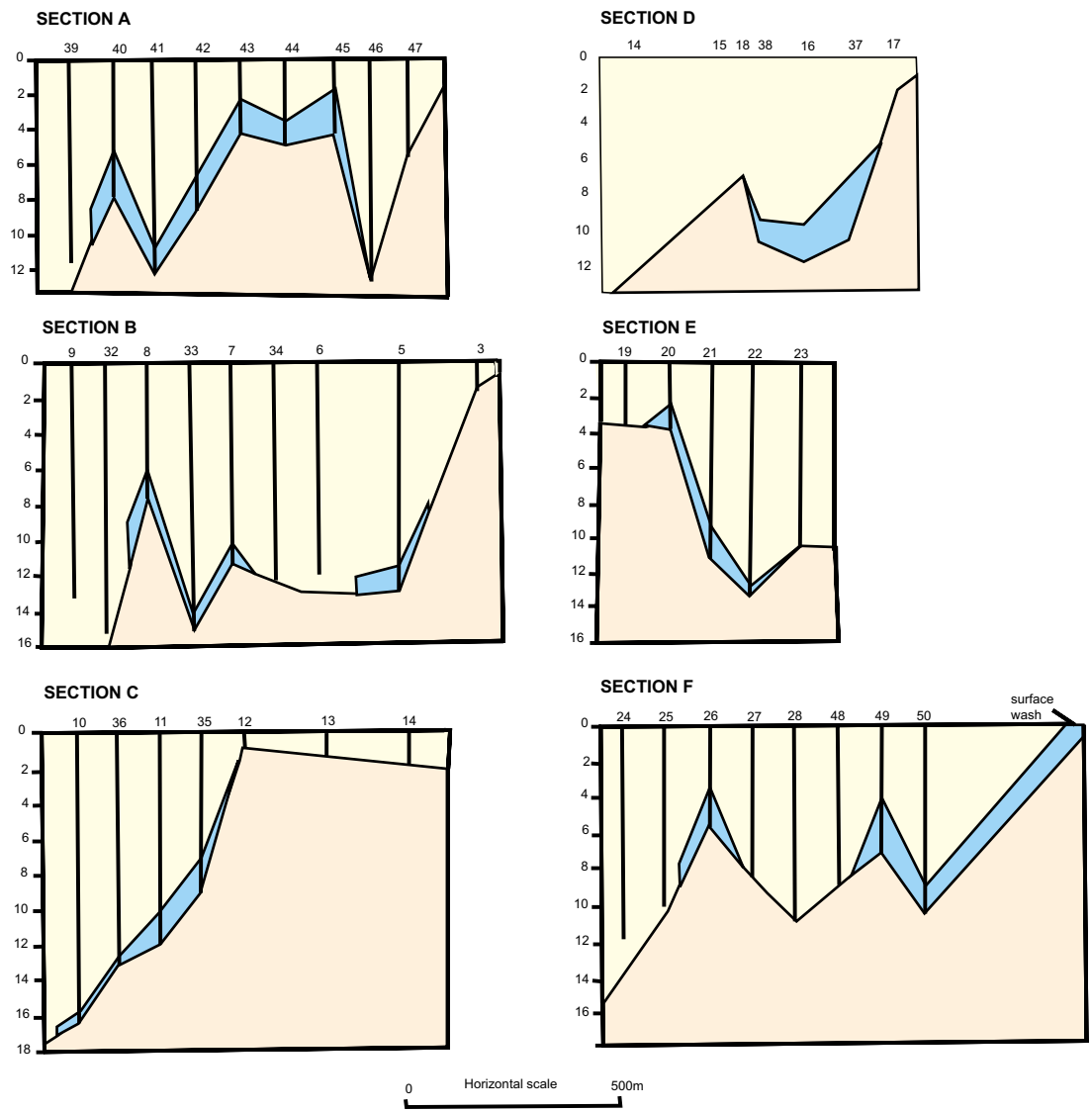


Fig. 7. Geological cross sections (A - F) showing alluvial overburden, sapphire wash and basement.
 Note - a horizontal datum is assumed.

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In order to explore the existing ML's and MIA's as these become available, a more streamlined and cost efficient exploration methodology is recommended. Stereoscopic, colour aerial photography should be acquired, and large scale, photogrammetric digital maps should be constructed covering the various tenements. These will provide accurate base maps for location of drill holes, mining locations and calculations of sapphire resources. Although alluvial placers have been traditionally explored using large diameter bucket drills of the Calweld type, it is recommended that initial investigations should use Reverse Air Blast drill holes of approximately 118mm in diameter. RAB drills, unlike bucket drills, can provide a small, accurate and relatively uncontaminated sample. This type of drilling is much speedier and cost effective and down-hole hammers can be used to penetrate hard layers that may be difficult or impossible to penetrate using the bucket drill method. Note that 9 of 53 of the Calweld holes in the Nardoo ML's failed to reach basement and 15 others did not intersect sapphire wash. It is concluded that bucket type of drilling, whilst being an excellent method for acquiring large gravel wash samples, is an inefficient method for initial exploration of sapphire alluvial placers.

It is also recommended that all RAB holes are gamma ray logged. Small, portable, digital, down-hole-logging systems are available and the logs would provide accurate thickness measurements of the sapphire wash and depths to basement. Once sufficient gamma-ray log data are available it is likely that drill hole sapphire grades could be estimated from these data. This method relies on the relationship that exists between high sapphire grade and a corresponding high concentration of other heavy minerals, particularly the radioactive minerals zircon and monazite. Once the distribution of an alluvial placer is established from RAB drilling and gamma ray logging, the bucket drill method can be used to obtain bulk samples from strategically positioned locations for the final confirmation of sapphire grade.

Yours faithfully,

B.R. Senior & Associates Pty Ltd

B.R. Senior

B R Senior (Dr)
Director



REFERENCES

Olgers, F., 1969- Emerald, Queensland 1:250 000 Geological Series. *Bureau of Mineral Resources Australian explanatory Notes*, SF155-15.

Olliver, J.G., and Townsend, I.J., 1983- **Gemstones in Australia**. *Australian Government Publishing Service, Canberra*, 72 pages.



SECTION 7
SOLICITOR'S REPORT

8 November 2004

The Board
Australis Mining Corporation Limited
Level 36
50 Bridge Street
SYDNEY NSW 2000

Contact: Ian Connors
Direct dial: (07) 3228 5393
Direct Fax: (07) 3221 8500
email: ianc@macgillivrays.com.au
Our ref: IDC LPH.WKN DTH 117963

Dear Sirs

SOLICITOR'S REPORT

1 INTRODUCTION

- 1.1 This Report is prepared for and at the request of Australis Mining Corporation Limited ACN 108 649 421 ('Australis')
- 1.2 This report is required in relation to
 - (a) the preparation by Australis of a prospectus to raise \$3.5million; and
 - (b) listing of Australis with Australian Stock Exchange Limited.
- 1.3 Australis has acquired all of the issued share capital in Australis Mining Operations Qld Pty Ltd ACN 081 347 891 ('AMO') which was formerly Junior Mining (Operations) Pty Ltd. AMO holds mining tenements and mining tenement applications situated in Queensland and details of those tenements and applications are to be disclosed in the proposed prospectus. For the purposes of investigating the mining tenement interests held by AMO, we have been asked to report on the relevant mining tenements and mining tenement applications specified in **Schedule A** ("Tenements").
- 1.4 This Report relates to the Tenements and addresses:
 - (a) title to the Tenements;
 - (b) encumbrances over and conditions in relation to the Tenements;
 - (c) the status of the current holder in relation to the Tenements;
 - (d) a report on the status of native title issues that relate to the Tenements;
 - (e) a general commentary on Queensland mining and native title law as it relates to the Tenements.

An overview of the Tenements is contained in **Schedule B** which is attached to and forms part of this Report.



Craig Green, Gary Edgcombe, John McGaw, Greg Young (all Senior Counsel), Peter Dwyer,
Mark Ryan (all Solicitors), Peter McLeod, Phil Heraghty, Ian Connors, Lee Hopsick, Gary Woodman
Senior Associates, Malisa Craig, Margie Kruger, Tony Newton, Associates, Laurie Scroggins, Joanne Talbot
Consultants, Lyndan Stone, Jackie Knowlman (all Senior Counsel)
ABN 36 932 329 061

Level 2 The Anzac Square Building 200 Adelaide Street GPO Box 2582 Brisbane 4001 Australia
Telephone (07) 3221 4500 Fax (07) 3221 6500 DX 150

2 CONSENT TO BEING NAMED

- 2.1 We consent to being named as having prepared this Report in the prospectus being prepared by Australis.
- 2.2 This Report is provided solely for the benefit of Australis and its directors in connection with the issue of the proposed prospectus and is not to be relied on or disclosed to any other person or used for any other purpose or quoted or referred to in any other public document without our prior written consent.

3 SEARCHES

3.1 For the purpose of this Report, we have reviewed:

- (a) Mining Lease Reports by the Department of Natural Resources, Mining and Energy ("DNRME") in respect of the Tenements. The DNRME searches were conducted on 17 May 2004 and updated on 2 August 2004 and 1 October 2004;
- (b) a report on the Tenements from the records of the office of the Mining Registrar – Emerald, Queensland, dated 27 May 2004;
- (c) searches of the National Native Title Tribunal ("NNTT") conducted on 20 May 2004 in respect of the Tenements;
- (d) searches of the Queensland Environmental Protection Authority ("EPA") databases to ascertain what Environmental Authorities have been granted relating to the Tenements received 24 May 2004;
- (e) Cultural Heritage searches of the on-line register kept by the Cultural Heritage Council ("CHC") under the Queensland Heritage Act 1992 conducted on 18 May 2004;
- (f) searches of the Queensland Land and Resources Tribunal ("LRT") conducted on 3 September 2004 in respect of the applications by AMO for renewal of Mining Leases 70004, 70005, 70006 and 70029.

3.2 We have also reviewed:

- (a) correspondence from DNRME concerning the native title compensation process relating to the applications;
- (b) a copy of the compensation agreement between Nunan Sapphires (Qld) Pty Ltd and M.D. and S.J. Schmidt dated 18 July 1994 filed in the Mining Registrar's Office Emerald on 20 July 1994 relating to Mining Leases 70004, 70005, 70006 and 70029;
- (c) a copy of the compensation agreement dated 30 June 2000 between Great Northern Consolidated Mines Limited and M.D. and S.J. Schmidt relating to Mining Leases 70004, 70005, 70006, 70029, 700201, 700202 and 700203;
- (d) a copy of the compensation agreement dated 19 July 2004 between AMO and Emerald Shire Council ("Council") as to compensation by AMO to Council in relation to AMO's proposed mining in the area of land contained in the unnamed road reserve passing through Mining Lease No. 70029

- (e) a copy of the compensation agreement dated 9 April 2003 between Queensland Sapphire Mining Pty Ltd and L.R. and E.A. Benny relating to expired Mining Leases 2181 and 2123; and
- (f) the Central Queensland Gem Fields Indigenous Land Use Agreement.

4 OPINION

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

- (a) the details of the Tenements included in this Report are accurate as to their status and the current holders' interest; and
- (b) where an application for a Tenement has been lodged, details included in this Report relating to that application are accurate

5 ASSUMPTIONS AND QUALIFICATIONS

5.1 In this Report:

- (a) we have assumed the accuracy and completeness of all Tenement searches and other information obtained from DNRME, EPA, GHC, NNTT and LRT;
- (b) the continued holding of the Tenements is subject to compliance with the terms and conditions of the relevant legislation and compliance with the terms of the lease of the relevant Tenement and any other applicable agreements. The conduct of mining activities on the Tenements is subject to compliance with the terms of environmental authorisations granted for activities on the Tenements;
- (c) we have assumed the accuracy and completeness of any instructions or information given by Australis or its lawyers who have instructed us. We have also assumed the accuracy and completeness of information provided by AMO and its then lawyers who have provided the compensation agreements described above;
- (d) with respect to any application for the grant of a Tenement, we express no opinion as to whether such an application will be granted;
- (e) where compliance with the requirements necessary to maintain a tenement in good standing is not disclosed on the searches obtained, we express no opinion on such compliance;
- (f) references in **Schedule B** to any area of land are taken from details in the searches obtained. It is not possible to verify the accuracy of the land area without conducting a survey; and
- (g) where Ministerial consent to any agreement or dealing in relation to a Tenement is being or will be sought, we express no opinion as to whether such consent will be granted or the consequences of being refused.

5.2 This Report only relates to the mining, native title, environmental protection, heritage and native title laws applicable to Tenements as at the date of this Report. This Report is limited to the matters expressly contained within it.

5.3 This Report is not an investment recommendation and is not to be taken as verification of the commercial viability of the Tenements.

6 TENEMENTS

6.1 The leases of the relevant Tenements are held by either:

- (a) AMO; or by
- (b) Queensland Sapphires Mining Pty Ltd ACN 092 502 291 ('QSM').

These comprise the 10 mining leases specified in **Schedule A** granted under the Mineral Resources Act 1989 ("MRA"). A further 23 mining lease applications have been made by either AMO or by QSM.

6.2 A mining lease remains in force for the term specified in the relevant grant. The term of each mining lease is specified in **Schedule B**.

6.3 During the term of the mining lease, the holder and its agents and employees may enter and remain on the land and surface area comprised in the grant for the purposes of the grant. The purposes of each relevant grant are specified in **Schedule B**.

6.4 In addition to the specific terms of grant of each mining lease (which are detailed in **Schedule B**), the MRA implies standard conditions in each mining lease. These standard conditions include:

- (a) a condition that the holder, prior to the termination of the mining lease must remove any building or structure on or in the land comprised in the mining lease;
- (b) a condition that the holder must not obstruct or interfere with any rights of access had by any person in respect of land the subject of the mining lease; and
- (c) a condition that the holder may not assign, sublease, or mortgage the mining lease without consent; and
- (d) a condition that the holder must make all payments of compensation to concurrent tenure holders and comply with all terms of any agreement or determination relating to compensation at the time or times as agreed or determined;
- (e) a condition that the holder:
 - (i) must pay the rental specified; and
 - (ii) must pay the royalty specified; and
 - (iii) must pay all local government rates and charges on the land comprised in the mining lease.

6.5 Each mining lease is subject to the conditions of the registered indigenous land use agreement in force in relation to the area of the mining lease. The conditions imposed by this instrument are discussed in depth in paragraph 7 below.

6.6 In Queensland, mining activities require an environmental authority given under the Environmental Protection Act 1994 ('EPA'). Mining operations may also be subject to the terms of Environmental Management Overview Strategies and Plans of Operations.

6.7 All granted tenements hold and are subject to an environmental authority. Mining Lease Applications MLA70272, MLA70273, MLA70274, MLA70275, MLA70276, MLA70277, MLA70278, MLA70279, MLA70280, MLA70281, MLA70282, MLA70283 and MLA70284 are subject to draft Environmental Authority M7057.

It is beyond the scope of this report to detail the conditions imposed by the relevant environmental authorities, strategies and plans of operation.

6.8 Mining Leases 70004, 70005, 70006 and 70029 expired on 31 August 2004. AMO has made application for renewal of those Mining Leases pursuant to Section 286 of the MRA. Section 286(8) of the MRA provides, in summary, that provided an application for renewal of a mining lease is properly made and the holder of the lease continues to comply with the MRA and the conditions of the lease, the lease continues in force until the application is withdrawn, rejected or granted.

6.9 In respect of compensation, section 279 of the MRA provides, in summary, that:

- (a) a mining lease shall not be granted or renewed unless compensation has been determined between the applicant and the owner of the land;
- (b) a compensation agreement shall not be effective unless and until it is signed by the parties and filed in the office of the mining registrar.

Our searches of the records of the LRT confirm that proceedings for assessment of compensation between AMO (Applicant) and M & S Schmidt (Respondent) in respect of the renewal of Mining Leases 70004, 70005, 70006 and 70029 are continuing.

6.10 We have been provided by Australis with copies of two compensation agreements relating to Mining Leases 70004, 70005, 70006 and 70029 to which M & S Schmidt are a party (as owner of the land). Those compensation agreements are referred to in paragraphs 3.2(b) and (c) above. We make the following observations about those compensation agreements:

- (a) we have been informed by Australis that the compensation agreement between Great Northern Consolidated Mines Limited and MD & SJ Schmidt dated 30 June 2000 referred to in paragraph 3.2(c) has not been filed at the mining registrar's office in Emerald. Under section 279(1) of the MRA, that compensation agreement will not be effective until it is filed in the office of the mining registrar;
- (b) the compensation agreements contain rehabilitation obligations which will be continuing obligations despite expiry of the term of the Mining Leases;
- (c) the conditions of the of the compensation determination resulting from the LRT proceedings referred to in paragraph 6.9 above will effectively supersede the compensation agreements.

6.11 Mining Leases 1841, 70144, 70132 and 2077 are current. We make the following observations about those Mining Leases in the context of the requirement for compensation agreements under the MRA:

- (a) the background tenures for Mining Lease 1841 and Mining Lease 70132 is Vacant Crown Land and Unallocated State Land respectively. There is no 'owner' of the land for those types of tenures for the purposes of section 279 of the MRA. Accordingly, no compensation agreements are required for those Mining Leases.
- (b) the background tenures for ML70144 and ML2077 are Mining Homestead Perpetual Leases. Compensation agreements are required for those types of background tenures. We have not been provided with copies of the compensation agreements for ML70144 and ML2077.

6.12 Our searches have revealed no competing uses over the Tenements

7 NATIVE TITLE LEGISLATION

7.1 On 3 June 1992, the High Court of Australia held in *Mabo v. Queensland (No. 2)* that the common law of Australia recognises a form of native title. Generally, native title right to land will be recognised where:

- (a) the claimants can establish that they have maintained a continuous connection with the land in accordance with their traditional laws and customs, and
- (b) the native title rights established by that continuous connection have not been lawfully extinguished.

7.2 Some of the Tenements relate to land which is currently the subject of one or more accepted native title claims. The impact of these claims on the Tenements is regulated by the Indigenous Land Use Agreement discussed below.

7.3 All Mining Tenements and Mining Tenement Applications in **Schedule A** are subject to the Central Queensland Gemfields Indigenous Land Use Agreement (ILUA). The ILUA commenced on 20 November 2003 and terminates on the 10th anniversary of the commencement date. The CQG ILUA was registered on 24 February 2004. The Native Title Claimants are the Kanguoulu People and the Kanguoulu People 2. The claimants are represented by the Gurang Land Council (Aboriginal Council).

7.4 The ILUA aims to facilitate the processing of applications for mining leases and other tenures in the relevant area. The ILUA establishes a set of conditions for the granting of tenements for the mining of sapphire, zircon, gold or diamonds only. The conditions recognise native title rights and interests and protect cultural heritage. The conditions also recognise rights to conduct mining activities in the area.

7.5 The conditions imposed by the ILUA in relation to the Tenements include:

- (a) an obligation to make a native title payment of \$200 for a mining lease not exceeding 6 hectares or a term of 5 years;
- (b) an obligation to make a native title payment in relation to any other mining lease of \$200 plus an additional payment derived by adding the hectares in the mining lease area to the number of years in the term and multiplying the resultant figure by 10;
- (c) an obligation to give immediate notice of a cultural heritage find;
- (d) an obligation to provide access to native title parties.

8 PROTECTION OF SITES OF HERITAGE VALUE

- 8.1 The Queensland Heritage Act 1992 ("Heritage Act") establishes a Cultural Heritage Council and Cultural Heritage Register.
- 8.2 The Cultural Heritage Register contains a list of all places, trees, natural formations and buildings of cultural significance. The Heritage Act makes it an offence to damage, destroy, remove or interfere with a protected relic.
- 8.3 A search carried out of the summary information from the register revealed that only the Emerald Railway Station Complex is listed for Emerald and the Emerald Shire.
- 8.4 The Heritage Act protects sites and areas of significance to Aboriginal persons. The Minister's consent is required where any use of land is likely to result in the excavation of or damage to an Aboriginal site or any object on or under that site.
- 8.5 In addition, the Commonwealth Aboriginal and Torres Strait Islander Heritage Protection Act 1984 and the Aboriginal Cultural Heritage Act 2003 (Qld) also affords some protection to Aboriginal sites.
- 8.6 These Acts apply to all of the Tenements and are aimed at the preservation and protection from desecration of significant Aboriginal areas and significant Aboriginal objects or artifacts. An area or object is found to be desecrated if it is used or treated in a manner inconsistent with Aboriginal tradition.
- 8.7 Under the Aboriginal Cultural Heritage Act 2003 (Qld), a cultural heritage management plan may be required if items of indigenous cultural heritage are located on the land which is the subject of the Tenements.

9 DISCLOSURE OF INTEREST

MacGillivrays will be paid normal and usual professional fees for the preparation of this Report and related matters.

Yours faithfully
MacGillivrays
Solicitors



Schedule A

The Tenements

Tenement interests as at 1st May 2004.

Granted Tenements

ML Number

70004 Nardoo
 70005 Nardoo
 70006 Nardoo
 70029 Nardoo
 2181 Subera
 1841
 2123 Subera
 70144 Rubyvale
 70132 Rubyvale
 2077 Rubyvale

Tenement Applications

MLA Number

70245 Nardoo
 70246 Nardoo
 70247 Nardoo
 70248 The Common
 70249 The Common
 70250 The Common
 70251 The Common
 70272 The Common
 70273 The Common
 70274 The Common
 70275 The Common*

70276 The Common*

70277 The Common*

70278 The Common*

70279 The Common*

70280 The Common*

70281 The Common*

70282 The Common*

70283 The Common*

70284 The Common*

70172 The Common
 70173 The Common
 70174 The Common

The ML's identified with an asterisk are areas 'ready to be granted' according to correspondence received on the 23-25th of March 2004, from the Queensland Government, Department of Natural Resources & Mines. We are advised that AMO decided not to proceed to grant until it was ready to exploit the resultant tenements.

Schedule B

Tenement overview

1. Queensland Tenements
1.1 Leases

Number	Principal Holder	Grant Date	Expiry Date	Term (years)	Area (Blocks)	Rent Status	Encumbrances	Purpose of Grant	Notes
ML70004	AMO	11 Aug 1994	31 Aug 2004 – Renewal Lodged	10 years	130 Ha	No arrears.	Nil	Gold Corundum Diamond Sapphire Zircon	Renewal lodged 7 Oct 2003.
ML70005	AMO	11 Aug 1994	31 Aug 2004 – Renewal Lodged	10 years	130 Ha	No arrears	Nil	Gold Corundum Diamond Sapphire Zircon	Renewal lodged 7 Oct 2003.
ML70006	AMO	11 Aug 1994	31 Aug 2004 – Renewal Lodged	10 years	130 Ha	No arrears	Nil	Gold Corundum Diamond Sapphire Zircon	Renewal lodged 7 Oct 2003.
ML70029	AMO	11 Aug 1994	31 Aug 2004 – Renewal Lodged	10 years	210,6796 Ha	No arrears	Nil	Gold Corundum Diamond Sapphire Zircon	Renewal lodged 1 Oct 2003
ML2187	QSM	8 Feb 1990	28 Feb 2034	10-3+1 years	15.14 Ha	No arrears	Nil	Sapphire	EXPIRED – Holder has an obligation to rehabilitate the site.
ML1811	QSM	18 Feb 1992	28 Feb 2036	5+21 years	3,317 Ha	No arrears	Nil	Treatment Plant/Mel Site Workshop/Washery/Storage	
ML2123	QSM	15 Mar 1990	11 Mar 2034	10+3+1 years	11.16 Ha	No arrears	Nil	Sapphire	EXPIRED – Holder has an obligation to rehabilitate the site.
ML70144	QSM	30 Aug 2001	31 Aug 2011	10 years	2 Ha	No arrears	Nil	Gold Sapphire Zircon	
ML70132	QSM	30 Aug 2001	31 Aug 2011	10 years	0.43 Ha	No arrears.	Nil	Gold Sapphire Zircon	
ML2077	QSM	30 Nov 1988	30 Nov 2034	10+5 years	7,947 Ha	No arrears	Nil	Sapphire Zircon	

Solicitor's Report
1.2 Applications

Number	Principal Holder	Application Date	Expiry Date	Area	Status of application	Outstanding issues	Encumbrances	Proposed Purpose of Grant	Notes
MLA70245	AMC	1 Nov 2000	N/A 5 year term sought	1137.4305 Ha	Application	The Environmental Authority Application must be lodged. Public Notice provisions in 202A Mineral Resources Act must be complied with.	Nil	Gold Diamond Sapphire Zircon	Compensation agreement to be finalised with background tenement holder
MLA70246	AMC	1 Nov 2000	N/A 5 year term sought	318.0338 Ha	Application	As per MLA70245.	Nil	Gold Diamond Sapphire Zircon	Compensation agreement to be finalised with background tenement holder
MLA70247	AMC	1 Nov 2000	N/A 5 year term sought	123.5533 Ha	Application	As per MLA70245	Nil	Gold Diamond Sapphire Zircon	Compensation agreement to be finalised with background tenement holder
MLA70248	AMC	2 Nov 2000	N/A 5 year term sought	17.934 Ha	Application	As per MLA70245	Nil	Gold Diamond Sapphire Zircon	Application approved by Mining Registrar 14 Nov 2001
MLA70249	AMC	2 Nov 2000	N/A 5 year term sought	17.934 Ha	Application	As per MLA70245	Nil	Gold Diamond Sapphire Zircon	Application approved by Mining Registrar 14 Nov 2001
MLA70250	AMC	2 Nov 2000	N/A 5 year term sought	17.934 Ha	Application	As per MLA70245	Nil	Gold Diamond Sapphire Zircon	Application approved by Mining Registrar 14 Nov 2001
MLA70251	AMC	2 Nov 2000	N/A 5 year term sought	13.385 Ha	Application	As per MLA70245	Nil	Gold Diamond Sapphire Zircon	Application approved by Mining Registrar 14 Nov 2001

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Number	Principal Holder	Application Date	Expiry Date	Area	Status of application	Outstanding issues	Encumbrances	Proposed Purpose of Grant	Notes
MLA70272	AMO	3 Sept 2001	N/A 10 year term sought	11 5687 Ha	Application	Deed of Miner must be finalised and Native Title compensation payments and inspection fees paid. Advertising and public notification is then followed by a hearing and recommendation by the Land and Resources Tribunal. A final survey is then carried out.	Nil	Gold Diamond Sapphire Zircon	Application approved by Mining Registrar 14 Nov 2001 subject to the outstanding issues described as such.
MLA70273	AMO	3 Sept 2001	N/A 10 year term sought	20 Ha	Application	As per MLA70272.	Nil	Gold Diamond Sapphire Zircon	Application approved by Mining Registrar 14 Nov 2001 subject to the outstanding issues described as such.
MLA70274	AMO	3 Sept 2001	N/A 10 year term sought	20 ha	Application	As per ML 470272	Nil	Gold Diamond Sapphire Zircon	Application approved by Mining Registrar 14 Nov 2001 subject to the outstanding issues described as such.
MLA70275	AMO	3 Sept 2001	N/A 10 year term sought	19 9986 Ha	Application	As per ML 470272	Nil	Gold Diamond Sapphire Zircon	Application approved by Mining Registrar 14 Nov 2001 subject to the outstanding issues described as such.
MLA70276	AMO	3 Sept 2001	N/A 10 year term sought	19 9986 Ha	Application	As per MLA70272.	Nil	Gold Diamond Sapphire Zircon	Application approved by Mining Registrar 14 Nov 2001 subject to the outstanding issues described as such.

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Number	Principal Holder	Application Date	Expiry Date	Area	Status of application	Outstanding issues	Encumbrances	Proposed Purpose of Grant	Notes
MLA70277	AMO	3 Sept 2001	N/A 10 year term sought	17.7535 Ha	Application	As per MLA70272	Nil	Gold Diamond Sapphire Zircon	Application approved by Mining Registrar 14 Nov 2001 subject to the outstanding issues described as such
MLA70278	AMO	3 Sept 2001	N/A 10 year term sought	19.3931 Ha	Application	As per MLA70272	Nil	Gold Diamond Sapphire Zircon	Application approved by Mining Registrar 14 Nov 2001 subject to the outstanding issues described as such
MLA70279	AMO	3 Sept 2001	N/A 10 year term sought	19.9829 Ha	Application	As per MLA70272	Nil	Gold Diamond Sapphire Zircon	Application approved by Mining Registrar 14 Nov 2001 subject to the outstanding issues described as such
MLA70280	AMO	3 Sept 2001	N/A 10 year term sought	20 Ha	Application	As per MLA70272	Nil	Gold Diamond Sapphire Zircon	Application approved by Mining Registrar 14 Nov 2001 subject to the outstanding issues described as such
MLA70281	AMO	3 Sept 2001	N/A 10 year term sought	20 Ha	Application	As per MLA70272	Nil	Gold Diamond Sapphire Zircon	Application approved by Mining Registrar 14 Nov 2001 subject to the outstanding issues described as such
MLA70282	AMO	3 Sept 2001	N/A 10 year term sought	20 Ha	Application	As per MLA70272	Nil	Gold Diamond Sapphire Zircon	Application approved by Mining Registrar 14 Nov 2001 subject to the outstanding issues described as such

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Solicitor's Report

Number	Principal Holder	Application Date	Expiry Date	Area	Status of application	Outstanding Issues	Encumbrances	Proposed Purpose of Grant	Notes
MLA70265	AMO	3 Sept 2001	N/A 10 year term sought	20 Ha	Application	As per MLA70272	Nil	Gold Diamond Sapphire Zircon	Application approved by Mining Registrar 14 Nov 2001 subject to the outstanding issues described as such.
MLA70264	AMO	3 Sept 2001	N/A 10 year term sought	17,853.0 Ha	Application	As per MLA70272	Nil	Gold Emerald Sapphire Zircon	Application approved by Mining Registrar 14 Nov 2001 subject to the outstanding issues described as such.
MLA70172	OSM	3 Feb 1999	N/A 10 year term sought	14,313.9 Ha	Application	<ul style="list-style-type: none"> final survey completion, lodgement of Deed by Miner. payment of relevant Native Title compensation payments and inspection fees. 	Nil	Gold Diamond Sapphire Zircon	Application approved by Mining Registrar 3 Feb 1999.
MLA70173	OSM	3 Feb 1999	N/A 10 year term sought	15,104.0 Ha	Application	As per MLA70172.	Nil	Gold Diamond Sapphire Zircon	Application approved by Mining Registrar 3 Feb 1999.
MLA70174	OSM	3 Feb 1999	N/A 10 year term sought	13,607.2 Ha	Application	As per MLA70172.	Nil	Gold Diamond Sapphire Zircon	Application approved by Mining Registrar 3 Feb 1999.



SECTION 8
FINANCIAL
INFORMATION

8 FINANCIAL INFORMATION

8.1 BASIS OF PREPARATION AND PRESENTATION

This Section contains a summary of the historical and forecast financial information, which comprises:

- the summary pro forma historical Statements of Financial Performance for the years ended 30 June 2003 and 30 June 2004 of the Company's operating subsidiary, JMO, as set out in Section 8.2. These pro forma historical Statements of Financial Performance were derived from the financial statements of JMO which were audited by RSM Bird Cameron Partners;
- the consolidated Statement of Financial Performance of the Company and its controlled entities ("economic entity") for period ended 30 June 2004, as set out in Section 8.2, which was audited by RSM Bird Cameron Partners;
- the forecast consolidated Statement of Financial Performance of the Company and its controlled entities for the year ending 30 June 2005 as set out in Section 8.2 ("Financial Forecast Information"). The Forecast Financial Information has been reported on by RSM Bird Cameron Corporate Pty Ltd in Section 9; and
- the pro forma consolidated Statement of Financial Position of the Company and its controlled entities as at 30 June 2004 as set out in Section 8.4, which was derived from the audited consolidated Statement of Financial position as at 30 June 2004 and adjusted for the transactions set out in Note 9 of Section 8.4. This has been reviewed and reported on by RSM Bird Cameron Corporate Pty Ltd, as Investigating Accountant, in Section 9.

The Forecast Financial Information and the best estimate assumptions on which it is based are by their very nature subject to significant uncertainties and contingencies and to a number of business, economic and competitive risks, many of which are outside the control of the Company and the Directors and are not reliably predictable (refer Risk factors in Section 5). Accordingly, neither the Company nor its Directors can give any assurance that the forecast performance in the Forecast Financial Information or any prospective statement contained in this Prospectus will be achieved. Events and outcomes might differ in quantum and timing from the assumptions, with a material consequential impact on the Forecast Financial Information.

The Forecast Financial Information should be read together with the best estimate assumptions underlying its preparation set out in Section 8.3, the sensitivity analysis set out in Section 8.6, the Independent Review of Forecast Financial Information set out in Section 9, the Risk factors set out in Section 5 and other information contained in this Prospectus.

The Company was formed on 6 April 2004 and does not have prior financial information. For completeness the historic Statements of Financial Performance for the years ended 30 June 2003 and 30 June 2004 of JMO have been included in this Prospectus. However, they are considered of limited value to investors for the following reasons:

- this historic information is for the Company's subsidiary, JMO, which operated as a private stand alone company;
- JMO's activities were constrained during the past two financial years principally due to delays in the granting of approval of mining tenements. Operating expenses incurred during that period were in relation to care and maintenance of equipment and the internal and external costs of securing access to the mining tenements; and
- marketing of sapphires and the costs relating to that activity was conducted by other entities controlled by the shareholders of JMO, and therefore the costs were not included in the JMO financial statements.

8.2 STATEMENTS OF FINANCIAL PERFORMANCE

Set out in the table below are summarised Statements of Financial Performance, consisting of:

- the pro forma, reviewed Statements of Financial Performance of JMO for the financial years ended 30 June 2003 and 2004. Details of adjustments between the actual audited financial statements and the proforma statements are noted below.
- the audited consolidated Statement of Financial Performance of the Company and its controlled entities for the Financial year ended 30 June 2004; and
- the reviewed forecast consolidated Statement of Financial Performance for the Company and its controlled entities the Financial year ended 30 June 2005.

	JMO Pro-forma Reviewed Year Ended 30 June 03	JMO Pro-Forma Reviewed Year Ended 30 June 04	Economic Entity Actual Audited 3 months Ended 30 June 04	Economic Entity Forecast Reviewed Year Ending 30 June 05
Sales Revenue	\$6,900	-	-	\$9,074,806
Cost of Sales	(\$232,153)	(\$221,583)	(\$97,715)	(\$3,783,918)
Gross Profit	(\$225,253)	(\$221,583)	\$0	\$5,290,888
Distribution & marketing expenses	(\$20,063)	(\$4,014)	-	(\$641,614)
Administrative expenses	(\$530,937)	(\$428,895)	(\$247,426)	(\$1,114,765)
Borrowing Expense (net)	(\$22,861)	(\$280,183)	(\$39,897)	(\$134,490)
Profit from ordinary activities before income tax	(\$799,114)	(\$934,675)	(\$385,038)	\$3,400,019
Income tax expense relating to ordinary activities	-	-	-	(\$911,066)
Profit from ordinary activities after related income tax expense	(\$799,114)	(\$934,675)	(\$385,038)	\$2,488,953

The pro-forma Statements of Financial Position of JMO, summarised in the table above, for the years ended 2003 and 2004 have been adjusted from the audited statements so as to present the results on a consistent basis with the future business activities of the Company. The adjustments between the audited and pro-forma results were:

- the elimination of rental income of \$170,073 from equipment hire in the year ended 30 June 2004; and
- the adding back of a provision against the investment of \$875,000 in JMO's 51% subsidiary, QSM, in the year ended 30 June 2003.

8.3 FORECAST ASSUMPTIONS

The forecast Statement of Financial Performance contained in Section 8.2 has been based on various best estimate assumptions. The key assumptions are set out below.

This information is provided to assist investors in assessing the reasonableness and likelihood of the forecast results occurring and are not intended to be a representation that the forecast results will occur. Investors should be aware that the timing of actual events and the magnitude of their impact might differ from those assumed in preparing the forecast results, and this may have a positive or negative impact on the Company's financial performance.

The assumptions used in preparing the financial forecasts relate to future events or management actions which are expected to occur in the forecast period.



8 FINANCIAL INFORMATION

General Assumptions

- a) No significant changes in prevailing economic conditions and the rate of economic growth in Australia and internationally.
- b) No changes of a material nature to the Company's accounting policies or to Australian Accounting Standards, Statements of Accounting Concepts or other mandatory professional reporting requirements. The Company will adopt the International Accounting Standards ("IAS") with respect to the financial year ending 30 June 2006 and at that time will show financial year ending 30 June 2005 comparative numbers under IAS (refer Section 8.8 below).
- c) No significant changes to relevant federal or state government legislation.

Specific Assumptions

- a) The Offer is fully subscribed for \$3,500,000 and the funds are raised by 31 December 2004.
- b) The net funds raised from the sale of shares are partially applied to a reduction in creditors and loans outstanding. Remaining funds are held for working capital as part of the start up phase of the company during its first year of operations (refer Section 8.5 below).
- c) The Company holds appropriate insurance arrangements to mitigate operational risks during the forecast period.
- d) No share issues will be made during the forecast period.
- e) No acquisitions will be made during the forecast period.
- f) The Company's forecast revenues are primarily influenced by the wholesale price of sapphires expressed in terms of Australian dollars per gram and the volume of sales achieved. Based on the Company's evaluation of historic industry sales in key markets and likely future trends, the expected volume of sales and the average selling price, in Australian dollars, is shown in the table below.

Starting date of mining establishment and operations	15 November 2004
Sapphires Produced	2,454,816 Grams
Sapphire Sold	2,014,502 Grams
Average selling price	\$4.50 \$/gram

- g) The majority of the Company's business will be conducted on "cash on delivery" basis. The production to cash conversion cycle is forecast at a relatively short period of a maximum of 30 days, leading to a low level of debtors.
- h) All production is expected to be sold shortly after extraction and sorting, however it has been assumed that stock levels will be 18.1% of annual production costs.
- i) Costs for the removal of overburden and wash extraction are expensed as incurred, other than the initial costs of mine establishment (refer item m) below). Land rectification is conducted as each segment area is completed and expensed as incurred, together with any provisions necessary for rectification work to be conducted at the end of the exploitation of a particular mining lease.
- j) Direct costs of production have been prepared by management and reviewed by Behre Dolbear Australia Pty Limited, and their report is included in Section 8. Direct costs of production during the forecast period are forecast at \$3.7 million or approximately \$1.57 per gram (including amortisation of development expenditure).
- k) Marketing costs, relating to the maintaining of offices in Hong Kong and Thailand are forecast at \$641,000. Management overheads are forecast at \$1.1 million.
- l) Payment of \$338,181 in legal fees owing to Tzovaras Legal has been included in the forecast period to 30 June 2005.
- m) All items of property, plant and equipment are depreciated over their estimated useful lives. Mine development expenditure, consisting of the cost of securing access to the reserves, revaluation to fair value and other capital costs incurred are capitalized and amortised over the reserve life on a units of production output basis. Capital expenditure for mine establishment of \$919,000 has been capitalised,

- partially as plant & equipment \$418,000 and the balance of \$501,000 as mine development expenditure.
- n) Exploration costs of \$300,000 during the forecast period are capitalised until the resource on a particular area is established. Exploration expenditure of \$600,000 per annum is forecast to occur from 1 July 2005.
- o) Income tax is calculated using the current Australian tax rate of 30%. Cumulative tax losses of JMO to 30 June 2004 of approximately \$1.7 million have been utilised for the purposes of preparing the forecast.

8.4 STATEMENT OF FINANCIAL POSITION

Set out in the table below are summarised Statements of Financial Position and related notes, consisting of:

- the audited Statement of Financial Position of the Company and its controlled entities as at 30 June 2004; and
- the pro forma Statement of Financial Position of Australis and its controlled entities as at 30 June 2004. Details of the adjustments between the audited and the pro forma Statements of Financial Position as at 30 June 2004 are set out in Note 9. No adjustment has been made in the pro forma Statement of Financial Position for the impact of activities subsequent to 30 June 2004, other than specifically noted.

	Notes	Economic Entity Actual Audited As at 30 June 04	Economic Entity Proforma Reviewed As at 30 June 04
CURRENT ASSETS			
Cash assets	2	\$323,250	\$1,711,834
Receivables		\$456	\$456
Other		\$118,662	
TOTAL CURRENT ASSETS		\$442,368	\$1,712,290
NON-CURRENT ASSETS			
Property, plant & equipment	3	\$3,532,165	\$3,821,507
Development expenditure	4	\$11,958,779	\$11,958,779
TOTAL NON-CURRENT ASSETS		\$15,490,944	\$15,780,286
TOTAL ASSETS		\$15,933,312	\$17,492,576
CURRENT LIABILITIES			
Bank overdraft		\$1,601	\$0
Payables	5	\$1,558,226	\$582,573
Interest bearing liabilities	6	\$701,776	\$0
TOTAL CURRENT LIABILITIES		\$2,261,603	\$582,573
NON-CURRENT LIABILITIES			
Payables	5	\$2,761,747	\$2,761,747
TOTAL NON-CURRENT LIABILITIES		\$2,761,747	\$2,761,747
TOTAL LIABILITIES		\$5,023,350	\$3,344,320
NET ASSETS		\$10,909,962	\$14,148,256
EQUITY			
Contributed equity	7	\$11,295,000	\$15,328,103
Retained profits	8	(\$385,038)	(\$1,179,847)
TOTAL EQUITY		\$10,909,962	\$14,148,256

The above Statements of Financial Position should be read in conjunction with the accompanying notes.

8 FINANCIAL INFORMATION

Notes to and forming part of the Financial Statements
as at 30 June 2004.

Note 1: Summary of Significant Accounting Policies

a. Basis of Accounting

The audited Statements of Financial Performance and Financial Position have been prepared in accordance with applicable accounting standards, Corporations Act and mandatory professional reporting requirements and we have made such disclosures as considered necessary. They have also been prepared on the basis of historic cost and do not take into account changing money values. The accounting policies have been consistently applied, unless otherwise stated.

b. Principles of consolidation

A controlled entity is any entity controlled by Australis Mining Corporation Limited. Control exists where Australis Mining Corporation Limited has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with Australis Mining Corporation Limited to achieve the objectives of Australis Mining Corporation Limited. Details of the controlled entities are contained in Note 8.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation. Where a controlled entity has entered or left the economic entity during the year its operating results have been included from the date control was obtained or until the date control ceased.

c. Income Tax

The company adopts the liability method of tax effect accounting whereby the income tax expense is based on the operating profit adjusted for any permanent differences.

Timing differences, which arise due to the different accounting periods in which items of revenue and expense are included in the determination of accounting profit and taxable income, are brought to account as either a provision for deferred income tax or as a future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realization of the asset is assured beyond any reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realization of the benefit. The amount of benefits brought to account or which may be realized in the future is based on the assumption that no adverse change will occur in income taxation legislation, and the anticipation that the company will derive sufficient future assessable income to enable the benefit to be realized and comply with the conditions of deductibility imposed by the law.

d. Accounts Payable

Accounts payable represent the principal amounts outstanding at balance date, plus where applicable, any accrued interest.

e. Recoverable amount of non-current assets

The carrying amount of non-current assets are reviewed annually by Directors to ensure they are not in excess of the recoverable amounts from those assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employed and subsequent disposal.

f. Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation.

Property

Freehold land and buildings are measured on the fair value basis, being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction. It is the policy of the economic entity to have an independent valuation every three years, with annual appraisals being made by the directors.

Plant and equipment and mining lease

Plant and equipment and mining lease are measured on the fair value basis, except for office equipment which is measured on the cost basis.

The carrying amount of plant and equipment and mining lease is reviewed annually by directors to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to present values in determining the recoverable amount based on the prevailing industry weighted cost of capital. An annual appraisal of the fair value will be made by the directors.

Revaluation

Increments arising from the valuation of non-current assets have been taken to Asset Revaluation Reserve. Decrements have been offset against previous increments relating to the same class of assets and the balance taken to the Statement of Financial Performance.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, are depreciated on a straight line basis over their useful lives to the company commencing from the time the asset is held ready for use. Properties held for investment purposes are not subject to a depreciation charge. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable asset are:

Class of fixed asset	Depreciation rate
Buildings	25%
Plant and equipment	15% - 40%
Mining lease	20%

g. Exploration, evaluation and development expenditure

Exploration, evaluation and development expenditure, including costs of acquisition in relation to separate areas of interest for which rights of tenure are current, are brought to account in the year in which they are incurred and are carried at cost or valuation.

Exploration and development expenditure will be carried forward as an asset in the Statement of Financial Position where:

- it is expected that the expenditure will be recovered through the successful development and exploitation of an area of interest or by its sale; or
- exploration activities are continuing in an area and activities have not reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves.

Where an area or project of interest has been abandoned, the expenditure incurred thereon is written off in the year in which the decision is made.

Where a decision has been made to proceed with development, accumulated expenditure is amortised over the life of the associated resource once mining operations commence.

8 FINANCIAL INFORMATION

	Economic Entity Audited Period ended 30 June 2004	Economic Entity Proforma Period ended 30 June 2004
Note 2: Cash		
Balance 30 June	\$323,250	\$323,250
<i>Pre-IPO transactions</i>		
Shares issued	-	\$1,275,000
Repayment of JMO shareholder loan	-	(\$101,150)
Settlement of asset acquisition from QSM	-	(\$205,000)
Repayment of overdraft	-	(\$1,601)
IPO expenses paid	-	(\$78,235)
Operating expenses	-	(\$754,308)
Capital expenditure	-	(\$289,342)
<i>IPO transactions</i>		
New Shares issued	-	\$3,500,000
Payment of JMO creditors	-	(\$469,505)
Repayment of JMO shareholder loan	-	(\$200,000)
Repayment of interest bearing loans	-	(\$742,275)
Payment of outstanding IPO expenses (refer Section 12.9)	-	(\$545,000)
	\$323,250	\$1,711,834

Note 3: Property, Plant & Equipment

Land & buildings		
- at cost	\$238,400	\$238,400
Less accumulated depreciation	(\$5,749)	(\$5,749)
Total land & buildings	\$232,651	\$232,651

Land & buildings held by the economic entity are utilised as part of the mining operations located at Emerald, Queensland. The properties were valued by an independent valuer in January 2002. The directors have adopted this valuation as being consistent with the current fair market value and their cost of acquisition.

Plant & equipment		
- independent valuation 2004	\$904,203	\$904,203
- at cost	\$2,574,725	\$2,574,725
- at cost - pre-IPO acquisitions	-	\$289,342
Less accumulated depreciation	(\$179,414)	(\$179,414)
	\$3,299,514	\$3,588,856

The carrying value of plant & equipment has been revalued based on a valuation prepared by an independent valuer dated 22 July 2004, being a company engaged in the manufacture and sale of similar processing equipment as that used by JMO, and experienced in the equipment used by JMO.

Total Property Plant & Equipment	\$3,532,165	\$3,821,507
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	Economic Entity Audited Period ended 30 June 2004	Economic Entity Proforma Period ended 30 June 2004
Note 4: Development Expenditure		
- directors valuation 2004	\$11,746,439	\$11,746,439
- at cost	\$212,340	\$212,340
	\$11,958,779	\$11,958,779

The carrying value of development expenditure has been revalued based on a detailed forecast and valuation model prepared by the Company. In formulating the forecast and valuation model supporting information or reviews were provided by:

- the information contained in the Independent Geologist Report prepared by BR Senior & Associates Pty Limited contained in Section 6;
- the conclusions of a further report prepared by BR Senior & Associates Pty Limited in this section dated 20 August 2004 that reviewed historic selling prices; and
- a review of the proposed mining and operation and costs estimates by Behre Dolbear Australia, provided in a report dated 20 August 2004.

Note 5: Payables

Trade creditors & accruals	\$807,282	\$132,777
JMO shareholder loan (1)	\$3,062,897	\$2,761,747
Due to director (2)	\$111,615	\$111,615
Due to director related entity (3)	\$338,181	\$338,181
Total	\$4,319,975	\$3,344,320

Shown as:

Current	\$1,558,228	\$582,573
Non-current	\$2,761,747	\$2,761,747
	\$4,319,975	\$3,344,320

Movement in payables consists of:

Balance 30 June	\$4,319,975	\$4,319,975
<i>Pre-IPO transactions</i>		
Settlement of asset acquisition from QSM	-	(\$205,000)
Repayment of JMO shareholder loan from pre-IPO funds	-	(\$101,150)
<i>IPO transactions</i>		
Payment of accounts payable	-	(\$469,505)
Repayment of JMO shareholder loan from IPO funds	-	(\$200,000)
	\$4,319,975	\$3,344,320

- (1) The loan is unsecured and interest is payable monthly based on bank lending rates, currently 8.75%, from 1 month after listing on the outstanding balance. Since 30 June 2004 an amount of \$101,150 has been repaid. A further \$200,000 is due upon the proposed listing of the Company in accordance with a Deed of Acknowledgment (see Section 11) if an amount of \$3.5 million is raised. The balance owing is repayable within 3 years of listing. The loan was incurred by a controlled entity.
- (2) Unpaid wages and expenses owed to Mr Anthony Damianos by a controlled entity. The amount will be paid from the operating cash flows of the Company.
- (3) Legal fees are payable to Tzovaras Legal for work completed for a controlled entity prior to its acquisition.

8 FINANCIAL INFORMATION

	Economic Entity Audited Period ended 30 June 2004	Economic Entity Proforma Period ended 30 June 2004
Note 6: Interest Bearing Liabilities		
Secured loans	\$701,776	-
Movement in interest bearing liabilities consists of:		
Balance 30 June	\$701,776	\$701,776
Capitalised interest	-	\$40,499
Repayment of loan	-	(\$742,275)
	\$701,776	-

The loan is secured by a registered first mortgage over the free hold properties held by related parties, a fixed and floating charge over a controlled entity's assets and guarantees by related parties. Interest is charged at 12% pa. The loan is repayable in full 3 months after the Company becomes listed on the ASX.

The carrying amounts of non-current assets pledged as security:

First mortgage		
Freehold land and buildings	\$232,651	-
Floating charge	\$15,258,293	-
Total assets pledged as security	\$15,490,944	-

Note 7: Contributed Equity

	# of shares	# of shares
a) Ordinary fully paid shares - number of shares issued		
At the beginning of the reporting period	-	-
50,000,000 for acquisition of shares in JMO	50,000,000	50,000,000
12,950,000 shares issued @ 10 cents each	12,950,000	12,950,000
12,750,000 shares issued @ 10 cents each	-	12,750,000
17,500,000 IPO shares @ 20 cents each	-	17,500,000
	62,950,000	93,200,000

b) Ordinary fully paid shares - value of shares issued		
At the beginning of the reporting period	-	-
50,000,000 for acquisition of shares in JMO	\$10,000,000	\$10,000,000
12,950,000 shares issued @ 10 cents each	\$1,295,000	\$1,295,000
12,750,000 pre-IPO shares @ 10 cents each	-	\$1,275,000
17,500,000 IPO shares @ 20 cents each	-	\$3,500,000
	\$11,295,000	\$16,070,000

Less issue costs (refer section 12.9)	-	(\$741,897)
	\$11,295,000	\$15,328,103

	# of options	# of options
c) Options		
Options on issue at 30/6/04	12,950,000	12,950,000
25,700,000 exercisable at 20 cents issued with pre-IPO shares, expiry 31/12/06	-	12,750,000
8,750,000 exercisable at 20 cents issued with IPO shares, expiry 31/12/06	-	8,750,000
	12,950,000	34,450,000

	Economic Entity Audited Period ended 30 June 2004	Economic Entity Proforma Period ended 30 June 2004
Note 8: Accumulated Losses		
Movements in accumulated losses consist of:		
Balance 30 June 2004	(\$385,038)	(\$385,038)
Operating costs	-	(\$754,308)
Interest on debt capitalised	-	(\$40,501)
	(\$385,038)	(\$1,179,847)

Note 9: Pro Forma Transactions

The pro-forma Statement of Financial Position has been prepared as at 30 June 2004 and reflects the following adjustments. Certain pre-IPO adjustments have been included so as IPO transactions can be properly reflected.

Pre-IPO transactions

- a. The issue of 12,750,000 ordinary fully paid shares at 10 cents pre-IPO to raise \$1,275,000.
- b. Repayment of the JMO shareholder loan of \$101,150.
- c. Settlement of asset acquisition from QSM by payment of \$205,000.
- d. IPO expenses paid pre-IPO of \$78,235 written off against share capital.
- e. Expenses of share issue of \$118,662 accounted for as a prepayment at 30 June 2004 have been written off against share capital.
- f. Operating expenses incurred of \$754,308, plus interest capitalised by the lender of the RESI loan of \$40,501, totalling \$794,809.
- g. Capital expenditure of \$289,342.

IPO transactions

- h. The issue of 17,500,000 ordinary fully paid shares at 20 cents each pursuant to the Prospectus to raise \$3,500,000.
- i. The payment of outstanding expenses of the public issue totalling an estimated \$545,000 written off against share capital.
- j. Repayment of the JMO shareholder loan of \$200,000.
- k. Payment of JMO creditors of \$469,505.
- l. Repayment of interest bearing loans of \$742,275.

Note 10: Contingent Liabilities

Bank guarantees issued by a bank secured over assets of Junior Mining (Operations) Pty Ltd. The guarantees were issued to the Queensland Department of Mines to secure rectification work required on leases held by the economic entity.

\$54,180

\$54,180

Bank guarantees not yet issued for mining activities in respect of the Nardoo leases are estimated to be \$28,000.

8 FINANCIAL INFORMATION

8.5 APPLICATION OF FUNDS

Capital raised under the Offer will be utilized as follows (note: some amounts have been rounded to the nearest thousand dollars):

	Refer Note	\$3.5m raised Amount	\$6m raised Amount
Net funds raised			
Gross funds raised	9h	\$3,500,000	6,000,000
Less Issue costs (refer section 12.9)	9i	(\$545,000)	(685,000)
		\$2,955,000	\$5,315,000
Intended Use of Funds			
Working capital		\$324,000	\$2,684,000
Payment of JMO Guaranteed			
Related Party Loan	9j	\$200,000	\$200,000
Payment of JMO Trade Debts	9k	\$470,000	\$470,000
Payment of JMO Guaranteed Third			
Party Loans	9l	\$742,000	\$742,000
Exploration budget (1)		\$300,000	\$300,000
Capital expenditure (1)		\$919,000	\$919,000
		\$2,955,000	\$5,315,000

Note:

- (1) The exploration and capital expenditure costs are excluded from pro-forma transactions, but are included in the forecast period to 30 June 2005.

8.6 SENSITIVITY ANALYSIS

Set out in the table below is a summary of the sensitivity of the forecast EBITDA for the financial year ending 30 June 2005 to changes in a number of key variables. The changes in the key variables set out in the sensitivity analysis are not the only changes that may be experienced in the forecast period.

The Company has calculated the impact of changes in each of the variables in isolation from changes in other variables over the forecast period. However, in practice, changes in variables may offset each other or may be cumulative, and it is likely that the Company would respond to any adverse changes in one variable by taking action to minimize the net effect on the Company's earnings.

The range of sensitivities presented is not an indication of what is expected to occur, but the measurement of the effects of the movement in one variable.

Variable	Change	Dollar change to EBITDA
Start up time (1)	+ 2 month	- \$1,012,794
Average selling price (2)	+/-10%	+/- \$906,526
Sapphires sold (3)	+/-10%	+/- \$906,526
Cost of sapphire production (4)	+/-10%	+/- \$251,625

Notes:

- (1) If a delay occurs it is assumed that start of operations would occur in January 2005.
(2) Assuming that all other variables are held constant other than the selling prices of sapphires sold.
(3) Assuming that all other variables are held constant other than the amount of sapphires sold.
(4) Assuming that all other variables are held constant other than the direct costs of producing the sapphires sold.

8.7 DISTRIBUTION POLICY

It is the Directors' intention to declare after tax profits dividends on a six-monthly basis, but subject to consideration of the Company's cash flow and capital requirements at the relevant time. However, the Directors can give no assurance as to the likelihood, extent, timing or payment of dividends in the future, as the Company's capacity to pay a dividend will be dependant on a number of factors which include exploration success, future earnings, capital and exploration expenditure requirements and its financial position from time to time. The Directors only intend to pay dividends when the Company is sufficiently profitable and also provided that it has sufficient cash reserves to meet its commitments at the time.

8.8 INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Financial Reporting Council has announced that Australia will adopt International Financial Reporting Standards ("IFRS") as the reporting and accounting framework from 1 January 2005.

The first year that IFRS will apply to the Company will be the year ending 30 June 2006.

All financial information disclosed in this Prospectus has been prepared in accordance with generally accepted accounting principles in Australia (Australian GAAP).

The differences between Australian GAAP and IFRS identified by management to date as potentially having an impact on the financial position and financial performance of the Company are summarised below. The summary should not be taken as an exhaustive list of all the differences between Australian GAAP and IFRS.

The Company has not precisely quantified the effects of IFRS, however, management believes the key potential implications of the conversion are:

1. Share based payments: the Company will be required to determine the fair value of future options or other equity based compensation issued to employees and recognise this as an expense in the Statement of Financial Performance.
2. Income taxes: the Company will be required to use a balance sheet approach, rather than an income statement approach. This method focuses on the tax-effects of transactions or other events that affect amounts recognised in the Statement of Financial Position.
3. Exploration expenditure: currently an accounting standard has yet to be issued which deals with the treatment of exploration and evaluation expenditure under IFRS. Given this state of affairs, there is uncertainty as to whether exploration and evaluation expenditure will continue to be able to be carried forward as a deferred asset in the future.
4. Impairment testing: the introduction of detailed new rules regarding impairment testing may impact on the ongoing carrying value of certain assets.



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2008/08/20

AHN 02008 711 714

20 August 2004

The Board of Directors
Australis Mining Corporation Limited
Level 26, AMP Building
50 Bridge Street
SYDNEY NSW 2000

Dear Sirs,

INDEPENDENT TECHNICAL REVIEW OF COST ESTIMATE

1.0 INTRODUCTION

Australis Mining Corporation Limited ("Australis") has requested Behre Dolbear Australia Pty Limited ("BDA") to conduct an independent technical review of the proposed mining operation and cost estimates relating to the development of the Nardoo sapphire gemstone mining leases held by Australis and located near the township of Sapphire in Central Queensland. BDA has been requested to review the technical aspects of the proposed mining and processing operations, but the brief excludes any assessment of the resources, which has been undertaken by others.

BDA has not visited the site but is familiar with the type of mining proposed, the equipment to be used and the costs involved in operating such plant and equipment. BDA has not been involved in the preparation of the production schedules or operating cost estimates for Australis.

Australis is proposing to raise \$3.5 million in equity funds through a public issue of 17.5 million shares at 20 cents. The Board of Australis has indicated that the purpose of the raising is to retire debt and to provide working capital to operate the Australis mining operations, to further delineate the sapphire resources and to explore the Australis tenement areas.

This report has been prepared for inclusion in a Prospectus, setting out the project development proposal and the cash flows projected to be generated by the project. The BDA report has been prepared as an independent assessment of the practicality of the proposed technical approach, the suitability of the proposed methodology and the appropriateness of the associated capital and operating cost estimates.

2.0 SCOPE OF WORK - TECHNICAL DUE DILIGENCE

BDA's Scope of Work as defined by Australis comprises a review of the technical proposals and cost estimates and supporting documents. BDA has had meetings and discussions with Australis personnel and access to geological reports and operating plans. The BDA review is confined to the mining and processing plans and estimates prepared by Australis and its consultants and should not be construed as an endorsement of the resource estimates or grades, or an endorsement of the projected market prices or the revenues projected to be generated by the project.

Denver New York Toronto London Guadalajara Santiago Sydney



A U S T R A L I S

MINING CORPORATION LIMITED

3.0 REVIEW AND CONCLUSIONS

Australis has proposed a conventional open cut strip mining operation, using two hydraulic excavators, a 160 tonne (T) unit for waste and a 60t unit for the sapphire wash loading 85t rear-dump trucks. Mining of the wash will take place only during daylight hours, with waste being trucked around the clock to a dump external to the pit until sufficient pit room is available to allow mined-out areas to be backfilled. Once backfilling has commenced, mined areas will be progressively reclaimed, contoured and revegetated behind the mining operation.

It is proposed that the operation will mine sapphire-bearing wash at rates of 400,000-450,000 bank cubic metres (bcm) per year and waste at annual rates of up to 2.2 million bcm, depending on the stripping ratio. Over the projected six-year life of the operation, the strip ratio (waste/wash) averages around 4.4:1, for a total wash processed of 2.3 million bcm. BDA considers that these rates are well within the capacity of the existing fleet of equipment under the proposed operating schedule. Topsoil would be removed by a contractor, using motorised scrapers and would subsequently be replaced over the reclaimed pit areas once the backfilling operation is established.

Sapphire-bearing wash will be transported either to a stockpile or dumped directly into the feed bin at the mobile trommel/jig processing plant, with a front end loader reclaiming front stockpile to feed the plant. It is proposed that the plant will treat wash at annualised rates of 400,000-450,000 bcm per year. Oversize material will be back-loaded to the mined-out pit areas, with fines being confined in a tailings storage facility. Product from the jigs will be transported to a secure sorting facility for separation of the sapphires from the other heavy mineral products. BDA considers that the proposed operation is practical and that the planned production rates are achievable and realistic.

Australis currently owns all the necessary mobile mining equipment, the trommel/jig processing plant and the final separation equipment. Capital costs for the project are therefore relatively modest, and include the relocation and re-establishment of the processing plant, tailings storage facility, initial prestripping operations and other mobilisation costs. The proposed mobile mining equipment is considered appropriate for the planned operation and is common to many mining operations in Australia. It is reported that the processing plant has previously operated successfully and is similar to other units operating in North Queensland in alluvial gold and tin operations. BDA considers that it is appropriate for the purpose.

Operating cost estimates have been prepared from first principles, on the basis of operating consumables (power, fuel, oil, ground-engaging components), maintenance (including servicing and repairs, provisions for replacement/refurbishment of major items), operating and supervisory labour costs, administrative overheads and product marketing and selling costs. BDA considers that the methodology adopted is appropriate and in accordance with good engineering and established industry practice. The estimates are considered appropriately detailed, and are based on prior operating experience and a detailed knowledge of component and consumables costs. The projected costs are within the range of those at comparable operations within Australia. BDA considers that the operating cost estimates can be considered accurate within ±15% based on the stated parameters, but notes that costs could change if, for example, the fuel cost was to increase materially.

4.0 SOURCES OF INFORMATION

The principal reports and documents reviewed are listed below:

- Report of the Independent Consulting Geologist, B. R. Senior, August 2004
- List of Fixed and Mining Machinery Assets, May 2004
- Sapphire Production Cash Forecast, Australis Mining Corporation Limited, June 2004
- Overburden and Wash Isopacs, Proposed Mining Plans, June 2004

5.0 STATEMENT OF CAPABILITY

BDA is the Australian subsidiary of Behre Dolbear & Company Inc. The parent company was founded in 1911 and is the oldest continuously operating mineral industry consulting firm in North America, with offices in Denver, New York, Toronto, London, Vancouver, Guadalajara, Santiago and Sydney. The firm specialises in mineral evaluations, due diligence assessments, independent expert reports and strategic planning as well as technical geological, mining and process consulting.

This review has been undertaken by Mr John McIntyre, Managing Director of BDA. Mr McIntyre has direct operating experience as general manager in surface mining operations for industrial minerals, including alluvial gold mining and kaolin operations. His qualifications, background and experience are summarised below:

Mr John McIntyre (BE (Min) Hon. FAusIMM, MMICA, CPMm) is Managing Director of BDA. He is a qualified mining engineer, with over 40 years experience in engineering, operations and management of mines and mining projects, in Australia, New Zealand, the Philippines and Ghana. His principal fields of expertise include technical audit, project feasibility and development, mine and project evaluation, operating experience in open pit and underground mining of base and precious metals, management review and operations optimisation. He has been a professional consultant for over 10 years.

6.0 STATEMENT OF INDEPENDENCE

Neither the principals nor associates of BDA have any interest in or entitlement to the securities or assets of Australis or any associated companies. BDA will be paid a fee for this report comprising its normal professional rates and reimbursable expenses. The fee is not contingent on the conclusions of this report.

7.0 LIMITATIONS AND CONSENT

This assessment has been based on data, reports and other information made available to BDA by the Directors of Australis. BDA has been advised by Australis that the information is complete and that no material facts have been withheld. A draft copy of this report has been provided to the directors of Australis for comment as to any errors of fact, material omissions or incorrect assumptions.

The opinions stated herein are given in good faith. We believe that the basic assumptions are factual and correct and the interpretations reasonable.

With respect to the BDA report and use thereof by Australis, Australis agrees to indemnify and hold harmless BDA and its shareholders, directors, officers, and associates against any and all losses, claims, damages, liabilities or actions to which they or any of them may become subject under any securities act, statute or common law and will reimburse them on a current basis for any legal or other expenses incurred by them in connection with investigating any claims or defending any actions.

The sole purpose of this BDA report is for use by Australis in connection with the proposed Prospectus and should not be used or relied upon for any other purpose. Neither the whole nor any part of this report nor any reference thereto may be included in or with or attached to any document or used for any other purpose, without our written consent to the form and context in which it appears.

Yours faithfully,
BEHRE DOLBEAR AUSTRALIA PTY LIMITED



John S McIntyre
Managing Director

GEOSCIENCE CONSULTANTS

"Woodside"
303 Shingle Hill Way
Bungendore NSW 2821
AUSTRALIA

Ph: 02 62369272
Fax: 02 62369140

Email: seniorgeo@bigpond.com

The Board of Directors
Australis Mining Corporation Ltd
Level 36 AMP Building
50 Bridge Street
SYDNEY NSW 2000

20/8/2004

Dear Sirs,

AN INDEPENDENT VALUATION OF SAPPHIRE SALES & RESOURCES WITHIN AUSTRALIS MINING CORPORATION LTD PROVEN SAPPHIRE RESERVE, QUEENSLAND

1.0 SCOPE & PURPOSE.

The Directors of Australis Mining Corporation Ltd requested that B.R. Senior & Associates undertake a valuation of sapphires in the Proven Sapphire Reserve in ML's 70006, 70005 & 70004. They also requested an opinion as to whether the sale price of \$4,50/gram is reasonable for all categories of rough sapphire and if the sales volume anticipated in this Prospectus can be absorbed in the world gemstone market. Dr B.R. Senior accepted this project on July 1st 2004. This report is prepared for inclusion in a Prospectus to be issued by Australis in November 2004.

2.0 GEOLOGICAL PARAMETERS OF THE PROVEN SAPPHIRE RESERVE.

The geological parameters covering the Proven Sapphire Reserve in ML's 70006, 70005 & 70004 are defined in the Independent Geologist's Report in this Prospectus. Drilling and bulk sampling have delineated a Proven Sapphire Reserve, averaging 8 grams per loose cubic metre, within a palaeochannel placer deposit which has an area of 115ha (see Table 2, Senior 2004).

3.0 SAPPHIRE TYPES AND SIZES.

The Proven Sapphire Reserve in ML's 70006, 70005 & 70004 is an easterly extension of a palaeochannel placer deposit previously mined by Great Northern Mines Pty Ltd and Queensland Sapphire Mining Ltd (QSM). In the period 16th of May 2000 to 16th February 2002 Junior Mining (Operations) Pty Ltd had a joint venture agreement with QSM to market sapphire from this deposit. The sizing and classification of sapphire and corundum previously marketed, are discussed in the Independent Geologist's Report (see Fig. 4). Because of the proximity and geological continuity of these former mining areas with Australis's Proven Sapphire Reserve, it is possible to use previous sales data as a basis for valuation of the in situ reserves. Furthermore, the colour and size mix of sapphires are likely to be very similar, thus indicating that future sales from the reserve should follow the historically established sales pattern.

4.0 VALUATION OF SAPPHIRES

In order to establish the value of sapphires, sales figures were provided by Junior Mining (Operations) Pty Ltd (now a wholly owned subsidiary of Australis), for the Bangkok office

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Financial
Information

encompassing the previous 5 years (1999 to 2003). These sales figures were analysed for all sizes, colours and grades of sapphires sold and provided an average price of \$A5.08/gram.

Coenraads (2004) undertook a very detailed analysis of the sales data and confirmed the average sale price of sapphire at \$5.08/g and he also calculated a minimum sale price by averaging all categories of sapphire sold at less than the average price. This mean-low average is \$4.76/g. However, for future marketing purposes Australis may have to contend with lower sales returns induced by competition from newly emerging production areas, or caused by other global events that reduce demand for luxury products. The Directors' prefer a forecast average price of \$4.50/g of sapphire in their forward estimates. This report provides evidence to support the above sapphire price scenarios.

5.0 SIZE OF THE PROVEN SAPPHIRE RESERVE:

The quantity of sapphire and corundum in the Proven Sapphire Reserve is approximately 22.08 million grams at an average grade of 8.0 grams per loose cubic metre and will provide a total mine life of 5.3 years. Annual production of sapphire and corundum is estimated at 4.2 million grams.

6.0 COMPETITION FROM OTHER WORLD CLASS SAPPHIRE RESOURCES.

Forty-seven, world-wide occurrences of sapphire (and ruby) are listed by Hughes (1997, Table 11.1). Many of the well known world class deposits are significantly depleted, for example those in Sri Lanka, Burma and Australia, others listed are minor producers or are of academic rather than economic interest. However, some world class deposits remain to be developed and these are located in Laos and China. The writer spent three years mapping and evaluating sapphire resources in Laos for Asia Sapphires Ltd, a Canadian company formerly listed on the Vancouver Stock Exchange. These sapphires were brought into production in 1997 under a daily production and processing capacity similar to that planned by Australis. In 1999 the processing capacity was doubled (approximately 4000m³/day) through the commissioning of a second plant. Inferred reserves within a 12 km radius of these plants were estimated at 11 million cubic metres of sapphire bearing gravels (Senior, 1999). By comparison, the Glen Innes/Inverell Sapphire Province, Australia's largest sapphire province, had a total resource, now 85% depleted, that contained approximately 10 million cubic metres (Olliver & Townsend, 1993). Production in Laos came to a sudden end in early 2000 due to dissident shareholder activity and implied corruption within the company and as a consequence the Laotian government nationalised the mines.

Sapphire deposits in China are reputed to be very large although little is known if, and when, these deposits will be brought into production. In Australia some rich deposits still remain to be exploited in the Kings Plain area in the Glen Innes/Inverell Sapphire Province and these could be brought into production quickly using existing mining infrastructure.

Australis needs to be aware that other large deposits exist and will need to monitor the local and international scene. It may have to use its expertise to form joint ventures that may arise in sapphire mining and marketing opportunities with other companies.

No opinion is given as to the impact on Australis's future business, if or when another large sapphire resource is brought into the international market.

7.0 ANALYSIS AND SIZE OF THE SAPPHIRE MARKET

Thailand traditionally has been the principal purchaser of Australian rough sapphire since large scale production began here in the 1960's and continues to be the major hub of the sapphire

industry today, although alternative markets are developing in Hong Kong (where JMO has an office) and, more recently in China.

Export statistics from Thailand (ITIC, 2003) show that sapphire is a several billion dollar industry world wide with final markets centred primarily on the developed nations, such as USA, which have a high degree of luxury spending power. Other markets are those nations that are primary downstream gem processing centres such as Switzerland, Israel and Belgium.

Australis intends to market 4 million grams of rough sapphire per annum (based on forecast sales) at a time when Australian exports of sapphire, through lack of production and exhaustion of known reserves, have reached an historical low. During the late 1970's through to the mid 1990's Australia was a major producer and exporter of sapphire and in 1989 a peak revenue of AUD\$31.6 million was achieved. Since 1993 the decline in sapphire exports (mainly to Thailand) has been almost continuous, reaching a low of about \$1 million in 2001 (Australian Commodity Statistics, 2003). As a consequence, Australis is favourably positioned to replenish these exports. The proposed annual sales, in the order of \$18 million (note that export sales in the statistics would be total sales before costs and taxes etc) amount to a little over half of the Australian 1989 production maximum.

The Directors' preferred forecast sales price of A\$4.50/g. is less than the historic sales price and less than the mean-low, average price for sales of all categories of sapphire and corundum. Australis has an experienced sales staff based in Bangkok and Hong Kong and this is the price that they are confident in achieving. However, there are likely to be wide fluctuations in average prices obtained on a year to year basis due to unexpected market forces that may arise and buyers' preference for different categories of sapphires. For example, in the late 1990's there was an unexpected demand for high quality, small sapphires to decorate the faces of wristwatches. It is possible that other fashion dictated demands on particular categories of sapphires may emerge in future that would impact on Australis's business. Furthermore, it is generally easier to sell the higher quality parcels of sapphires as these also tend to receive priority in sorting and classifying, whereas the lower quality stones tend to be stockpiled and sorted when time is available or when other stocks of sapphire are exhausted. Marketing of the less abundant, high quality, coloured stones may also be constrained until sufficient numbers have been stockpiled to make marketable parcels, and for the rare pink and padparadha sapphires this may take several months to achieve.

In light of the aforementioned market forces, the average price of \$4.50/gram appears reasonable, even conservative, provided future sales are averaged over a period of at least three years and that past marketing conditions continue at similar levels into the future. Australis's impact on sapphire sales should easily be absorbed in the international market, provided there are no similar sapphire mining companies with large deposits coming into production.

8.0 STATEMENTS OF CAPABILITY, INDEPENDENCE, LIMITATIONS AND CONSENT

The opinions stated herein are given in good faith. This assessment has been based on data, reports and other information available to B.R. Senior & Associates Pty Ltd or made available by the Directors of Australis. Full statements regarding the author's capability, independence, limitations and consent, can be found in the Independent Geologist's Report in this Prospectus. The basic assumptions given herein are factual and correct, and the interpretations reasonable. B.R. Senior & Associates Pty Ltd will be paid a fee for this report, comprising its normal professional rates and do not have any interests or entitlements to the securities and assets of Australis or any associated companies.

9.0 REFERENCES

AUSTRALIAN COMMODITY STATISTICS (2003) Table 271. Summary of Australian Statistics for gemstones, p273

COENRAADS, R. (2004) – Evaluation of historic Queensland sapphire sales data. Confidential report to Australis Mining Corporation (unpubl.).

HUGHES, R.W., (1997) Ruby and Sapphire. RWH Publishing, Boulder, Colorado, USA. pp512

ITIC. (2003) – Export sales from Thailand for 2003, status by country. *International Trade Information Centre, Department of Export Promotion*.

OLLIVER, J.G., & TOWNSEND, I.J. (1993) – Gemstones in Australia. A review of the industry and the first national assessment of gemstone resources. *Australian Government Publishing Services*. 72pp

SENIOR, B.R. (1999) – Preliminary estimates of sapphire reserves in the Ban Houay Xai Sapphire Province. *Confidential report to GML/Asia Sapphire Ltd. (unpubl.)*.

SENIOR, B.R. (2004) – Report of the independent consulting geologist for inclusion in a Prospectus to be issued by Australis Mining Corporation Ltd (*this Prospectus*).

Yours faithfully,

B.R. Senior & Associates Pty Ltd



B.R. Senior (Dr) Director





SECTION 9
INVESTIGATING
ACCOUNTANT'S REPORT

& INDEPENDENT REVIEW
OF DIRECTOR'S FORECASTS

Company and general information
Corporate Information
AIC 531

16 November 2004

The Board of Directors
Australis Mining Corporation Limited
Level 36
AMP Building
50 Bridge Street
Sydney NSW 2000

Dear Sirs

Investigating Accountant's Report

1. Introduction

- 1.1. This report has been prepared by RSM Bird Cameron Corporate Pty Ltd ("RSMBC") at the request of the Directors of Australis Mining Corporation Limited ("Australis" or "the Company") for inclusion in the Prospectus ("Prospectus") to be dated on or about 16 November 2004, relating to an offer to raise \$3,500,000 by the issue of 17,500,000 ordinary fully paid shares in the Company at an issue price of 20 cents per new share with one attaching option at no additional cost for every 2 new shares issued pursuant to the Prospectus. The Company also has the right to accept oversubscriptions of up to a further \$2,500,000.
- 1.2. Expressions defined in the Prospectus have the same meaning in this report.
- 1.3. RSMBC has been requested to prepare a report covering the financial information described in Section 8 of this report.

Liability is limited by the
Accountants' Scheme
pursuant to the
NSW Professional
Standards Act 1994

RSM Bird Cameron Corporate Pty Ltd
ABN 62 350 538 324
Licensed Investment Adviser
No 255847

Main Offices in
Perth, Sydney,
Melbourne, Adelaide
and Canberra

RSM Bird Cameron Corporate Pty Ltd is
an independent member firm of RSM
International an affiliation of independent
accounting and consulting firms

2. Terms of Reference

2.1. We have been requested to prepare a report covering the following financial information:

Pro Forma Financial Information

- ◆ the pro forma summarised Statements of Financial Performance for Junior Mining Operations Pty Ltd ("JMO") for the years ended 30 June 2003 and 30 June 2004, which assume completion of the pro forma transactions noted in Section 8.2 of the Prospectus;
 - ◆ the pro forma Statement of Financial Position for Australis and its controlled entities ("economic entity") as at 30 June 2004, which includes development expenditure at Directors' valuation and assumes completion of the contemplated transactions disclosed in Note 9 of Section 8.4 of the Prospectus; and
 - ◆ notes to the pro forma financial information.
- 2.2. The summarised historical financial information set out in Section 8.2 has been extracted from the audited financial statements of Australis for the period from 6 April 2004 to 30 June 2004, and from the audited financial statements of JMO for the years ended 30 June 2003 and 30 June 2004.
- 2.3. The pro forma Statement of Financial Position has been derived from the audited financial statements of the economic entity as at 30 June 2004.
- 2.4. The audit of Australis for the period from 6 April 2004 to 30 June 2004 was conducted by RSM Bird Cameron Partners and an unqualified audit opinion was issued. The audit of JMO for the years ended 30 June 2003 and 30 June 2004 was conducted by RSM Bird Cameron Partners. For the year to 30 June 2003 the audit opinion was qualified as to opening balances. For the year to 30 June 2004 an unqualified audit opinion was issued.
- 2.5. The Directors of Australis are responsible for the preparation and presentation of the historical and pro forma financial information.
- 2.6. The historical and pro forma financial information is presented in an abbreviated form insofar as it does not include all of the disclosures required by the Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act.



3. Scope of Review

Review of pro forma financial information

3.1. We have reviewed the pro forma financial information for JMO for the years ended 30 June 2003 and 30 June 2004 and for the economic entity as at 30 June 2004 as set out in Section 8 of the Prospectus in order to report whether anything has come to our attention which causes us to believe that it has not been presented fairly:

- ◆ on the basis of the pro forma transactions, and
- ◆ in accordance with the recognition and measurement principles prescribed in Accounting Standards and other mandatory professional reporting requirements and significant accounting policies disclosed in Section 8.4 Note 1 of the Prospectus.

3.2. Our review has been conducted in accordance with Australian Auditing and Assurance Standard AUAS 902 "Review of Financial Reports". We made such enquiries and performed such procedures as we, in our professional judgment, considered reasonable in the circumstances, including:

- ◆ a review of work papers, accounting records and other documents;
- ◆ a review of pro forma transactions made to audited historical financial information;
- ◆ analytical procedures on the audited historical financial information;
- ◆ a comparison of consistency in application of the recognition and measurement principles in Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by Australia and disclosed in Section 8.4 Note 1 of the Prospectus, and
- ◆ enquiry of directors, management and others.

3.3. The procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

4. Review statements

Review statement on the pro forma financial information

- 4.1. Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that the pro forma financial information, as set out in Section 8 of the Prospectus, has not been presented fairly
- on the basis of the pro forma transactions; and
 - in accordance with the recognition and measurement principles prescribed in Accounting Standards and other mandatory professional reporting requirements, and significant accounting policies adopted by Australis disclosed in Section 8 & Note 1 of the Prospectus.

5. Independence

- 5.1. RSMBC is licensed as an Australian Financial Services Licensee pursuant to Section 913B of the Corporations Act 2001 and is beneficially owned by the directors of RSM Bird Cameron, a large national firm of chartered accountants.
- 5.2. Mr A J Gilmour CA is a director and authorised representative of RSMBC, a director of RSM Bird Cameron and a partner in RSM Bird Cameron Partners. He has professional qualifications and experience appropriate to the advice offered.
- 5.3. RSMBC does not have any interest in the outcome of this issue, other than in connection with the preparation of this report and the report entitled Independent Review of Directors' Forecast Financial Information and participation in due diligence procedures for which normal professional fees will be received. RSM Bird Cameron Partners is the auditor of Australis and from time to time, RSM Bird Cameron also provides Australis with certain other professional services for which normal professional fees are received.

Yours faithfully



A J GILMOUR
Director and Authorised Representative

E-mail: and.gibmour@rsm.com.au
Direct line: 0261 004
Fax: 08 31051003

16 November 2004

The Board of Directors
Australis Mining Corporation Limited
Level 36
AMP Building
50 Bridge Street
Sydney NSW 2000

Dear Sirs

Independent Review of Directors' Forecasts

1. Introduction

- 1.1. This report has been prepared by RSM Bird Cameron Corporate Pty Ltd ("RSMBC") at the request of the Directors of Australis Mining Corporation Limited ("Australis" or "the Company") for inclusion in the Prospectus ("Prospectus") to be dated on or about 16 November 2004, relating to an offer to raise \$3,500,000 by the issue of 17,500,000 ordinary fully paid shares in the Company at an issue price of 20 cents per new share with one attaching option at no additional cost for every 2 new shares issued pursuant to the Prospectus. The Company also has the right to accept oversubscriptions of up to a further \$2,500,000.
- 1.2. Expressions defined in the Prospectus have the same meaning in this report.
- 1.3. Investors should consider the Forecast Financial Information set out in Section 8.2 and this report in conjunction with the sensitivity analysis set out in Section 8.6 of the Prospectus and risks to which Australis is exposed as set out in Section 5 of the Prospectus.

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pursuant to the
N.S.W. Professional
Standards Act 1998

RSM Bird Cameron Corporate Pty Ltd
ABN 53 050 508 024
Licensed Investment Adviser
No 25847

Major Offices in
Perth, Sydney,
Melbourne, Adelaide
and Canberra

RSM Bird Cameron Corporate Pty Ltd is
an independent member firm of RSM
International an affiliation of independent
accounting and consulting firms.

2. Scope of Review

- 2.1. We have been requested to prepare a report covering the forecast Statement of Financial Performance of Australis and its controlled entities ("economic entity") for the year to 30 June 2015 ("the Directors' Forecast") as set out in Section 8.2 of this Prospectus.
- 2.2. The Directors are responsible for the preparation and presentation of the Directors' Forecast, including the best estimate assumptions on which they are based. The Directors' Forecast has been prepared for inclusion in the Prospectus. We disclaim any assumption of responsibility for any reliance on this report or on the Directors' Forecast to which it relates for any purposes other than that for which it was prepared.
- 2.3. Our review of the best estimate assumptions underlying the Directors' Forecast was conducted in accordance with Australian Auditing and Assurance Standard AUS 902 "Review of Financial Reports". Our procedures consisted primarily of enquiry and comparison and other such analytical review procedures we considered necessary. These procedures included discussion with the Directors and management of Australis and have been undertaken to form an opinion whether anything has come to our attention which causes us to believe that:
- ◆ the best estimate assumptions set out in Section 8.3 of the Prospectus do not provide a reasonable basis for the preparation of the Directors' Forecast;
 - ◆ in all material respects, the Directors' Forecast is not properly prepared on the basis of the best estimate assumptions;
 - ◆ the Directors' Forecast is not presented fairly in accordance with the recognition and measurement principles prescribed in Accounting Standards and other mandatory professional reporting requirements in Australia and the accounting policies of Australis disclosed in Section 8.4 Note 1 of the Prospectus so as to present a view of Australis which is not inconsistent with our understanding of Australis' current and future operations. It is in the nature of forecasts that it is not feasible to present all the disclosures that would be required by applicable Accounting Standards; and
 - ◆ the Directors' Forecast itself is unreasonable.
- 2.4. The Directors' Forecast has been prepared by the directors to provide investors with a guide to Australis' potential future financial performance based upon the achievement of certain economic, operating, developmental and trading assumptions about future events and actions that have not yet occurred and may not necessarily occur. There is a considerable degree of subjective judgement involved in the preparation of the Directors' Forecast. Actual results may vary materially from the Directors' Forecast and the variation may be materially positive or negative. Accordingly, investors should have regard to the Risk Factors set out in Section 5 of the Prospectus and Sensitivity Analysis set out in Section 8.6 of the Prospectus.



- 2.5. The Directors of Australis retained BR Senior and Associates Pty Ltd ("BR Senior") as an independent geologist to review the sapphire gemstone mining leases and mining lease application areas of the economic entity. The Directors of Australis also retained BR Senior as an independent technical expert to review the sapphire selling price and annual sales volume. The Directors of Australis retained Behre Dolbear Australia Pty Ltd ("BDA") as an independent technical expert to review the proposed mining operation and cost estimates relating to the Nardoo mining leases of Australis and from this to conclude whether the operating cost estimates used in the forecasts are reasonable for the planned developments. Both reports of BR Senior and the report of BDA are presented in this Prospectus. In performing our review we have relied upon the work undertaken by BR Senior and BDA and their respective conclusions.
- 2.6. Our review of the Directors' Forecast, which is based on best estimate assumptions, is substantially less in scope than an audit examination conducted in accordance with Australian Auditing and Assurance Standards. A review of this nature provides less assurance than an audit. We have not performed an audit and we do not express an audit opinion on the Directors' Forecast included in the Prospectus.

3. Review Statement

- 3.1. Based on our review of the Directors' Forecast as set out in Section 8 of the Prospectus, which is not an audit, and based on an investigation of the reasonableness of the directors' best estimate assumptions giving rise to the Directors' Forecast, nothing has come to our attention which causes us to believe that:
- 3.1.1. the directors' best estimate assumptions set out in Section 8.3 of the Prospectus do not provide a reasonable basis for the preparation of the Directors' Forecast;
 - 3.1.2. the Directors' Forecast does not give effect in all material respects to those assumptions;
 - 3.1.3. the Directors' Forecast is not properly compiled on the basis of the Directors' best estimate assumptions and are not presented fairly in accordance with the recognition and measurement principles prescribed in Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by Australis and disclosed in Section 8.4 Note 1 of the Prospectus as applied in Australia for presenting forecasts in a Prospectus. It is in the nature of forecasts that it is not feasible to present all the disclosures that would be required by applicable Accounting Standards; and
 - 3.1.4. the Directors' Forecast itself is unreasonable.
- 3.2. The underlying assumptions are subject to significant uncertainties and contingencies outside the control of Australis and the directors. If events do not occur as assumed, actual results achieved by Australis may vary significantly from the Directors' Forecast. Accordingly, we do not confirm or guarantee the achievement of the Directors' Forecast, as future events, by their very nature, are not capable of independent substantiation. Investors should have regard to the Sensitivity Analysis and Risk Factors detailed in Sections 8.6 and 5 of the Prospectus, respectively.

4. Declaration

- 4.1. RSMBC is licensed as an Australian Financial Services Licensee pursuant to Section 913B of the Corporations Act 2001 and is beneficially owned by the directors of RSM Bird Cameron, a large national firm of chartered accountants.
- 4.2. Mr A J Gilmour CA is a director and authorised representative of RSMBC, a director of RSM Bird Cameron and a partner in RSM Bird Cameron Partners. He has professional qualifications and experience appropriate to the advice offered.
- 4.3. RSMBC does not have any interest in the outcome of this issue, other than in connection with the preparation of this report, the report entitled Investigating Accountant's Report and participation in due diligence procedures for which normal professional fees will be received. RSM Bird Cameron Partners is the auditor of Australis and from time to time, RSM Bird Cameron also provides Australis with certain other professional services for which normal professional fees are received.

Yours faithfully

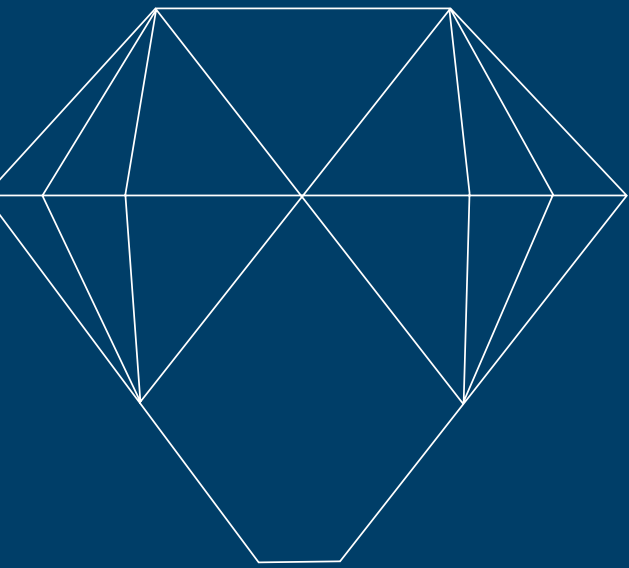
Andrew Gilmour

A J GILMOUR
Director and Authorised Representative



Independent
Review of
Director's
Forecast







SECTION
CORPORATE
GOVERNANCE

10

10 CORPORATE GOVERNANCE

10.1 CORPORATE GOVERNANCE

The Directors are committed to the principles underpinning the best practice in corporate governance. A description of the Company's main corporate governance practices is set out below.

10.2 BOARD RESPONSIBILITY

The Board of Directors ultimately takes responsibility for corporate governance and operates in accordance with the Company's Constitution.

The current Directors were the founding Directors at the time of incorporation of the Company or subsequently appointed to the Board. All were elected at a General Meeting of members held on 1 November 2004. One third of the Board will retire and be subject to election at the next annual general meeting of the Company.

Subsequent Directors will either be elected by members in General Meeting or appointed initially by the Board and subject to election by members at the next annual general meeting.

The Board is comprised of a majority of non-executive Directors, including the Chairman. The Chairman of the Board is elected by the Board and the performance of Directors is reviewed on an ongoing basis.

Directors have the right, in connection with their duties and responsibility as Directors, to seek independent professional advice at the Company's expense. Prior approval of the Chairman is required, which will not be unreasonably withheld.

The Board accepts that it has the responsibility for internal control procedures within the Company. Compliance with these procedures covering financial reporting, quality and integrity of personnel and operational control is to be regularly monitored.

All Directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company.

The external Auditor will be requested to attend annual general meetings and be available to answer questions from the shareholders.

10.3 COMMITTEES

Due to the small size of the Board and the Company, the Board may meet as a committee of the whole to deal with each of these matters.

10.4 AUDIT AND RISK COMMITTEE

The Audit and Risk Committee provides advice and assistance to the Board in fulfilling the Board's responsibilities relating to the Company's financial statements, financial and market reporting processes, internal accounting and financial control systems, internal audit, external audit, risk management and such other matters as the Board may request from time to time.

The Committee may also undertake any other special duties as requested by the Board.

10.5 REMUNERATION COMMITTEE

The main role of the Remuneration Committee is to:

- Review the engagement, performance and remuneration of senior executives of the Company; and
- Recommend to the Board appropriate terms and conditions of engagement and remuneration of Directors within the aggregate limits approved by Shareholders.

In assessing the performance of the Chief Executive Officer and other senior executives, the Committee gives considerable weight to the contribution of the employee towards the achievement of key performance indicators of the Company. Where necessary the Committee can obtain external advice in respect to the structure and level of remuneration packages.

10.6 SAFETY AND ENVIRONMENTAL COMMITTEE

The Company recognises the importance of environmental and occupational health and safety issues.

The Company is committed to compliance with all relevant laws and regulations and continually assesses its operations to ensure the protection of the environment, the community and the health and safety of its employees.

The Company intends to use contractors extensively. Contractors will be required to submit their safety, environmental and disaster recovery procedure as part of the due diligence to be conducted prior to letting a contract.

The main role for the Safety and Environmental Committee is to:

- Review the adequacy of compliance with all regulatory requirements in respect of the environment and occupational health and safety;
- Monitor the management of identified risks, highlight new risks and review the actions to be taken for their control;
- Support the culture of safe working practices and concern for the environment throughout the Company;
- Review any serious injury or major environmental incident; and
- Ensure proper practices are followed by all contractors.

10.7 ETHICAL STANDARDS

All executives and employees are required to abide by laws and regulations, to respect confidentiality and the proper handling of information and act with the highest standards of honesty, integrity, objectivity and ethics in all dealings with each other, the Company, customers, suppliers and the community.

Codes of conduct will be regularly reviewed and updated as necessary to ensure they reflect the highest standards of behaviour and professionalism.

10.8 CONTINUOUS DISCLOSURE

The Directors are committed to keeping the market fully informed of material developments to ensure compliance with ASX Listing Rules and the Corporations Act. At each Board meeting specific consideration is to be given as to whether any matters should be disclosed under the Company's continuous disclosure policy.

10.9 SHARE TRADING

Directors, senior management and employees may acquire shares in the company, but are prohibited from dealing in company shares:

- Whilst in possession of price sensitive information; and
- On the first and second day of ASX trading after the release of the company's quarterly results, half-yearly results, preliminary final profit statement or any interim or special release, and after the conclusion of the company's Annual General Meeting.

Directors may obtain the approval of the Chairman of the board and notify the Company Secretary before they sell or buy shares in the company, and it is subject to board veto. Under the ASX Listing Rules directors must advise the ASX of any transactions conducted by them in shares in the company.



10 CORPORATE GOVERNANCE

10.10 RELATED PARTY MATTERS

Directors and senior management will be required to advise the Chairman of any related party contract or potential contract. The Chairman will inform the Board, and the reporting party will be required to remove himself/herself from all discussions and decision involving the matter.

10.11 SHAREHOLDER RELATIONS

The Directors aim to ensure that the shareholders are informed of all information necessary to assess the performance of the Company.

Information on all major developments affecting the Company is to be communicated to the shareholders through:

- The Annual Report;
- Quarterly and half yearly reports;
- The Annual General Meeting and other meetings called to obtain approval for Board action as appropriate. All shareholders who are unable to attend these meetings will be encouraged to communicate issues or ask questions by writing to the Company;
- Other announcements in accordance with the Company's continuous disclosure policy; and
- The Company's web site.



SECTION
MATERIAL CONTRACTS

11



11 MATERIAL CONTRACTS

11.1 INTRODUCTION

- (a) The Directors consider that certain agreements are significant or material to Australis or are of such a nature that an investor may wish to have particulars of them when making an assessment of whether to apply for New Shares (“**Material Contracts**”).
- (b) The main provisions of the Material Contracts are summarised below. As this Section only contains a summary, the provisions of the Material Contracts are not fully described. To understand fully all rights and obligations pertaining to the Material Contracts, it will be necessary to read them in full.
- (c) The Material Agreements are:
 - (i) the Share Swap Deed;
 - (ii) the Supplementary Deed;
 - (iii) the Executive Service Agreements;
 - (iv) the Directors’ Deeds of Indemnity;
 - (v) the Consulting Agreements;
 - (vi) the Deed of Acknowledgement;
 - (vii) the Acquisition Agreement;
 - (viii) the RESI Loan Deed; and
 - (ix) the RESI Charge.

11.2 THE SHARE SWAP DEED

Under a Share Swap Deed dated 28 April 2004 made between JMO, Nikiticorp and Australis, Nikiticorp agree to sell all its shares (comprising 100 ordinary shares and being the entire issued capital) in JMO to Australis in consideration of the issue to Nikiticorp of 50 million fully paid ordinary shares in the capital of Australis at an issue price of \$0.20 per share.

11.3 THE SHARE SWAP SUPPLEMENTARY DEED

By a Deed dated 28th April 2004 made between JMO, Australis and Nikiticorp, Australis agreed to pay forthwith upon receipt by it of a demand for payment (“**JMO Demand**”), the following debts (“**JMO Debts**”) in the following order of priority:

- (a) Related Parties Loans being moneys borrowed by JMO from its directors and other related parties;
- (b) Guaranteed Third Party Loans being other moneys borrowed by JMO from unrelated third parties for which guarantees have been provided by its directors; and
- (c) Trade Debts being debts incurred up to the date of making the JMO Demand to various trade and other creditors including creditors who have supplied it with services relating to the share swap agreement and the Issue.

The making of the JMO Demand is expressed to be conditional upon the occurrence of the Australis listing on the ASX Official List, upon the official quotation of its shares on the ASX and upon the raising of the Minimum Subscription.

11.4 EXECUTIVE SERVICE AGREEMENTS

(a) *Chief Executive Officer*

Australis has entered into a Service Agreement dated 30 June 2004 with Mr Anthony Damianos engaging him as Chief Executive Officer for an unfixed term which commenced on 1 May 2004.

Under the agreement, the Chief Executive Officer will be paid a base remuneration package of \$152,600 per annum which will be inclusive of a base salary, motor vehicle costs, superannuation and fringe benefit taxes. The Company has also agreed to pay an annual bonus of \$15,000 if key performance indicators to be set by the Company, are achieved.

The Company and the Chief Executive Officer will be entitled to terminate the agreement by the giving of 2 weeks notice to the other.

(b) Company Secretary/Legal Counsel

Australis has entered into a Service Agreement dated 30 June 2004 with Ms Penny Kyros engaging her as Company Secretary and Legal Counsel for an unfixed term which commenced on 1 May 2004.

Under the agreement, the Company Secretary and Legal Counsel will be paid a base remuneration package of \$130,800 per annum which will be inclusive of a base salary, motor vehicle costs, superannuation and fringe benefit taxes. The Company has also agreed to pay an annual bonus of \$15,000 if key performance indicators to be set by the Company are achieved.

The Company and the Company Secretary and Legal Counsel will be entitled to terminate the agreement by the giving of 2 weeks notice to the other.

(c) Chief Geologist

Australis has entered into a Service Agreement dated 30 June 2004 with Dr Robert Coenraads engaging him as Chief Geologist for an unfixed term which commenced on 1 May 2004.

Under the agreement, the Chief Geologist will be paid a base remuneration package of \$119,900 per annum which will be inclusive of a base salary, motor vehicle costs, superannuation and fringe benefit taxes. The Company has also agreed to pay an annual bonus of \$10,000 if key performance indicators to be set by the Company are achieved.

The Company and the Chief Geologist will be entitled to terminate the agreement by the giving of 2 weeks notice to the other.

(d) General Manager of Marketing

Australis has entered into a Service Agreement dated 30 June 2004 with Mr Christian Christianos engaging him as General Manager of Marketing for an unfixed term which commenced on 1 May 2004.

Under the agreement, the General Manager of Marketing will be paid a base remuneration package of \$142,600 per annum which will be inclusive of a base salary, motor vehicle costs, superannuation and fringe benefit taxes. The Company has also agreed to pay an annual bonus of \$15,000 if key performance indicators to be set by the Company are achieved.

The Company and the General Manager of Marketing will be entitled to terminate the agreement by the giving of 2 weeks notice to the other.

(e) General Manager of Operations

Australis has entered into a Service Agreement dated 30 June 2004 with Mr George Christianos engaging him as General Manager of Operations for an unfixed term which commenced on 1 May 2004.

Under the agreement, the General Manager of Operations will be paid a base remuneration package of \$152,600 per annum which will be inclusive of a base salary, motor vehicle costs, superannuation and fringe benefit taxes. The Company has also agreed to pay an annual bonus of \$15,000 if key performance indicators to be set by the Company are achieved.

The Company and the General Manager of Operations will be entitled to terminate the agreement by the giving of 2 weeks notice to the other.

11.5 Directors' Deeds of Indemnity

On 2nd and 5th August 2004, the Company entered into deeds with each of the Directors of the Company whereby the Company indemnifies the Directors against all costs, losses and expenses which the Directors may suffer or incur in the course of, or in connection with, their acting as Directors of the Company.

The Directors are indemnified against any claims or judgments made against the Directors relating in any way to the Company, all legal costs incurred by the Directors in defending any proceedings, any tax

11 MATERIAL CONTRACTS

or penalty for which the Directors may become personally liable as Directors of the Company and in defending any proceedings, whether civil or criminal in respect of alleged negligence, default or breach of duty, in which judgment is given in the Director's favour or in which they are acquitted.

11.6 CONSULTANCY AGREEMENT

By a Consultancy Agreement dated 6 April 2004 made between Australis and CFO Advantage Pty Limited ("CFO"), CFO has agreed to provide services as financial controller for a term which commenced on 6 April 2004 until 30 June 2005 at a rate of \$800 per day (or \$100 per hour for part days) (exclusive of GST).

11.7 DEED OF ACKNOWLEDGEMENT

By a Deed of Acknowledgement dated 2 September 2004 made between Elias Christianos ("Lender") and JMO, as amended by a Deed of Variation dated 12 November 2004:

- (a) the parties acknowledged that advances totalling \$2,961,740 had been made by the Lender to JMO as working capital, and in respect of JMO's subsidiary QSM, and to enable JMO to acquire the assets of QSM;
- (b) JMO agreed to repay an amount of \$200,000 within 1 month of the listing of Australis on the ASX ("ASX Listing"), with the balance to be paid at the expiration of 3 years from the ASX Listing;
- (c) interest will accrue monthly in arrears on the outstanding principal at the rate equal to the base lending rate for the time being charged by HSBC Australia Limited;
- (d) the interest that accrues will be capitalised and added to the Principal Sum ; and
- (e) if the ASX Listing is not achieved the Principal Sum is not repayable until 31 December 2005 or such other period as may be agreed between the parties.

11.8 ACQUISITION AGREEMENT

By an agreement dated 2 September 2002 between Great Northern Mining Pty Ltd ('Vendor') and JMO, the Vendor agreed to sell to JMO and JMO agreed to purchase from the Vendor Queensland Mining Leases ML 70004, 70005, 70006 and 70029 plus all geological studies, exploration results, compensation agreements and other documents relating to the Mining Leases for a Purchase Price of \$120,000. Completion has occurred under the agreement and the Mining Leases have been transferred to JMO.

11.9 RESI LOAN DEED

By Deed of Loan dated 27 May 2003 made between Residential Housing Corporation Pty. Limited ACN 003 490 319 ("RESI") and JMO, RESI lent the sum of \$500,000 to JMO for a term of 12 months at an interest rate of 12% per annum payable monthly in arrears on the security of:

- (a) the RESI Charge;
- (b) a Charge granted by Country Landmark Pty Limited;
- (c) a Guarantee and Indemnity granted by Ted Dorotheos Tzovaras, Lesley Anne Tzovaras, Elias Christianos and Maria Christianos as guarantors in favour of RESI;
- (d) a Mortgage granted by Ted Dorotheos Tzovaras and Lesley Anne Tzovaras as mortgagors in favour of RESI over the property known as 36 Drumcliff Avenue, Killarney Heights, New South Wales.

11.10 RESI CHARGE

By Deed of Charge dated 27 May 2003 granted by JMO in favour of RESI, JMO charged all its present and future rights, property and undertaking of whatever kind and wherever situated including, without limitation its capital and share premiums, called and uncalled capital, paid or unpaid as security for all moneys payable by JMO to RESI.



SECTION
ADDITIONAL
INFORMATION

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12 ADDITIONAL INFORMATION

12.1 INCORPORATION

The Company was incorporated on 6 April 2004 as a public company limited by shares. As at 3 September 2004 there were 26 shareholders with Nikiticorp (L) BHD holding 48 million shares out of issued share capital of 75.7 million shares. JMO was acquired by Australis under the Share Swap Deed and is now a wholly owned subsidiary of Australis.

12.2 RIGHTS ATTACHING TO SHARES

(a) General

The New Shares to be issued pursuant to this Prospectus are ordinary fully paid shares and will as from their allotment rank equally in all respects with all ordinary fully paid shares in the Company. The Attaching Options to be issued pursuant to this Prospectus are to be issued for no additional cost and in the ratio of one Attaching Option for every two New Shares issued pursuant to this Prospectus.

The rights attaching to Shares arise from a combination of the Company's Constitution, statute (including the Corporations Act and ASX Listing Rules) and general law. Copies of the Company's Constitution are available for inspection during business hours at its registered office.

A summary of the more significant rights is set out below. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of the Company's Shareholders.

(b) Reports and notices

Shareholders are entitled to receive all notices, reports, accounts and other documents required to be furnished to Shareholders under the Company's Constitution, the Corporations Act and the Listing Rules.

(c) General meetings

Shareholders are entitled to be present in person, or by proxy, attorney or representative to speak and to vote at general meetings of the Company. Shareholders may requisition meetings in accordance with the Corporations Act and the Constitution.

(d) Voting

Subject to any rights or restrictions at the time being attached to any class or classes of shares, at a general meeting of the Company on a show of hands, every Shareholder present in person, or by proxy, attorney or representative has one vote and upon a poll, every Shareholder present in person, or by proxy, attorney or representative has one vote for every fully paid Share held by the Shareholder. In the case of a vote on a poll, persons who hold a Share which is not fully paid shall be entitled to a fraction of a vote equal to that proportion of a vote that the amount paid (not credited) on the relevant Share bears to the total amounts paid and payable (excluding amounts credited) on the Share. Currently, there are no partly paid Shares in the Company. All Shares currently on issue and the Shares to be issued under the Prospectus, are fully paid Shares.

(e) Dividends

The Directors may declare and authorise the distribution from the profits of the Company, dividends to Shareholders according to their rights and interests. The Directors may determine the property to constitute the dividend and fix the time for distribution.

(f) Winding up

Subject to the terms of issue of Shares, if the Company is wound up and after distribution of assets to repay paid up capital there remain assets available for distribution to members (in that capacity) those assets will be distributed to Shareholders in accordance with the Company's Constitution.

(g) Transfer of Shares

Generally, Shares issued by the Company are freely transferable, subject to satisfying the requirements of the ASX Listing Rules and the Corporations Act regarding trading of securities. The Directors may decline to register any transfer of Shares issued by the Company but only where permitted to do so by the ASX Listing Rules or under the Company's Constitution.

(h) Future Issues

Subject to the Constitution of the Company, the Corporations Act and ASX Listing Rules, Directors may, on behalf of the Company, issue, grant options over, or otherwise dispose of unissued shares in the Company on the terms, at the issue price, with the rights, and at the times the Directors decide. The Company may issue preference shares.

(i) Liability on Shares

As the Shares to be issued pursuant to this Prospectus, and Shares to be issued following the exercise of Attaching Options granted pursuant to this Prospectus are all fully paid Shares, they are not subject to any calls for money and will therefore not become liable to forfeiture.

(j) Alteration of Constitution

The Constitution can only be amended by a special resolution passed by at least three quarters of shareholders present and voting at a general meeting. At least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.

(k) ASX Listing Rules

If the Company is admitted to the Official List of the ASX, then despite anything in the Constitution, if ASX Listing Rules prohibit an act being done, the act must not be done. Nothing in the Constitution prevents an act being done that the ASX Listing Rules require to be done. If ASX Listing Rules require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be). If the ASX Listing Rules require the Constitution to contain a provision or not to contain a provision, the Constitution is deemed to contain that provision or not to contain that provision (as the case may be). If any provision of the Constitution is or becomes inconsistent with the ASX Listing Rules, the Constitution is deemed not to contain that provision to the extent of the inconsistency.

12.3 TERMS AND CONDITIONS OF THE ATTACHING OPTIONS

Set out below are the terms and conditions of the Attaching Options offered by this Prospectus:

(a) Entitlement

Each option entitles the optionholder to subscribe for one fully paid ordinary share in the capital of the Company.

(b) Issue price

Each option is attached to an existing share and no further amount is payable on issue of the options.

(c) Exercise price

The exercise price of each option is 20 cents.

(d) Option period

Each option may be exercised at any time before 4pm Sydney NSW time on 31 December 2006. An option not exercised automatically expires at 4pm Sydney NSW time on 31 December 2006.

(e) Certificate

The Company must give each optionholder a certificate or holding statement stating:

- A. the number of options issued to the optionholder;
- B. the exercise price of the options;
- C. the date of issue of the options.

12 ADDITIONAL INFORMATION

- (f) **Participation rights, bonus issues, rights issues and reorganisations**
- (i) **Participation**
An optionholder is not entitled to participate in any new issue to existing shareholders of securities in the Company unless it has exercised its options before the record date for determining entitlements to the new issue of securities and participates as a result of holding shares.
- (ii) **Notice of new issue**
The Company must give an optionholder, in accordance with the ASX Listing Rules, notice of:
- i. the proposed terms of the issue or offer proposed under clause (i); and
 - ii. the right to exercise its options under clause (i).
- (iii) **Bonus issues**
If the Company makes a bonus issue of shares or other securities to shareholders (except an issue in lieu of dividends or by way of dividend reinvestment) and no share has been issued in respect of the option before the record date for determining entitlements to the issue, then the number of underlying shares over which the option is exercisable is increased by the number of shares which the optionholder would have received if the optionholder had exercised the option before the record date for determining entitlements to the issue, in accordance with the ASX Listing Rules.
- (iv) **Pro rata issues**
If the Company makes a pro rata issue of shares (except a bonus issue) to existing shareholders (except an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) and no share has been issued in respect of the option before the record date for determining entitlements to the issue, the exercise price of each option is reduced in accordance with the ASX Listing Rules.
- (v) **Reorganisation**
If there is a reorganisation (including consolidation, sub-division, reduction or return) of the share capital of the Company, then the rights of the optionholder (including the number of options to which each optionholder is entitled and the exercise price) is changed to the extent necessary to comply with the ASX Listing Rules applying to a reorganisation of capital at the time of the reorganisation.
- (vi) **Calculations and adjustments**
Any calculations or adjustments which are required to be made under clause (f) will be made by the Board of the Company and will, in the absence of manifest error, be final and conclusive and binding on the Company and the optionholder.
- (vii) **Notice of change**
The Company must within a reasonable period give to each optionholder notice of any change under clause (f) to the exercise price of any options held by an optionholder or the number of shares for which the optionholder is entitled to subscribe on exercise of an option.
- (g) **Method of exercise of options**
- (i) **Method and payment**
To exercise options, the optionholder must give the Company or its share registry, at the same time:
- A. a written exercise notice (in the form approved by the board of the Company from time to time) specifying the number of options being exercised and shares to be issued;
 - B. payment of the exercise price for the shares the subject of the exercise notice by way of bank cheque or by other means of payment approved by the Company; and
 - C. the certificate for the options.

(ii) Exercise all or some options

- A. An optionholder may only exercise options in multiples of 1,000 unless the optionholder exercises all options held by the optionholder.
- B. Options will be deemed to have been exercised on the date the application is lodged with the directors of the Company.

(iii) Option certificates

If an optionholder exercises less than the total number of options registered in the optionholder's name:

- A. the optionholder must surrender its option certificate (if any); and
- B. the Company must cancel the option certificate (if any) and issue the optionholder a new option certificate or holding statement stating the remaining number of options held by the optionholder.

(iv) Issue of shares

Within 10 days after receiving an application for exercise of options and payment by an optionholder of the exercise price, the Company must issue the optionholder the number of fully paid ordinary shares in the capital of the Company specified in the application.

(h) Ranking of shares issued on exercise of options

Subject to the Company's constitution, all shares issued on the exercise of options rank in all respects (including rights relating to dividends) *pari passu* with the existing ordinary shares of the Company at the date of issue.

(i) Quotation

The Company will apply to Australian Stock Exchange Limited for official quotation of :

- (i) the options; and
- (ii) the shares issued on exercise of options.

(j) Governing law

These terms and the rights and obligations of optionholders are governed by the laws of South Australia. Each participant irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of South Australia.

12.4 TERMS AND CONDITIONS OF EXISTING OPTIONS

The terms and conditions of the Existing Options are the same as the terms and conditions for the Attaching Options, as set out in the preceding paragraph of this Prospectus.

12.5 LITIGATION

- (a) Legal proceedings may arise from time to time in the course of the Company's business. As at the date of this Prospectus, the Company is not involved in any legal proceedings, nor so far as the Directors are aware, are any legal proceedings pending or threatened against the Company the outcome of which will have a material adverse effect on the business or financial position of the Company, other than the legal proceedings mentioned in sub paragraph (b).
- (b) The Company is a plaintiff with Elias Christianos in an action brought by it in Action No. 2942 of 2003 in the Supreme Court of New South Wales Sydney Registry Equity Division against GTN Resources Limited, Great Northern Mining Limited and Kerry Heywood. In this action, the plaintiffs seek declarations and resulting orders in relation to contracts that they had with the defendants or one of them for:
 - (i) either the purchase of certain mining tenements (and other assets) held by the second defendant; or
 - (ii) a right of first refusal in respect of such mining tenements; or
 - (iii) the purchase from the first defendant of all shares which it holds (being in fact the total number) in the second defendant; or
 - (iv) a right of first refusal in respect of those shares.

12 ADDITIONAL INFORMATION

The declarations sought were that there were binding agreements for sale. The other orders sought were for specific performance of the agreements, injunctions restraining sale to third parties and damages. In the alternative, the plaintiffs sought damages under section 82 of the *Trade Practices Act 1974* against each of the defendants in respect of an alleged contravention of section 52 of the *Trade Practices Act 1974* by each of the first and second defendant and in respect of the third defendant for being a person alleged to be involved in the said contravention within sections 75B and 82 of the *Trade Practices Act*.

There is no cross claim by any of the defendants against the plaintiffs and so the exposure for Company is the risk of being unsuccessful in the action and having to bear its own legal costs without contribution from the defendants and having an order imposed on it to pay the defendants legal costs. It is not possible to quantify this potential exposure at this time.

It is not expected that the action will come on for trial in this current financial year.

12.6 CONSENTS

Each of the parties referred to in this Section 12.6:

- (a) does not make the Offer;
- (b) other than as specified in this Prospectus, does not make, or purport to make, any statement that is included in this Prospectus, or a statement on which a statement made in this Prospectus is based, other than as specified in this Section; and
- (c) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name and a statement included in the Prospectus with the consent of the party as specified in this Prospectus.

The following parties have given (and not before the date of this Prospectus withdrawn) their consent to the inclusion of the following information in this Prospectus in the form and context in which it appears.

- (a) RSM Bird Cameron Corporate Pty Ltd has given its written consent to be named as the Investigating Accountant of the Company and to the inclusion of the reports entitled “Independent Review of Director’s Forecasts” and “Investigating Accountant’s Report” included in the Prospectus in the form and context in which they appear.
- (b) BR Senior and Associates Pty Limited has given its written consent to be named as the Independent Geologist and to the inclusion of the reports entitled “A review of sapphire gemstone Mining Leases and Mining Lease Application areas, within the Queensland Sapphire Gemfields and “An Independent Valuation of the Sapphire Sales and Resources within Australis Mining Corporation Ltd Proven Sapphire Reserve, Queensland” together with statements purporting to be based on those reports included in the Prospectus in the form and context in which they appear.
- (c) MacGillivrays Solicitors has given its written consent to be named as the Independent Solicitor and to the inclusion of the report entitled “Solicitor’s Report” together with statements purporting to be based on those reports included in the Prospectus in the form and context in which they appear.
- (d) Behre Dolbear Australia Pty Limited as the Independent Technical Adviser to the inclusion of a report entitled “Independent Technical Review of Cost Estimate”.

The following parties have given (and not before the date of this prospectus withdrawn) their written consent to be named in this prospectus in the form and context in which they are named:

Axis Financial Group (Australia) Limited, a Sponsoring Broker to the Issue
Baker Young Stockbrokers Limited, a Sponsoring Broker to the Issue
Minter Ellison, Solicitors to the Issue and to the Company
Registries Limited, Share Registrar to the Company
RSM Bird Cameron Partners as auditors in this Prospectus..

12.7 INTERESTS OF EXPERTS, CONSULTANTS AND PARTIES WHO HAVE CONSENTED TO BE NAMED

The nature and extent of the interests (if any) that:

- (a) a person named in the Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of the Prospectus;
- (b) a promoter of the Company; or
- (c) any underwriter (but not a sub-underwriter) to the Issue,

holds, or held at any time during the last 2 years in:

- (a) the formation or promotion of the Company;
- (b) property acquired or to be acquired by the Company in connection with:
 - (i) its formation or promotion; or
 - (ii) the Offer; or
- (c) the Offer,

is set out below.

The amount that anyone has paid or agreed to pay, or the nature and value of any benefit anyone has given or agreed to give for services provided by:

- (a) a person named in the Prospectus, as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of the Prospectus;
- (b) a promoter of the Company; or
- (c) any underwriter (but not a sub-underwriter) to the Issue,

in connection with:

- (a) the formation or promotion of the Company; or
- (b) the Offer,

is set out below.

Axis Financial Group (Australia) Limited

Axis Financial Group (Australia) Limited is a Sponsoring Broker to the Issue. Axis Financial Group (Australia) Limited is entitled to be paid a base fee of \$15,000 (plus GST) and a variable fee equal to 6% of the Application Moneys raised by the Offer arranged by Axis.

Baker Young Stockbrokers Limited

Baker Young Stockbrokers Limited is a Sponsoring Broker to the Issue. Baker Young Stockbrokers Limited is entitled to be paid a base fee of \$25,000 (plus GST) and a variable fee equal to 6% of the Application Moneys raised by the Offer arranged by Baker Young.

RSM Bird Cameron Corporate Pty Ltd

RSM Bird Cameron Corporate Pty Ltd are entitled to be paid \$40,847.00 (plus GST) for preparation of the Investigating Accountant's Report, and the Independent Review of Directors' Forecasts and for assistance to the Company in relation to the due diligence process associated with the issue of this Prospectus.

BR Senior and Associates Pty Limited

BR Senior and Associates Pty Limited are entitled to be paid \$22,039.00 (plus GST) for preparation of the Independent Geologist Report and for assistance to the Company in relation to the due diligence process associated with the issue of this Prospectus.

Minter Ellison

Minter Ellison are entitled to be paid \$100,000.00 (plus GST) for advice and assistance in relation to certain aspects of this Prospectus, assisting the Company in relation to its due diligence regime and enquiries and in relation to its application and admission to ASX.

MacGillivrays Solicitors, are entitled to be paid \$10,167.00 (plus GST) for advice and assistance in relation to the Solicitors Report for the tenements.

Readhead Pullinger Lucas carried out certain due diligence enquiries in relation to the Prospectus and have provided legal advice to the Company. A sum of \$50,000.00 (plus GST) has been paid to Readhead Pullinger Lucas for those services.

12 ADDITIONAL INFORMATION

Registries Limited

Registries Limited has been engaged by the Company to maintain its share registry. The Company has paid or agreed to pay total fees of \$3,500 (plus GST) for this work.

12.8 INTERESTS OF DIRECTORS

The nature and extent of the interest (if any) that any of the Directors of the Company holds, or held at any time during the last two years in:

- (a) the formation or promotion of the Company;
- (b) property acquired or to be acquired by the Company in connection with:
 - (i) its formation or promotion; or
 - (ii) the Offer; or
- (c) the Offer,

is set out in this Section 12 under “Executive Directors’ Remuneration”, in Section 11.5 “Director’s Deeds of Indemnity” and below.

The amount that anyone has paid or agreed to pay, or the nature and value of any benefit anyone has given or agreed to give:

- (a) to a Director to induce them to become, or to qualify as, a Director of the Company; and
- (b) for services provided by a Director in connection with:
 - (i) the formation or promotion of the Company; or
 - (ii) the Offer,

is set out in this Section 12 under “Executive Directors’ Remuneration”, in Section 11.5 “Directors’ Deeds of Indemnity” and below.

Remuneration of Directors

(a) Non-executive Directors’ Remuneration

In accordance with the Constitution of the Company, the existing Shareholders of the Company as at the date of this Prospectus have determined in general meeting that the maximum non-executive Director remuneration will be \$250,000 per annum.

The Directors have resolved that William “Bill” DuChatel, in his capacity as the non-executive chairman, will be paid \$60,000 per annum and each of Ted Tzovaras and Keith Taylor, in their capacities as the non-executive directors, will each be paid \$40,000 per annum.

A Director may also be paid fees or other amounts as the Directors determine if a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. A Director may also be reimbursed for out of pocket expenses incurred as a result of their directorship or any special duties.

(b) Executive Directors’ Remuneration

Each of Anthony Damianos and Robert Coenraads as executive Directors of the Company, will also receive a salary and other benefits as employees of the Company. Refer to Section 11.4 for further details of each of their executive services contracts with the Company.

Directors’ Holdings of Securities

The Directors in the Company held the following Shares and Options in the Company immediately before lodgement of the Prospectus with ASIC. Interests include those held directly and indirectly.

Directors

C.W (Bill) DuChatel
Anthony M. Damianos
Ted Tzovaras

Robert Coenraads

Keith Taylor

Elias Christianos

(Alternate for Ted Tzovaras)

Securities Held

A holding of 500,000 Shares and 500,000 Existing Options.

Nil

A 20% beneficial interest in Nikiticorp (L) BHD which has a total holding of 48 million shares in Australis.

Indirect holding of 400,000 Shares and 400,000 Existing Options

Nil

An 80% beneficial interest in Nikiticorp (L) BHD which has a total holding of 48 million Shares in Australis.

Other Interests

Mr Ted Tzovaras is a non-executive Director and has previously provided legal advice and other legal services to the Company. Work carried out by Mr Tzovaras but not yet billed amounts to the sum of \$338,181.00.

Mr Keith Taylor is a Non-Executive Director of Australis and a Director of the Axis Financial Group (Australia) Limited, a sponsoring broker to the Issue. Axis Financial Group (Australia) Limited will be paid the fee referred to in Section 12.6.

Mr Anthony Damianos is an Executive Director of the Company and is entitled to be paid the sum of \$111,615.00 on account of unpaid wages and expenses owed to him by JMO.

12.9 ISSUE EXPENSES

If the Minimum Subscription is raised, the total estimated costs of the Issue including accounting fees, legal fees, printing and design costs and application fees and other associated and sundry expenses associated with the Issue are estimated to be approximately \$742,00.00. If the Offer is fully subscribed and the maximum Oversubscriptions are received, the total estimated costs of the Issue will be approximately \$882,000.00

	Minimum*	Maximum**
Financial Advisory Fees	\$70,000	\$90,000
Brokerage Fees	\$210,000	\$310,000
Legal Fees	\$150,000	\$150,000
Accountant's Fees	\$41,000	\$41,000
Expert's Reports	\$40,000	\$40,000
ASX, ASIC and Registry fees	\$47,000	\$50,000
Printing, Marketing and Distribution	\$80,000	\$90,000
Other	\$104,000	\$111,000
TOTAL	\$742,000	\$882,000
Less: paid to October 2004	\$197,000	\$197,000
Issue costs payable from capital raising.	\$545,000	\$685,000

* Assumes Minimum Subscription is achieved.

** Assumes Maximum Oversubscriptions are taken up under the Offer.

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13 DIRECTORS' STATEMENT

The Directors report that, in their opinion, since the date of the financial information set out in Section 8 of this Prospectus and referred to in the Independent Accountant's Report, there have not been any circumstances that have materially affected or will materially affect the value of the assets and liabilities of the Company, except as disclosed in this Prospectus.

The Directors state that they have made all enquiries that were reasonable in the circumstances and after doing so have reasonable grounds to believe that statements made by the Directors in this Prospectus are not misleading or deceptive. In relation to any statement made in this Prospectus by persons other than the Directors, the Directors have made enquiries that were reasonable in the circumstances and after doing so have reasonable grounds to believe that the persons making the statement or statements are reliable and competent in relation to the statements concerned. Those persons have given their consents to statements being included in this Prospectus in the form and context in which they appear and have not withdrawn that consent before lodgement of this Prospectus with ASIC.

This Prospectus is issued by Australis Mining Corporation Limited. The issue of this Prospectus has been authorised by the Directors and this Prospectus has been signed by the Chairman on behalf of the Directors. Each Director has consented to the lodgement and issue of this Prospectus with ASIC and has not withdrawn that consent.



C W (Bill) DuChatel
Chairman



SECTION
GLOSSARY

14



14 GLOSSARY

The following defined terms, but not geological terms, apply throughout this Prospectus unless the context requires otherwise:

- “\$” means Australian dollars unless otherwise specified;
- “**Allotment Date**” means the date of allotment of New Shares in accordance with the Prospectus;
- “**Alluvial placer**” means a surficial mineral deposit formed by mechanical concentration of heavy mineral particles from weathered rocks in a river valley;
- “**Applicant**” means a person who completes and lodges an Application Form;
- “**Application Form**” means the application form attached to this Prospectus;
- “**Application Moneys**” means the amount of money payable for Shares at 20 cents per Share pursuant to this Prospectus;
- “**ASIC**” means Australian Securities & Investments Commission;
- “**ASTC**” means ASX Settlement and Transfer Corporation Pty Ltd ABN 49 008 504 532
- “**ASTC Settlement Rules**” means the Settlement Rules of ASTC
- “**ASX**” means Australian Stock Exchange Limited ACN 008 624 691;
- “**ASX Listing Rules**” means the official listing rules of ASX and any other rules of ASX which apply while the Company is a listed company, each as amended or replaced from time to time except to the extent of any express written waiver by ASX;
- “**Attaching Options**” means Options on the terms set out in Section 12.3 of this Prospectus that the Company will issue at no additional cost to all successful Applicants for New Shares;
- “**Australis**” means Australis Mining Corporation Limited (ACN 108 649 421);
- “**Basaltic lava**” means a general term for a dark coloured extrusive igneous rock composed chiefly of calcic plagioclase and clinopyroxene;
- “**CHESS**” means the Clearing House Electronic Sub-register System;
- “**Closing Date**” means the last date for receipt of completed Application Forms for the Offer which is 31st December 2004 or such other date and time as the Directors in their absolute discretion may determine;
- “**the Company**” means Australis Mining Corporation Limited (ACN 108 649 421);
- “**Corporations Act**” means the Corporations Act 2001 (Cth);
- “**Corundum**” means a mineral Al_2O_3 including the gem varieties of sapphire and ruby;
- “**Devonian**” a period of the Palaeozoic era (after the Silurian and before the Carboniferous) between 400 and 345 million years ago;
- “**Directors**” or “**Board of Directors**” means the directors of the Company as at the date of this Prospectus;
- “**Economic Entity**” means Australis and its controlled entities;
- “**Escrow**” means a period of trading restrictions on securities;
- “**EST**” means Eastern Standard Time;
- “**Existing Options**” means the Options on issue at the date of the Offer;
- “**Existing Securities**” means the Existing Shares and Existing Options;
- “**Existing Shares**” means ordinary shares in the Company on issue at the date of the Offer;
- “**Expiry Date**” means in relation to the Attaching Options, 31 December 2006;
- “**Exposure Period**” means the period of 7 days after the date of lodgement of this Prospectus, which period may be extended by ASIC by not more than 7 days pursuant to section 727(3) of the Corporations Act;
- “**Gamma-ray logging**” means a bore hole sensor that measures variations in the natural radioactivity of rock types;
- “**Igneous**” means a rock that solidified from molten or partly molten material;
- “**Ilmenite**” means a black, iron titanium mineral $FeTiO_3$ that may occur with other heavy minerals in alluvial placers;
- “**Indicated Resource**” means it has a lower level of confidence than that applying to a measured resource but a higher level of confidence than that applied to an inferred resource (see JORC Code);

“Inferred Resource” means that part of the sapphire palaeochannel deposit for which tonnage and grade can only be estimated with a low level of confidence. It is inferred from geological evidence of continuity (see JORC Code);

“Issue” means the issue of up to 17,500,000 Shares at 20 cents per fully paid and 8,750,000 Attaching Options expiring 31 December 2006 at no additional cost under this Prospectus;

“JMO” is the subsidiary company Junior Mining (Operations) Pty Ltd (ACN 081 347 891) now called Australis Mining Operations Qld Pty Ltd;

“JMO Guaranteed Third Party Loans” means moneys borrowed by JMO from unrelated third parties for which guarantees have been provided by any director of JMO (and which at the date of this Prospectus solely comprises the RESI Loan);

“JMO Related Party Loan” means the loan of \$2,961,741.00 made by Elias Christianos to JMO prior to April 2004;

“JMO Trade Debts” means the trade debts of JMO recorded in the books and records of JMO;

“JORC Code” means the “Australasian Code for Reporting on Mineral Deposits and Ore Reserves”. The code ensures that standard reporting terminology is used within the Prospectus;

“Magnetic separator” means a device with a strong magnetic field that is used for separating magnetic from non-magnetic mineral grains;

“Magnetite” means a black, strongly magnetic, opaque mineral of the spinel group Fe_3O_4 , that may occur with other heavy minerals in placer deposits;

“Measured Resource” refers to that proportion of the sapphire deposit for which physical characteristics, such as tonnage and grade, can be estimated with a high level of confidence based on detailed exploration sampling (see JORC Code);

“Minimum Subscription” means the minimum raising of \$3,500,000 by the acceptance of Applications for 17,500,000 ordinary shares at 20 cents each pursuant to this Prospectus;

“Monazite” means a yellow, brown or reddish brown mineral $(Ce,La,Nd,Th)(PO_4,SiO_4)$. It is a rare earth phosphate with appreciable substitution of thorium for rare earths and may occur with other heavy minerals in placer deposits;

“New Shares” means ordinary shares in the Company issued pursuant to the Offer;

“Nikiticorp” means Nikiticorp (L) BHD a corporation incorporated in Malaysia;

“Offer” means the offer of New Shares and Attaching Options pursuant to this Prospectus;

“Offer Period” means the period commencing on the Opening Date and ending on the Closing Date;

“Offer Price” means \$0.20 per New Share;

“Opening Date” means the first date for receipt of completed Application Forms which is 29th November 2004;

“Option” means a right to subscribe for a Share;

“Optionholder” means the holder of an Option;

“Overburden” means the loose soil, silt, sand, gravel or other unconsolidated material overlying the sapphire wash;

“Oversubscriptions” means a total of 12,500,000 New Shares at \$0.20 each to raise \$2.5 million, if fully subscribed, with 1 Attaching Option at no additional cost for every 2 New Shares subscribed;

“Palaeochannel” means a remnant of a stream channel cut in older sediments or ‘basement’ and filled with younger sediments within a buried stream channel;

“Prospectus” means this Prospectus dated 19th November 2004;

“Proven Reserve or Proven Sapphire Reserve” refers to those portions of the measured sapphire resource with an estimated tonnage and grade that form the basis of a viable project after taking into account all mining, economic, marketing, legal, environmental, social and government factors (see JORC Code);

“QSM” means Queensland Sapphires Mining Pty. Ltd. ACN 092 502 291;

“Quaternary” means the second period of the Cainozoic (or Cenozoic) era covering the span of time between 3 to 2 million years and the present;

“RAB drilling” means Reverse Air Blast drilling is a drilling method that uses compressed air to cool the drill bit and blow the drill cuttings to the surface;

“Regolith” means a general term for the layer or mantle of fragmental and unconsolidated rock material, whether residual or transported and of highly varied character, that nearly everywhere forms the surface of the land and overlies or covers bedrock;

14 GLOSSARY

“**RESI Charge**” means the charge referred to in Section 11.10;

“**RESI Loan**” means the loan of \$500,000 made by Residential Housing Corporation Pty. Limited ACN 003 490 319 to JMO under the RESI Loan Deed, plus accrued interest, fees and costs;

“**RESI Loan Deed**” means the deed referred to in Section 11.9;

“**Rutile**” means a reddish-brown mineral TiO_2 that may occur with other heavy minerals in placer deposits;

“**Sapphire**” means a gem quality corundum Al_2O_3 other than ruby. Especially the blue transparent and coloured varieties of crystalline corundum containing small amounts of oxides of iron and titanium;

“**Securities**” means Shares and Options;

“**Shareholder**” means a holder of a Share(s) in the Company;

“**Shares**” means ordinary fully paid shares in the capital of the Company;

“**Spinel**” means a mineral of the spinel group $MgAl_2O_4$ that may occur along with other heavy minerals in placer deposits;

“**Tertiary**” means the first period of the Cainozoic (or Cenozoic) era covering the span of time between 65 and 3 to 2 million years ago;

“**Volcanoclastics**” means fragmental material ejected from a volcanic vent;

“**Zircon**” means a reddish-orange, semi-precious gem mineral $ZrSiO_4$.

Pin cheque here (do not staple)

Australis Mining Corporation Limited
ACN 108 649 421

APPLICATION FORM

To meet the requirements of the Corporations Act, this Application Form must not be handed on unless attached to the Prospectus.

REGISTRARS USE ONLY

Fill out this Application Form if you want to apply for Shares and 1:2 Attaching Options at no additional cost in Australis Mining Corporation Limited

- Follow instructions overleaf to complete this Application Form.
- Print clearly in capital letters using black or blue ink.

Broker's Stamp

Broker's Code	Adviser
<input type="text"/>	<input type="text"/>

A I/We apply for Number of Shares in Australis Mining Corporation Limited at 20 cents per Share or such lesser number of Shares which may be allocated to me/us by the Company.

B I/We lodge full application moneys @ 20 cents per share
A\$, .00

C **Single/Joint Applicant No.1** - refer overleaf for correct forms of registrable title(s)
 Title Given name(s) Surname

Joint Applicant No.2 or account Designation
 Title Given name(s) Surname

D **Enter your postal address details - include State and Postcode**
 Unit number Street number Post Office Box or other Mail Box details (if applicable)
 or
 Street Name
 Suburb/City State Postcode

E Contact Name Home Telephone Number
 ()
 e-mail Address Work Telephone Number
 ()

F CHESS Participant - HIN (optional)

G Enter your Tax File Number(s) or exemption category

H Lodge your **Application Form as soon as possible**. Pin your cheque above - Cheques should be crossed Not Negotiable and made payable to: **Australis Mining Corporation Limited Share Applications Account**

Cheque Details

Drawer	Bank	BSB	Amount of Cheque
<input type="text"/>	<input type="text"/>	<input type="text"/>	\$ <input type="text"/> , <input type="text"/> .00
<input type="text"/>	<input type="text"/>	<input type="text"/>	\$ <input type="text"/> , <input type="text"/> .00

By lodging this application form, I/We declare that this application is completed and lodged according to the Prospectus and the declarations/statements on the reverse of this application form and declare that all details and statements made by me/us (including the declarations on the reverse of this form) are complete and accurate. I/We agree to be bound by the Constitution of Australis Mining Corporation Limited and agree to the issue to me/us of any number of ordinary shares equal to or less than the number of ordinary shares indicated in Section A above which may be issued to me/us pursuant to the Prospectus. If this Application Form has been received electronically, then I/We have received personally the Electronic Prospectus, or a print out of it, accompanied by or attached to the application form before applying for shares.

You should read the Prospectus carefully before completing this Application Form.

HOW TO COMPLETE THE APPLICATION FORM

Please complete all relevant sections of the Application Form using **BLOCK LETTERS**

- A** Enter the **NUMBER OF SHARES** you wish to apply for.
Applications must be for a minimum of 10,000 Shares (\$2,000)
- B** Enter the **TOTAL AMOUNT** of application money payable.
To calculate this amount, multiply the number of shares applied for by 20 cents
Mark the first box if you are an existing shareholder, which gives you a priority entitlement.
Mark the second box if you have made a priority registration for an allocation of shares.
- C** Enter the **FULL NAME(S)** and **TITLE(S)** of all legal entities that are to be recorded as the registered holder(s).
Refer to the Name Standards below for guidance on valid registration.
- D** Enter the **POSTAL ADDRESS** for all communications from Australis Mining Corporation Limited. Only one address can be recorded.
- E** Enter telephone numbers and a contact person the registry can speak with if they have any queries regarding this application.
- F** If you are sponsored in **CHESS** by a stockbroker or other **CHESS** participant enter your Holder Identification Number (HIN) - optional.
- G** Enter the **TAX FILE NUMBER(s)** (TFN) or exemption category of the applicants. Where applicable, please enter the TFN for each joint applicant. Collection of TFN's is authorised by taxation laws. However, it is not compulsory to provide your TFN. Tax may be withheld from any dividend should you choose not to provide your TFN.
- H** Payment must be made in **Australian currency** and cheques must be drawn on an Australian bank or financial institution. Cheques or bank drafts must be payable to **Australis Mining Corporation Limited Share Applications Account** and crossed **Not Negotiable**.
Cheques not properly drawn may be rejected.
Cheques will generally be deposited on the day of receipt.

Forward your completed Application together with the Application Money to:

Australis Mining Corporation Limited Share Offer

c/o Axis Financial Group (Australia) Ltd, Level 25, 56 Pitt Street, Sydney, NSW 2000 OR

c/o Baker Young Stockbrokers Limited, Level 4, 81 Flinders Street, Adelaide, SA 5000

IMPORTANT NOTICE IF YOU OBTAINED AN ELECTRONIC COPY OF THE PROSPECTUS

This Prospectus expires 18 December 2005. The Corporations Act prohibits any person from passing on to another person the application form that was attached to the electronic copy of the Prospectus unless the application form is attached to a complete and unaltered copy of the electronic Prospectus. You should read the Prospectus before applying. Australis Mining Corporation Limited will send you, at no charge on request, a paper copy of the electronic Prospectus if you ask for one during the offer period described in the Prospectus. If you apply for shares on the basis of the application form attached to the electronic Prospectus, you are deemed to declare to Australis Mining Corporation Limited that you received personally the electronic Prospectus, or a print out of it, attached to the application form before applying for shares. If you give another person access to this Application Form you must at the same time and by the same means give the other person access to the Prospectus and any supplementary prospectus.

Name Standard Note that only legal entities are allowed to hold Shares. Applications must be in the name of a natural person or natural persons, company or other legal entity acceptable to Australis Mining Corporation Limited. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the example of correct forms of registrable title below:

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual Use given names in full, not initials	Mr John Alfred Smith	J A Smith
Company Use the company's full title, not abbreviations	ABC Pty Ltd	ABC P/L or ABC Co
Joint Holdings Use full and complete names	Mr Peter Robert Williams & Ms Louise Susan Williams	Peter Robert & Louise S Williams
Trusts Use the trustee(s) personal name(s).	Mrs Susan Jane Smith <Sue Smith Family A/C>	Sue Smith Family Trust
Deceased Estates Use the executor(s) personal name(s).	Ms Jane Mary Smith & Mr Frank William Smith <Est John Smith A/C>	Estate of late John Smith or John Smith Deceased
Minor (a person under the age of 18) Use the name of a responsible adult with an appropriate designation.	Mr John Alfred Smith <Peter Smith A/C>	Master Peter Smith
Partnerships Use the partner's personal names.	Mr John Robert Smith & <John Smith and Son A/C>	John Smith and Son
Long Names.	Mr John William Alexander Robertson-Smith	Mr John W A Robertson-Smith
Clubs/Unincorporated Bodies/Business Names Use office bearer(s) personal name(s).	Mr Michael Peter Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds Use the name of the trustee of the fund.	Jane Smith Pty Ltd <Super Fund A/C>	Jane Smith Pty Ltd Superannuation Fund

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- E** Enter telephone numbers and a contact person the registry can speak with if they have any queries regarding this application.
- F** If you are sponsored in CHESSE by a stockbroker or other CHESSE participant enter your Holder Identification Number (HIN) - optional.
- G** Enter the TAX FILE NUMBER(s) (TFN) or exemption category of the applicants. Where applicable, please enter the TFN for each joint applicant. Collection of TFN's is authorised by taxation laws. However, it is not compulsory to provide your TFN. Tax may be withheld from any dividend should you choose not to provide your TFN.
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Trusts	Mrs Susan Jane Smith Use the trustee(s) personal name(s). <Sue Smith Family A/C>	Sue Smith Family Trust
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AUSTRALIS MINING CORPORATION

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