

30 October 2009

The Manager
Company Announcements Office
Australia Stock Exchange Limited
Level 4, 20 Bridge Street
Sydney NSW 2000

Re: Notice of Annual General Meeting

Further to the ASX released of the 2009 Annual Report herewith is the Notice of Annual General Meeting and appointment of proxy form, which is being despatched to all shareholders today Friday 30 October 2009.

The Meeting will be held on Monday 30 November 2009 at 11:00 am at the company's registered office, Level 45, 2 Park Street, Sydney NSW 2000.

For and on behalf of the Directors of Augur Resources Ltd



Marcelo Mora
Company Secretary.

Augur Resources Limited
ACN 106 879 690

**NOTICE OF ANNUAL GENERAL
MEETING**

AND

EXPLANATORY MEMORANDUM

A PROXY FORM IS ENCLOSED

THIS DOCUMENT IS IMPORTANT

If you do not understand this document or are in any doubt as to how to deal with this document, you should consult your sharebroker, solicitor, accountant or other professional advisor immediately.

If you are unable to attend the meeting please complete and return the enclosed proxy form in accordance with the specified instructions.

Augur Resources Limited

ACN 106 879 690

Notice of Annual General Meeting

Notice is given that the 2009 Annual General Meeting of Augur Resources Limited ("**Augur**" or "**Company**") will be held at the Company's registered office located at Level 45, Citigroup Tower, 2 Park Street, Sydney, NSW, on Monday, 30 November 2009 at 11.00 am.

Ordinary Business

1. Financial Statements

To consider and receive the Financial Report, the Directors' Report and the Auditor's Report of the Company for the year ended 30 June 2009.

2. Remuneration Report

To consider and, if thought fit, to pass the following as an ordinary resolution:

"To adopt the Remuneration Report of the Company for the year ended 30 June 2009."

3. Re-election of Mr Shinji Yamamoto as Director

To consider, and if thought fit, to pass the following as an ordinary resolution:

"That Mr Shinji Yamamoto, who having been appointed as a director of the Company on 1 April 2009 in accordance with the Constitution, and being eligible, offers himself for re-election as a Director of the Company."

4. Re-election of Mr Fye Hong as Director

To consider, and if thought fit, to pass the following as an ordinary resolution:

"That Mr Fye Hong, who having been appointed as a director of the Company on 1 April 2009 in accordance with the Constitution, and being eligible, offers himself for re-election as a Director of the Company."

Special Business

5. Modification to the terms of the ESOP

To consider, and if thought fit, to pass the following as an ordinary resolution:

"That options issued to Directors of the Company under the Employee Share and Option Plan ("**Options**") be able to retain their Options until the expiry date of the Options beyond termination of their services to the Company (the terms and conditions of which are described in the Explanatory Memorandum accompanying the Notice of Meeting convening this meeting)."

Voting Exclusion Statement

The Company will disregard any votes cast on resolution 5 by any of the Directors of the Company or their associates.

However, the Company need not disregard a vote if:

(a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or

(b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

6. Modification to the terms of the ESOP

To consider and, if thought fit, to pass the following as an ordinary resolution:

"That the expiry date of the Options issued pursuant to the Employee Share and Option Plan be modified to three years from the date that such Options were issued to the holders of the Options (the terms and conditions of which are described in the Explanatory Memorandum accompanying the Notice of Meeting convening this meeting)."

Voting Exclusion Statement

The Company will disregard any votes cast on resolution 6 by any of the above Directors of the Company or their associates.

However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

7. Approval of the Issue of Options - Mr Grant Kensington

To consider and, if thought fit, to pass the following as an ordinary resolution:

"That the issue of 500,000 Options to Mr Grant Kensington pursuant to the Augur Executive Share Option Plan ("**ESOP**") (the terms and conditions of which are described in the Explanatory Memorandum accompanying the Notice of Meeting convening this meeting), is approved for all purposes including for the purposes of ASX Listing Rule 10.14 and that approval be given for the exercise of these Options accordingly.

Voting Exclusion Statement

The Company will disregard any votes cast on resolution 7 by any of Mr Grant Kensington or his associates.

However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

8. Approval

To consider and, if thought fit, to pass the following as an ordinary resolution:

"That for the purposes of section 611 item 7 of the Corporations Act 2001 (Cth) the members of Augur Resources Limited ("**Augur**") approve the acquisition of 60 million Shares in Augur (representing 56.5739% of the issued ordinary capital in Augur) by Permgold Pty Ltd ("**Permgold**") from Ichiya Co., Ltd ("**Ichiya**") in two tranches on the terms and subject to the conditions specified in the Share Sale Agreement and the Put and Call Option Deed each dated 15 October 2009, between Permgold and Ichiya and referred to in the Explanatory Memorandum

accompanying this notice of annual general meeting.”

Explanatory memorandum

The Explanatory Memorandum accompanying and forming part of this notice of annual general meeting provides additional information on matters to be considered at the Annual General Meeting. The Explanatory Memorandum and the proxy form are part of this notice of annual general meeting.

Entitlement to vote

In accordance with regulation 7.11.37 of the Corporations Regulations 2001 (Cth), that for the purposes of determining voting entitlements at the annual general meeting, Shares will be taken to be held by the persons who are the registered holders at 7.00pm on 28 November 2009. Accordingly, share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the annual general meeting.

Proxies

1. A member entitled to attend and vote at the Annual General Meeting convened by this Notice of Meeting has a right to appoint a proxy to attend and vote instead of the member. The appointment of proxy may specify the proportion of number of votes that the proxy may exercise. Fractions of votes will be disregarded.
2. A proxy need not be a member and can be either an individual or a body corporate. If a member appoints a body corporate as a proxy, that body corporate will need to ensure that it:
 - appoints an individual as its corporate representative to exercise its powers at the meeting, in accordance with section 250D of the Corporations Act 2001 (Cth); and
 - provides satisfactory evidence of the appointment of its corporate representative prior to commencement of the meeting.

If such evidence is not received before the meeting, then the body corporate (through its representative) will not be permitted to act as a proxy.

3. A member that is entitled to cast two (2) or more votes may appoint up to two (2) proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If no proportion or number is specified, each proxy may exercise half of the shareholder's votes. Fractions of votes will be disregarded.
4. Appointment of a proxy by a member being a natural person must be under the hand of the member or of an attorney appointed in writing by the member.
5. Appointment of a proxy by a member being a body corporate must be under the common seal of the body corporate or under the hand of an attorney appointed in writing by the body corporate.
6. If signing under a power of attorney, the power of attorney must be deposited at the Company's registered office for inspection and return, when the proxy is lodged.
7. To vote by proxy, please complete and sign the proxy form enclosed and return it to the Company's share registry office:

Computershare Investor Services Pty Ltd
GPO Box 242 Melbourne
Victoria 3001 Australia

OR

by facsimile: 1800 783 447
(International: +61 3 9473 2555)

by no later than 11.00am on 28 November 2009.

By Order of the Board
Dated: 23 October 2009

Marcelo Mora
Company Secretary

Augur Resources Limited
ACN 106 879 690

Explanatory Memorandum

This Explanatory Memorandum has been prepared to assist members to understand the business to be put to members at the Annual General Meeting to be held at the Company's registered office located at Level 45, Citigroup Tower, 2 Park Street, Sydney, NSW, on Monday, 30 November 2009 at 11.00am.

1. Financial Report

The Financial Report, Directors' Report and Auditor's Report for the Company for the year ended 30 June 2009 will be laid before the meeting. There is no requirement for shareholders to approve these reports. However, the Chair of the meeting will allow a reasonable opportunity for shareholders to ask questions about or make comments on the management of the Company. Shareholders will be given a reasonable opportunity to ask the auditor questions about the conduct of the audit and the content of the Auditor's Report.

2. Remuneration Report

The remuneration report of the Company for the financial year ended 30 June 2009 ("**Remuneration Report**") is set out on pages 26 to 30 of the Company's 2009 annual report ("**Annual Report**"). The Remuneration Report sets out the Company's remuneration arrangements for directors, including the Managing Director and staff. The Chair of the meeting will allow a reasonable opportunity for Shareholders to ask questions about or make comments on the Remuneration Report at the meeting.

In addition, Shareholders will be asked to vote on the Remuneration Report. However, this vote is of an advisory nature only and does not bind the Company or its directors.

Voting on the remuneration report (Item 2 of the Notice of Meeting) will be determined by a poll at the meeting rather than a show of hands.

3. Re-election of Directors

The Company board ("**Board**") considers that individually and collectively the Directors need to bring a level of skill, knowledge and experience that enables the Board to discharge its responsibilities effectively.

The Board's policy on board composition is to ensure that at all times there will be an appropriate mix of skills and experience so as to provide, on an ongoing basis, the necessary breadth and depth of knowledge which is required to meet the Company's responsibilities and objectives.

Under Listing Rule 14.4, a director must not hold office without re-election past the third annual general meeting following the director's appointment or three years, whichever is longer. A director who retires in accordance with these requirements is eligible for re-election. This year, no Directors of the Company are due to retire at the end of the meeting by rotation and offer themselves for re-election to the Board.

The following directors were appointed during the year by the Board and are standing for re-election at the meeting:

Mr. Shinji Yamamoto

Mr. Shinji Yamamoto was appointed to the Board on 1 April 2009. Shinji's family are the founders of Ichiya Co., Ltd in Japan. Mr. Yamamoto holds a law degree from Teikyo University in Tokyo. From October 2004 to December 2006, he served as Director and Administration Division Vice Manager, subsequently, he was appointed to President and Representative Director of Ichiya.

In addition, in February 2007, he was appointed as Non-Executive Director of Sun Innovation Holdings Limited which shares are listed on the Hong Kong Stock Exchange.

He has 5 years of experience in company management developing an entrepreneurial talent for business which lead him to seek business opportunities outside Japan.

The remaining directors recommend that Mr. Yamamoto be re-elected

Mr Fye Hong

Mr Fye Hong was appointed to the Board on 1 April 2009. Mr. Hong has worked in the financial industry for over 20 years in both Japan and Hong Kong for Jardine Fleming Securities and later with Barclays Securities.

In 1999, Fye Hong led a buy-out of a Tokyo listed company Lux Corporation from the Korean firm Samsung Electronics and managed the operation for 3 years in Tokyo. Lux Corporation was a manufacturer in high-end audio sound equipment. In 2002, Fye Hong led a take-over of a Hong Kong listed company Mansion Group Ltd involved in fire prevention equipment. He expanded the business and led the group into operations in China. Mr Hong returned to Australia in 2005 where he manages the family business in property development and investments.

Fye is an Honours graduate in Building Architecture from the University of New South Wales and holds a diploma in Law from the University of Wolverhampton in the United Kingdom.

The remaining directors recommend that Mr. Hong be re-elected

Voting

Voting on the election of Directors will be determined by a poll at the meeting rather than a show of hands. Shareholders and proxy holders attending the meeting will be provided with poll voting cards. Shareholders not attending the meeting may use the enclosed Proxy Form.

4. Amendment of Employee Share Option Plan

Resolution 5 seeks member approval to amend the executive share option plan approved on 14 June 2007 ("**ESOP**") so that options issued to Company executives under the ESOP be able to retain their Options until the expiry date of the Options beyond termination of their services to the Company.

If Resolution 5 is passed, the ESOP will enable the Company to reward executives by allowing them to retain their Options after their employment with the Company has been terminated. The Company believes that it is desirable to make this amendment to ensure that executives are able to benefit from the results of their services to the Company, which may only accrue after they have left the Company.

Currently, clause 10 of the ESOP reads as follows:

“Unless otherwise determined by the Board, an Option issued to an Optionholder in respect of an Executive will expire on the earlier of the following:

- (a) the date shown as the Expiry Date on the face of the Option Certificate;
- (b) the date that the Executive is dismissed by the Company or a Related Body Corporate for fraud, defalcation or misconduct;
- (c) the date that the Executive resigns from the service of the Company or a Related Body Corporate, if the Executive resigns within 2 years after the Grant Date;
- (d) the date 7 days after the Executive resigns from the service of the Company or a Related Body Corporate, if the Executive resigns more than 2 years after the Grant Date;
- (e) the date 3 months after the Executive is retrenched from the service of the Company or a Related Body Corporate;
- (f) the date 1 year after the death or total and permanent disability (evidenced to the satisfaction of the Board) of the Executive.”

If Resolution 5 is passed, the new clause 10 of the ESOP will read as follows:

“Unless otherwise determined by the Board, an Option issued to an Optionholder in respect of an Executive will expire on the earlier of the following:

- (a) the date shown as the Expiry Date on the face of the Option Certificate; or
- (b) the date that the Executive is dismissed by the Company or a Related Body Corporate for fraud, defalcation or misconduct.”

The above amendment to the terms of the ESOP will only apply to Options issued after the date on which Resolution 5 is passed (assuming it is passed). The terms of all Options issued prior to this date pursuant to the ESOP remain unchanged.

The directors recommend the amendment to the ESOP.

5. Amendment of Employee Share Option Plan

Resolution 6 seeks to amend the ESOP so that the expiry date of Options issued pursuant to the ESOP will be three years from the date that such Options were issued to the holders of the Options. The Company believes that this is a desirable change in order to ensure that its executives are properly incentivised. In all other respects the ESOP will remain unaltered from the plan approved by Shareholders previously.

Currently, the term “Expiry Date” is defined in the ESOP to mean “the date which is five (5) years from the date of the Company’s admission to the Official List of the Australian Securities Exchange;”.

If Resolution 6 is passed, the definition of “Expiry Date” will mean “the date which is three years from the date that Options are issued to Option Holders.”

The above amendment to the terms of the ESOP will only apply to Options issued after the date on which Resolution 6 is passed (assuming it is passed). The terms of all Options issued prior to this date pursuant to the ESOP remain unchanged.

The directors recommend the amendment to the Employee Share Option Plan

6. Approval of Issue of Options

Under ASX Listing Rule 10.14, a Director of the Company may only participate in an employee share option plan where such participation is approved by a resolution of the Company in general meeting.

It is proposed to grant performance rights by way of options to subscribe for fully paid Shares in the Company to Mr Grant Kensington, the managing director of the Company, pursuant to the ESOP. This represents a long-term incentive component of the managing directors' remuneration packages.

Under the ASX Listing Rules, the following information is required to be provided in the Notice of Meeting to approve the granting of these performance rights:

Grant Kensington

- i The maximum number of Shares that may be acquired by Mr. Grant Kensington as a result of this Resolution to grant him 500,000 Options is 500,000 fully paid ordinary Shares (with the exact number being calculated in accordance with the terms of the ESOP).
- ii There is nil consideration for the issue of the Options. The exercise price for these Options is calculated as being a 25% premium to the volume weighted average of the ordinary Shares traded on the Australian Securities Exchange for the 15 Business Days preceding the grant date).
- iii There have been no other performance rights granted to Directors since the Company's 2008 annual general meeting.
- iv The following persons are entitled to participate in ESOP: Grant Kensington.
- v Please note the voting exclusion statement set out below.
- vi There are no loans applicable to the granting of these performance rights.
- vii The Options will be granted no later than 12 months after the meeting, and as soon as practicable after the meeting.

Details of any securities issued under the ESOP will be published in each annual report of the Company relating to the period in which securities have been issued, and that approval was obtained under ASX Listing Rule 10.14. Any additional persons who become entitled to participate in the ESOP after the above resolution is approved and who was not named in this Notice of Meeting will not participate until approval is obtained under Listing Rule 10.14.

Please note that if Resolutions 5 and 6 are passed (which are discussed in further detail above):

- (a) the Directors no longer must remain employed by the Company to retain their Options;
- (b) and the expiry date of such Options will be three years from the date that the Options are issued.

Voting Exclusion Statement

Pursuant to Listing Rules 10.14 and 14.11.1, the Company will disregard any votes cast on this resolution by either of Grant Kensington or any of his associates.

However, the Company may not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the Annual General Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

In the event that Resolutions 5 and 6 are not approved, the issue of Options to Grant Kensington will proceed pursuant to the terms of the existing ESOP.

The directors recommend the issue of the Options to Mr Kensington.

7. Approval of Acquisition of Shares

7.1 Overview

On 16 October 2009, Augur Resources Limited announced to the market it had been advised that an agreement was reached between Augur's largest Shareholder, Ichiya Co Ltd (**Ichiya**) and the Australian incorporated company, Permgold Pty Ltd (**Permgold**), for the sale, conditional upon Augur Shareholders approval, by Ichiya to Permgold of 60 million Augur Shares in two tranches, as follows:

- (a) 30 million Augur Shares at \$0.033 per share for a total consideration of \$1.0 million pursuant to a share purchase and sale agreement (**Share Sale Agreement**); and
 - (b) 30 million Augur Shares at \$0.08 per share for a total consideration of \$2.4 million pursuant to a put and call option deed ("**Put and Call Option Deed**"),
- together, the "**Proposal**".

Pursuant to the terms of the Put and Call Option Deed:

- (a) Permgold has a call option exercisable at any time within a period one day after the Augur Shareholder approval and expiring 12 months after the date of execution of the Put and Call Option Deed; and
- (b) Ichiya has a put option exercisable within a 7 day period which commences the day after the date the call option described in (a) expires.

The Share Sale Agreement and the Put and Call Option Deed are conditional upon Augur Shareholders (other than Permgold, Ichiya and their associates) approving the Proposal as set out in Resolution 8.

If the Proposal is approved by Shareholders (other than Permgold, Ichiya and their associates) at the general meeting, and all other conditions in the Share Sale Agreement and the Put and Call Option Deed are met or waived, Permgold will hold 28.2870% after the first share disposal and a total of 56.5739% of the total current issued share capital of Augur within 1 year from the date of Shareholders approval.

Augur has no role in the negotiations between Ichiya and Permgold, and provided no financial due diligence to Permgold.

Ichiya

Ichiya is based on the island of Shikoku, Japan. The company was founded in 1952 and has been in the restaurant and apparel business for the duration of its corporate existence. In 2006, Ichiya decided to invest in Australia by an investment in Augur. Ichiya now seeks to dispose of its non-core assets and concentrate on its operations in the domestic Japanese market.

Permgold

Permgold is an Australian company 100% held and controlled by Mr Norm Seckold and his family. Mr Seckold has over 25 years experience in managing exploration and mining companies in Australia and overseas. He is currently Chairman of ASX-listed Cockatoo Coal Limited, Kings Minerals NL and Planet Gas Limited and Canadian-listed San Anton Resources Corporation. Until December 2007, when it was taken over by Coeur d'Alene Mines Corporation, he was the Chairman and largest shareholder of Bolnisi Gold NL, the discoverer of the multi-million ounce Palmarejo gold and silver deposit in Mexico.

Independent Expert

To assist in your consideration of the Proposal, Augur's Independent Director commissioned Lonergan Edwards & Associates Limited ("**Lonergan Edwards**") to provide an independent expert's report for the purposes of item 7 of section 611 of the Corporations Act 2001 (Cth) and having regard to ASIC Regulatory Guides 111 and 112.

Essentially, the independent expert is required to identify the advantages and disadvantages of the proposal to Shareholders not associated with Ichiya or Permgold and state whether, in its opinion, having regard to the interests of Augur Shareholders not associated with Ichiya or Permgold: (a) the advantages of the Proposal outweighs the disadvantages; or (b) the disadvantages of the Proposal outweigh the advantages.

On the basis of the matters discussed in its report, Lonergan Edwards recommends that Augur Shareholders approve the Proposal due to the advantages of the Proposal and the lack of material disadvantages to Augur Shareholders not associated with the Proposal. Lonergan Edward's report is included in Appendix A to this Explanatory Memorandum

Independent Director

The Independent Director of Augur believes that the Proposal is in the interests of Augur and its Shareholders.

7.2 Benefits of the Proposal and why you might vote in favour of it

The Independent Director of Augur believes that the proposal is in the interests of all Shareholders not associated with Permgold or Ichiya.

The Independent Expert has concluded that in relation to the position of non-associated Shareholders in Augur pursuant to the Proposal is as follows:

- (a) they will retain an interest in Augur consistent with their existing holding in the company. They will therefore continue to benefit from any potential uplift in value associated with continued exploration success within the promising project portfolio (the achievement of which however will require further equity

capital to meet future exploration expenditure);

- (b) Augur will have a new controlling Shareholder, with an indicated future financial commitment to the mining sector in Australia; and
- (c) the Board of Augur will comprise 100% of appointees with relevant experience in the identification, exploration and development of early (and late) stage mining exploration projects.

Lonergan Edwards is of the opinion the advantages of the Proposal outweigh the disadvantages from the perspective of Augur Shareholders not associated with the Proposal. This is because there are identified advantages if the Proposal proceeds but no material disadvantages to Augur Shareholders not associated with the Proposal. Further, in the opinion of Lonergan Edwards, there is no apparent incentive or benefit for Augur Shareholders to vote against the Proposal.

You are encouraged to read the Lonergan Edwards report (a copy of which is set out in Appendix A) in full.

7.3 Disadvantages of the Proposal and why you might vote against it

Even though the Proposal is recommended by the Independent Director and the Independent Expert has recommended that Shareholders approve the Proposal, there may be factors that lead you to vote against the Proposal.

You might not agree with the Independent Director and the Independent Expert. You may believe that the Proposal is not in the best interests of Augur Shareholders. Augur Shareholders are not obliged to follow the recommendation of the Independent Director and Independent Expert.

7.4 What are the risks if the Proposal does not proceed?

If the Proposal does not proceed, Ichiya will be left with a shareholding in Augur. As a result of its expressed desire to dispose of its non-core assets, Ichiya may seek to sell its shareholding in Augur in the short to medium term. This parcel of Shares may overhang the market and thereby depress the Augur share price.

It is unclear at this stage what strategy Permgold may adopt in relation to Augur if Resolution 8 is not approved.

7.5 Risks following completion of Proposal

The Independent Expert has expressed the opinion that whilst Ichiya has signalled an initial intention to retain the balance of around 4 million Augur Shares, this holding is likely to be perceived by the market as a potential stock overhang. As such it may inhibit any upward move in the Augur share price (other things being equal) in the short-term.

7.6 Shareholder approval required for the Proposal to proceed

In order for the Proposal to proceed, Shareholders (other than Ichiya, Permgold and their associates) must approve the sale transaction, by a majority of votes cast on the relevant resolution, for the purposes of item 7 of section 611 of the *Corporations Act*.

Permgold and Ichiya and have each advised Augur that Permgold and Ichiya they intend to abstain from voting on the Resolution.

7.7 Independent Director's recommendation and voting intentions

The Independent Director believes that the proposal will provide benefits to Augur and that Shareholders not associated with Ichiya and Permgold are better off if the proposal is approved.

Having regard to the finding of the Independent Expert, your Independent Director recommends that Shareholders voted in favour of the resolution. The Independent Director intends to vote in favour of the resolution in respect of all Shares they hold or control.

The Chairman intends to vote all proxies over which he has discretion in favour of Resolution 8.

7.8 Effect of Proposal on Augur

Effect of the Proposal on the capital of Augur

There will be no changes to the capital structure of Augur or your percentage interest in Augur as a result of the Proposal.

Effect of the Proposal on Permgold's shareholding and voting power

If Shareholders approve the Proposal at the general meeting, Permgold will hold 28.2870% after the first share disposal and 56.5739% within 1 year from the date of Shareholders approval of the total current issued share capital of Augur, which is the equivalent to the voting power in Augur Resources.

Effect of the Proposal on the Board of directors of Augur

If Resolution 8 is approved, it is anticipated that Mr. Shinji Yamamoto and Mr. Fye Hong will resign from the Board of Augur and nominees of Permgold will be appointed to the Board in their place.

Norman Alfred Seckold

Norman Seckold graduated with a Bachelor of Economics degree from the University of Sydney in 1970. He has spent more than 25 years in the full time management of natural resource companies, both in Australia and overseas.

Mr Seckold has been the Chairman of a number of publicly listed companies including Moruya Gold Mines (1983) N.L., which acquired the Golden Reward heap leach gold deposit in South Dakota, USA, Pangea Resources Limited, which acquired and developed the Pauper's Dream gold mine in Montana, USA, Timberline Minerals, Inc. which acquired and completed a feasibility study for the development of the MacArthur copper deposit in Nevada, USA, Perseverance Corporation Limited, which discovered and developed the Nagambie gold mine in Victoria, Valdora Minerals N.L., which developed the Rustler's Roost gold mine in the Northern Territory and the Ballarat East Gold Mine in Victoria, Viking Gold Corporation, which discovered a high grade gold deposit in northern Sweden, Mogul Mining N.L., which drilled out the Magistral and Ocampo gold deposits in Mexico and Bolnisi Gold N.L, which discovered the Palmarejo and Guadalupe gold and silver deposits in Mexico.

Mr Seckold is currently a Chairman of Cockatoo Coal Limited, an Australian coal mining and exploration company, Kings Minerals N.L., a company exploring for precious and base metals in Australia and its Canadian listed subsidiary San Anton Resources

Corporation which is exploring for precious and base metals in Mexico and Planet Gas Limited, a coalbed methane and geothermal exploration and development company operating in Australia and the USA. Mr Seckold is also Chairman of Nickel Mines Limited, an unlisted public company with base metals exploration projects in the Solomon Islands and Indonesia.

Peter James Nightingale

Peter Nightingale graduated with a Bachelor of Economics degree from the University of Sydney and is a member of the Institute of Chartered Accountants in Australia. He has worked as a chartered accountant in both Australia and the USA.

As a director or company secretary Mr Nightingale has, for more than 20 years, been responsible for the financial control, administration, secretarial and in-house legal functions of a number of private and public listed companies in Australia, the USA and Europe including Pangea Resources Limited, Timberline Minerals Inc., Perseverance Corporation Limited, Valdora Minerals N.L., Mogul Mining N.L. and Bolnisi Gold N.L.. Mr Nightingale is currently Chairman of Callabonna Uranium Limited, a company exploring for uranium in Australia, and a director of Cockatoo Coal Limited, Planet Gas Limited and Nickel Mines Limited.

There will be no other changes to the Board or the executive management team of Augur as a result of the Proposal.

Effect of the Proposal on the management of Augur

There will be no changes to the executive management team of Augur as a result of the Proposal.

Effect of the Proposal on Augur's business

There will be no changes to Augur's business or operations as a result of the Proposal.

Effect of the Proposal on Augur's employees

There will be no changes to Augur's present employees as a result of the Proposal.

Effect of the Proposal on Augur's financial or dividend policies

There will be no changes to Augur's financial or dividend policies as a result of the Proposal.

7.9 Future intentions

Permgold has indicated that its intentions outlined in this section are based on the facts and information regarding Augur and the general business environment which are known to it as at the date of this Explanatory Memorandum. Any future decisions will, of course, be reached by Permgold based on all material information and circumstances change or new information becomes available in the future, Permgold's intentions could change accordingly.

Business

As a major Shareholder, it is Permgold's current intention to be a long term strategic Shareholder of Augur. Accordingly, Permgold will seek to support Augur's business whilst maintaining the company's existing management team and strategy.

Injection of capital

Whilst Permgold has no current intention to propose the injection of further capital into Augur, it would consider supporting future capital raising initiatives that are approved by the Augur Board.

Employees

Permgold has no current intention to seek to alter the existing staffing arrangements or employment agreements of the present employees of Augur.

Property

Permgold has no current intention for any property to be transferred between Augur and Permgold.

Fixed assets

Permgold has no current intention to redeploy the fixed assets of Augur.

Financial and dividend policies

Permgold has no current intention to change Augur's existing financial or dividend policies.

No proposal to transfer of property

There is no proposal whereby any property will be transferred between Augur and Ichiya, Permgold or any of their associates, other than as part of the Proposal.

7.10 Legal and regulatory requirements

The information in this Explanatory Memorandum is given to Augur's Shareholders in compliance with section 611 item 7 of the *Corporations Act 2001* (Cth) and ASIC Regulatory Guide 74 (regarding acquisitions to be approved by Shareholders in accordance with section 611 item 7 of the *Corporations Act*).

Section 606(1) of the *Corporations Act* contains a general prohibition on the acquisition of a relevant interest in Shares in a listed company if as a result of the acquisition:

- a. The person's or someone else's voting power in the company increases to more than 20%; or
- b. The person's or someone else's voting power is above 20% and below 90%.

In broad terms, a person has a relevant interest in Shares if they hold Shares or have the power to control the right to vote or dispose of the Shares. A person's voting power in a company is the number of the voting Shares in which the person (and its associates) has a relevant interest, expressed as a percentage of the total number of voting Shares in the company.

Permgold's increased voting power in Augur as a result of the proposal would contravene section 606(1) unless a relevant exception is available.

Section 611 item 7 of the *Corporations Act* contains an exception to the general prohibition where an acquisition has been approved in advance by a resolution passed at a general meeting of the company in which the acquisition was made. Accordingly, Augur Shareholders are being asked to approve the acquisition by Permgold of Shares under the proposal by voting on resolution 8.

Resolution 8 is an ordinary resolution. An ordinary resolution requires a simple majority of votes cast by members entitled to vote on the resolution. On a poll, each Augur Shareholder will be entitled to one vote for each Augur share they hold. For the purposes of item 7 of section 611, no votes may be cast in favour of the resolution by Permgold or Ichiya.

7.11 Interests of directors in the Proposal

The following table sets out the number of Shares in which each director of Augur currently has a relevant interest, and the number of Shares in which each director will have a relevant interest if the Proposal is implemented.

Current relevant interests			Relevant interests if Proposal is implemented	
Name	Shares	Options	Shares	Options
Grant Kensington	626,000	500,000	626,000	500,000
Fye Hong	Nil	Nil	Nil	Nil
Shinji Yamamoto (Indirectly held)	63,957,102	4,484,963	3,957,102	4,484,963

No Augur director has an interest in the outcome of the proposed Resolution 8 to approve the Proposal other than as each director's respective interest as a Shareholder of Augur.

7.12 Resolution to put Proposal to Shareholders

At a meeting of directors held in Sydney on 23 October 2009, the Independent Director, Grant Kensington, resolved to put the Proposal to Shareholders, and to approve the publication and circulation of this Explanatory Memorandum.

Messrs Fye Hong and Shinji Yamamoto, both nominees of Ichiya, did not participate in discussions, consider or vote, in relation to the Proposal or approve this Explanatory Memorandum.

7.13 Consents and disclaimers

The following persons have given and have not, before the date of issue of this Explanatory Memorandum, withdrawn their consent to be named in this Explanatory Memorandum in the form and context in which they are named:

- a. Lonergan Edwards & Associates Ltd as the independent expert;
- b. Computershare Investor Services Pty Ltd – as the share registry;
- c. Ichiya Co., Ltd; and
- d. Permgold Pty Ltd.

Permgold has given and has not, before the date of issue of this Explanatory Memorandum, withdrawn their consent to the inclusion set out in this Explanatory Memorandum regarding its future intentions with respect to Augur should the Proposal succeed.

Each of the above parties, to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Explanatory Memorandum other than as described in this section with that person's consent.

GLOSSARY OF TERMS

ASX	means the ASX Limited ACN 008 624 691.
Board	means the board of Augur Resources Limited.
Corporations Act	means the Corporations Act 2001 (Cth).
General Meeting (or Annual General Meeting)	means the annual general meeting of Shareholders convened by the Directors to consider and vote on the Resolutions set out in the Notice of Meeting.
Independent Director	means the following Director who is independent of Ichiya, Permgold and their associates: Grant Kensington.
Independent Expert	means Lonergan Edwards & Associates Limited.
Notice of Meeting	means the notice of general meeting contained in this document.
Proposal	means the proposed transactions described and summarised in the Explanatory Memorandum.
Relevant Interest	has the meaning given in the Corporations Act.
Resolution	means one of the resolutions set out in the Notice of Meeting.
Shareholder	means each person who is registered in the Augur Resources Limited Register as the holder of Shares.
Shares	means fully paid ordinary shares in Augur Resources Limited.

APPENDIX A: INDEPENDENT EXPERT'S REPORT

LONERGAN EDWARDS & ASSOCIATES LIMITED

The Independent Director
Augur Resources Limited
Level 45
2 Park Street
Sydney NSW 2000

ABN 53 095 445 560
AFS Licence No 246532
Level 27, 363 George Street
Sydney NSW 2000 Australia
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23 October 2009

Subject: Sale of shares under section 611(7) of the Corporations Act

Dear Sir

Introduction

- 1 On 16 October 2009 Augur Resources Limited (Augur) announced that an agreement has been reached between Augur's largest shareholder, Ichiya Co Ltd (Ichiya) and Permgold Pty Ltd (Permgold), for the sale by Ichiya to Permgold of 60 million Augur shares (the Proposal).
- 2 Pursuant to the agreement the sale of Ichiya's shareholding in Augur to Permgold will take place in two tranches, as follows:
 - (a) 30 million shares at \$0.033 per share for a total consideration of \$1.0 million
 - (b) 30 million shares at \$0.08 per share by way of a Put and Call Deed entered into between Ichiya and Permgold.
- 3 The shareholding being acquired by Permgold represents 56.6% of the issued share capital of Augur.
- 4 Ichiya is based on the island of Shikoku, Japan. The company was founded in 1952 and has been in the restaurant and apparel business for the duration of its corporate existence. In 2006 Ichiya decided to invest in Australia via a mining exploration company (Augur), seeking to participate in what it perceived at the time would be a global mining boom.¹ Ichiya has currently determined to dispose of its non-core assets to concentrate on its operations in the domestic Japanese market.

¹ Ichiya also had an interest in a mining exploration company in Russia.

- 5 Permgold is an Australian company 100% held and controlled by Mr Norm Seckold and his family. Mr Seckold has over 25 years experience in managing exploration and mining companies in Australia and overseas. He is currently Chairman of ASX-listed Cockatoo Coal Limited, Kings Minerals NL and Planet Gas Limited and Canadian-listed San Anton Resources Corporation. Until December 2007, when it was taken over by Coeur d'Alene Mines Corporation, he was the Chairman and largest shareholder of Bolnisi Gold NL, the discoverer of the multi-million ounce Palmarejo gold / silver deposit in Mexico.

Scope

- 6 Section 606 of the Corporations Act prohibits the acquisition of a relevant interest in issued voting shares of a company if the acquisition results in the person's voting power in the company increasing from below 20% to more than 20%, or from a starting point between 20% and 90%, without making an offer to all shareholders of the company².
- 7 Item 7 of Section 611 of the Corporations Act allows the non-associated security holders to waive this prohibition by passing a resolution at a general meeting.
- 8 Consequently, the Independent Director of Augur has requested that we provide our opinion on whether the advantages of the Proposal outweigh the disadvantages from the perspective of Augur shareholders not associated with the Proposal.

Summary of opinion

- 9 In summary, the position of non-associated shareholders in Augur pursuant to the Proposal is as follows;
- (a) they will retain an interest in Augur consistent with their existing holding in the company. They will therefore continue to benefit from any potential uplift in value associated with continued exploration success within the promising project portfolio (the achievement of which however will require further equity capital to meet future exploration expenditure)
 - (b) Augur will have a new controlling shareholder, with an indicated future financial commitment to the mining sector in Australia

² This prohibition excludes the acquisition of no more than 3% every six months under the "creep" provisions of the Corporations Act.

- (c) the Board of Augur will comprise 100% of appointees with relevant experience in the identification, exploration and development of early (and late) stage mining exploration projects.
- 10 Based on the above, in our opinion, the advantages of the Proposal outweigh the disadvantages from the perspective of Augur shareholders not associated with the Proposal. This is because there are identified advantages if the Proposal proceeds (as noted above) but no material disadvantages to Augur shareholders not associated with the Proposal.
- 11 Further, in our opinion, there is no apparent incentive or benefit for Augur shareholders to vote against the Proposal. We therefore recommend that Augur shareholders approve the Proposal.
- 12 In forming our opinion we also note that:
- (a) the Proposal has no impact on the voting and ownership interests of Augur shareholders not associated with the transaction
 - (b) if the Proposal is approved there will be no substantial difference in the voting power in Augur held by Permgold from the voting power held by Ichiya prior to the sale of Ichiya's shares to Permgold
 - (c) Permgold has stated that it does not currently intend to make an offer for all the shares in Augur (and is under no obligation to do so)
 - (d) approving the Proposal is unlikely to have any material impact on the potential for Augur shareholders to receive a takeover offer in the future
 - (e) the assessed implied price of 5.1 cents per Augur share under the Proposal represents a premium of between 15.9% and 37.8% to the volume weighted average price (VWAP) of Augur shares in the period prior to the announcement of the Proposal, which we consider is consistent with the sale by Ichiya of a controlling interest in Augur
 - (f) in contrast however the implied price of 5.1 cents per share represents a significant discount to the implied value of 13.9 cents per share based on an independent valuation of Augur's mining tenements by Minnelex Pty Ltd (Minnelex)³
 - (g) Augur had no role in setting the purchase price and did not allow Permgold to undertake financial due diligence on Augur.

³ This independent valuation is based primarily on the inferred resources at Yeoval and Homeville established by Augur, the value of which has yet to be reflected in sharemarket trading in Augur.

Other matters

- 13 The ultimate decision whether to approve the Proposal should be based on each shareholder's assessment of their own circumstances. If shareholders are in doubt about the action they should take in relation to the Proposal or matters dealt with in this report, shareholders should seek independent professional advice.
- 14 For our full opinion on the Proposal, and the reasoning behind our opinion, we recommend that Augur shareholders read the remainder of our report.

Yours faithfully



Martin Holt
Authorised Representative



Craig Edwards
Authorised Representative

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I Scope of our report

- 15 If the Proposal is approved Permgold will acquire a shareholding in Augur of 56.6%. Section 606 of the Corporations Act prohibits the acquisition of a relevant interest in issued voting shares of a company if the acquisition results in the person's voting power in the company increasing from below 20% to more than 20%, or from a starting point between 20% and 90%, without making an offer to all shareholders of the company⁴.
- 16 Item 7 of Section 611 of the Corporations Act allows the non-associated security holders to waive this prohibition by passing a resolution at a general meeting.
- 17 Consequently, the Independent Director of Augur has requested that we provide our opinion on whether the advantages of the Proposal outweigh the disadvantages from the perspective of Augur shareholders not associated with the Proposal.

Basis of assessment

- 18 In preparing our report we have given due consideration to the Regulatory Guidelines issued by the Australian Securities and Investments Commission (ASIC), particularly Regulatory Guideline 111 "Content of Expert Reports".
- 19 Regulatory Guideline 111 states that when preparing a report on the sale of securities under section 611(7) of the Corporations Act the expert should identify the advantages and disadvantages of the proposal to security holders not associated with the transaction and provide an opinion that either:
- (a) the advantages of the proposal outweigh the disadvantages; or
 - (b) the disadvantages of the proposal outweigh the advantages.
- 20 Specifically, Regulatory Guide 111 states that the expert should consider:
- (a) whether the non-associated shareholders may be foregoing the opportunity to share in a takeover premium by approving the proposal (RG111.38)
 - (b) the extent to which the vendor is to receive a premium for control (RG111.40)

⁴ This prohibition excludes the acquisition of no more than 3% every six months under the "creep" provisions of the Corporations Act.

- (c) the extent to which further transactions are planned between the company and the vendor (RG111.42)
- (d) whether the proposed acquisition, if approved, might deter the making of a takeover bid for the entity (RG111.43).

21 In addition to the above we have had regard to:

- (a) the change in the ownership position of Augur if the Proposal is approved compared to the existing position
- (b) what Permgold brings to Augur if the Proposal is approved
- (c) Permgold's intentions with respect to Augur (including the likelihood of it making a takeover offer in future)
- (d) the movement in the listed market price of Augur shares as a result of the announcement of the Proposal
- (e) the background to the proposed transaction
- (f) the potential stock "overhang" associated with Ichiya's shareholding if the Proposal is or is not approved
- (g) the other advantages and disadvantages of the Proposal from the perspective of the non-associated shareholders.

II Profile of Augur

Overview

- 22 Augur is a NSW-based resource development company, with a focus on copper, gold and nickel projects within the Lachlan Fold Belt of central and western NSW. The region hosts a number of world class deposits including the Cadia and North Parkes deposits. Augur floated on the ASX in October 2007.
- 23 Augur has established JORC defined resources at its key projects of Yeoval (copper, gold, molybdenum and silver) and Collerina (Homeville deposit – nickel and cobalt). Augur intends to advance the economically viable deposits to pre-feasibility stage in the medium term.

Yeoval

- 24 The Yeoval project is located 30km south of Wellington, NSW. The tenement covers an area of 147km² and has potential for a Cadia-Ridgeway or North Parkes style of porphyry copper-gold ± molybdenum mineralisation, epithermal gold ± silver mineralisation and magnetite rich copper-gold mineralisation. The primary areas of focus are the Yeoval mine prospect, Goodrich prospect, Goodrich South and nine further targets which are being systematically explored.
- 25 The Yeoval project area hosts numerous near surface copper ± gold occurrences and several small historical mines. Prior exploration has targeted shallow outcropping mineralisation. Augur management consider that significant potential exists in areas of shallow alluvial cover.
- 26 Based on drill programs undertaken in FY08 and FY09 Augur has defined an initial inferred JORC compliant resource estimate for Yeoval of 12.9 Mt at 0.38% copper, 0.14 g/t gold, 120ppm molybdenum and 2.2g/t silver (at a cut-off grade of 0.2% copper).
- 27 The resource is open in a number of directions (including depth) and further drilling is planned in FY10.

Collerina

- 28 The Collerina project consists of two tenements located 40km south of Nyngan in central NSW, covering an area of 384km² within the Fifield Platinum Province. Deposits close to the tenement include the Syerston (80 Mt 0.7% nickel, 0.13% cobalt), Tritton (copper-gold), Budgery (copper-gold) and Tottenham (copper) mines.

- 29 During the year Augur announced the discovery of the Homeville nickel-cobalt deposit within the Collerina tenement. Based on the initial drilling program Augur has defined an initial inferred JORC compliant resource estimate for Homeville of 12.2 Mt at 0.91% nickel and 0.06% cobalt. The resource was based on 1,300 metres of a 4,600+ metre long magnetic anomaly, much of which remains to be drill tested.

Other projects

- 30 In addition to the Yeovel and Collerina projects Augur retains ownership of early stage exploration projects at Weelah, Wallaby Rocks and Tullamore (each of which is located in the Lachlan Fold Belt region).

Financial position

- 31 The net assets of Augur as at 30 June 2009, based on the audited financial statements as at that date, were as follows:

	\$
Current assets	
Cash and cash equivalents	2,008,997
Trade and other receivables	84,185
Other assets	3,998
Total current assets	<u>2,097,180</u>
Non-current assets	
Property, plant and equipment	5,272
Deferred exploration and evaluation expenditure	3,151,130
Total non-current assets	<u>3,156,402</u>
Total assets	<u>5,253,582</u>
Current liabilities	
Trade and other payables	97,432
Non-current liabilities	
Deferred tax liabilities	7,157
Total liabilities	<u>104,589</u>
Net assets	<u>5,148,993</u>

- 32 Augur management have advised that the cash balance of the company has subsequently reduced to \$1.7 million. Having regard to the planned exploration program and related expenditure requirements Augur is likely to require additional equity funding in 2010.

- 33 Deferred expenditure as at 30 June 2009 of \$3.15 million represents costs incurred to date (including expenditure prior to listing) on the exploration projects comprising the Augur portfolio.
- 34 Associated with the announcement of the Proposal, Augur commissioned an updated independent valuation of its current tenements from Minnelex.⁵ Having regard in particular to the inferred resources established by Augur at Yeoval and Homeville, Minnelex have assessed a preferred value for Augur's tenements of \$13.0 million.⁶
- 35 For the purpose of our report we have therefore determined net assets of Augur of \$14.7 million, calculated as follows:

	\$m
Net assets reported as at 30 June 2009	5.1
Uplift in value of mining tenements ⁽¹⁾	9.9
Reduction in cash balances	(0.3)
Adjusted net assets	<u>14.7</u>

Note:

- 1 We have not assessed the extent of any taxation liability that might arise on a realisation of the company's tenements at the values assessed by Minnelex, or the availability of existing tax losses within Augur.

Capital structure

- 36 As at 16 October 2009 Augur had 106,055,992 shares on issue, which included 1.5 million shares allotted on 1 September 2009 pursuant to shortfall applications under the renouncement rights issue of May 2009.
- 37 Augur also had 12.9 million options on issue exercisable on or before 30 June 2010 at \$0.20 per option.

Share price performance

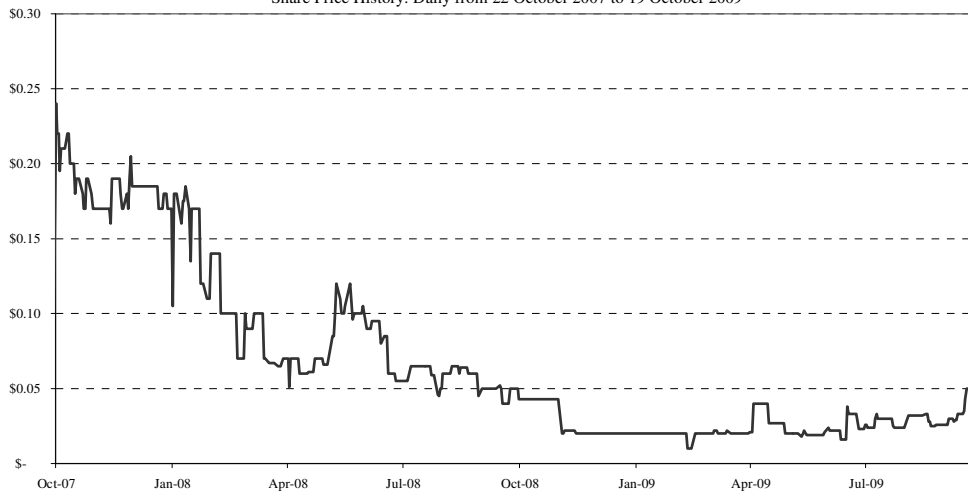
- 38 The following graph illustrates the movement in the Augur share price from 22 October 2007 to 19 October 2009:

⁵ Minnelex prepared the Independent Geologist's Report for the Augur prospectus in 2007.

⁶ A value range of \$11.0 million to \$17.0 million was determined.

Augur Resources Limited

Share Price History: Daily from 22 October 2007 to 19 October 2009



- 39 Based on trading on the ASX in the six months ended 15 October 2009 (the day before the announcement of the Proposal) some 15.7 million shares in Augur were traded representing in excess of 35% of the free-float of the company (i.e. excluding 64.0 million shares held by Ichiya). We would consider this to be a reasonably representative basis from which to imply a value of Augur in the circumstances.

III Evaluation of the Proposal

40 We set out below the advantages and disadvantages of the Proposal to Augur shareholders not associated with the transaction and other related matters.

Business development opportunities

41 Augur is a junior mining exploration company with a portfolio of promising, early stage exploration projects. Critical factors impacting on the future success of such companies include:

- (a) the continued ability to raise equity capital to advance the exploration program
- (b) the capability and experience of the directors / management team.

42 In the case of Augur, as noted above:

- (a) it is likely that additional equity capital funding will be required in 2010 to meet the planned exploration program
- (b) two of the current Board appointees represent Ichiya, whose expertise is both in other industry sectors and offshore.

43 If the Proposal is approved Permgold will become the largest shareholder in Augur (acquiring a controlling 56.6% interest) and will appoint two representatives to the Augur board (effectively replacing the Ichiya nominees who will resign). Permgold is controlled by Mr Seckold, whose experience is summarised in paragraph 5 of this report.

44 Pursuant to the proposed ownership change non-associated Augur shareholders will therefore benefit from:

- (a) replacement Board nominees with combined significant years of experience in the mining sector, with an established record of identifying and developing both early and late stage exploration projects and bringing them into production
- (b) a controlling shareholder financially committed to the mining sector, likely to provide the ongoing support to help meet the company's future exploration funding requirements.⁷

⁷ We understand Permgold will defer any decision relating to the future exploration of the Augur portfolio until a review of the specific projects has been undertaken.

Impact on voting power and ownership

- 45 If the Proposal is approved by non-associated Augur shareholders Permgold will own 56.6% of the shares in Augur and will be Augur's largest shareholder. Two senior Permgold executives will also be invited to join Augur's board, effectively replacing Ichiya's current board appointees.
- 46 These changes have no impact on the voting and ownership interests of Augur shareholders not associated with the transaction.

Possibility of receiving a future takeover offer

- 47 ASIC Regulatory Guide 111.38 states that the expert should consider whether the non-associated shareholders may be foregoing the opportunity to share in a takeover premium by approving the Proposal. In considering this issue we note that:
- (a) Ichiya already holds a controlling interest in Augur
 - (b) Ichiya has signalled an intention to exit mining exploration in Australia
 - (c) Permgold has stated that it does not currently intend to make an offer for all the shares in Augur (and is under no obligation to do so).
- 48 Given the above we consider non-associated Augur shareholders are:
- (a) unlikely to receive any takeover offer for their Augur shares from Ichiya even if they vote against the Proposal
 - (b) unlikely to receive a takeover offer for their Augur shares in the short to medium term, unless Permgold decides to make a takeover offer at a later date.⁸
- 49 Accordingly, we are of the view that the prospects of non-associated Augur shareholders receiving an offer for their shares in Augur in the future are no less (and arguably are potentially enhanced) with Permgold as a controlling shareholder rather than Ichiya.
- 50 Further, there are no restrictions which prevent a third party making a takeover offer for 100% of the shares in Augur prior to the shareholder meeting to approve the Proposal should they wish to do so.
- 51 In our opinion therefore, approving the Proposal does not materially impact the likelihood of a takeover offer being made for Augur, compared to the position if the Proposal is not approved.

⁸ In the absence of the Proposal, we would not expect Permgold (or any third party) to make a takeover offer for Augur without first reaching agreement with Ichiya in respect of its shareholding.

The price paid by Permgold

- 52 The price to be paid by Permgold for 60 million Augur shares to be acquired from Ichiya under the Proposal comprises a cash consideration in two tranches, as follows:
- (a) 30 million shares at \$0.033 per share for a total consideration of \$1.0 million
 - (b) 30 million shares at \$0.08 per share by way of a Put and Call Deed entered into between Ichiya and Permgold.
- 53 Under the terms of the Put and Call Deed:
- (a) Permgold has a call option exercisable at any time within a period of 12 months from Augur shareholder approval of the Proposal
 - (b) Ichiya has a put option exercisable within a 7 day period which commences 12 months after the date of Augur shareholder approval of the Proposal.
- 54 For the purpose of our report we have made the commercial assumption that Permgold will not pay for the second tranche of Augur shares at a date earlier than that contracted to. We have therefore assumed the second tranche payment of \$2.4 million⁹ will be made in 12 months time.
- 55 We have adopted a risk adjusted discount rate of 15% per annum and accordingly have assessed the present value of the second tranche payment at \$2.04 million.
- 56 For the purpose of our report we have therefore determined the total price payable by Permgold (in present value terms) at \$3.04 million, equivalent to 5.1 cents per Augur share, as follows:

	\$m
First tranche payment	1.00
Second tranche payment	2.04
Total payment	<u>3.04</u>
Shares acquired	60 million
Implied payment per share	5.1 cents

⁹ 30 million shares at \$0.08 per share.

Comparison with sharemarket trading

- 57 In contrast the volume weighted average price (VWAP) of Augur shares prior to the announcement of the Proposal is shown below:

	VWAP Cents
1 month prior to 16 October 2009	4.4
3 months prior to 16 October 2009	3.7

- 58 Based on trading in Augur shares on the ASX therefore Ichiya is receiving a price for its Augur shares to be sold under the Proposal which represents a premium of between 15.9% and 37.8% to recent trading in Augur shares prior to the announcement of the Proposal. We consider the implied premium to be consistent with the sale by Ichiya of a controlling interest in Augur.

Comparison with net assets

- 59 We have also compared the price to be paid by Permgold to the implied value of Augur based on the net assets of the company, adjusted to reflect a recent independent assessment of the value of the current tenements held by Augur.
- 60 As noted in paragraph 35 we have calculated the adjusted net assets of Augur at \$14.7 million. Based on issued capital of 106.1 million shares, this equates to an implied value of 13.9 cents per share.
- 61 This implied value suggests that rather than receiving a premium Ichiya is selling its controlling interest in Augur at a significant discount, and at a price at which it would not be in the interests of non-associated Augur shareholders to sell.
- 62 We note however that there is a significant apparent inconsistency with the implied value of an Augur share based on the Minnelex assessed value of the company's tenements and the prices at which Augur shares have traded on the ASX. As noted above, the Minnelex assessed value reflects in particular the inferred resources established by Augur based on exploration to date.
- 63 These inferred resources were announced (to the ASX) by Augur earlier in FY09 and in particular had previously been announced at the time of the rights issue at 2.1 cents per share in May 2009. We note that this issue was not supported at the time by the majority of non-associated shareholders in Augur.

Other pricing considerations

- 64 In the short period subsequent to the announcement of the Proposal we note that Augur shares have traded above the assessed price to be paid by Permgold, including reaching a 12 month high of 7.0 cents per share. This indicates an initial positive market response to the announcement of the Proposal.
- 65 It should also be noted that the price was negotiated between Permgold and Ichiya in a private treaty scenario. Augur was not involved in that negotiation and did not allow Permgold to undertake financial due diligence on Augur.

Potential stock overhang

- 66 Ichiya has a holding of just under 64 million shares in Augur. Pursuant to the Proposal 60 million of these shares are to be sold to Permgold. Whilst Ichiya has signalled an initial intention to retain the balance of around 4 million Augur shares, this holding is likely to be perceived by the market as a potential stock overhang. As such it may inhibit any upward move in the Augur share price (other things being equal) in the short-term.
- 67 Non-associated Augur shareholders should also note that pursuant to the announcement of the Proposal, Ichiya has effectively signalled its intent to exit (the majority of) its shareholding in Augur. In the event the Proposal is not approved, there is likely to be downward pressure on the Augur share price until such time as the divestment of Ichiya's shareholding in Augur is complete.

Future transactions between Ichiya and Augur

- 68 ASIC Regulatory Guide 111.42 states that the expert should also enquire whether future transactions are planned between the subject entity (in this case Augur) and the vendor (in this case Ichiya) or any of the vendor's associates. According to the Regulatory Guide this is to identify any future transactions which may not be at arms length or which may compensate a vendor from accepting a price for their shares which is too low.
- 69 Augur and Ichiya have confirmed that no future transactions between Augur and Ichiya (or any of its associates) are planned.

Conclusion

- 70 In our opinion the advantages of the Proposal outweigh the disadvantages from the perspective of Augur shareholders not associated with the Proposal. This is because there are identified advantages if the Proposal proceeds but no material disadvantages to Augur shareholders not associated with the Proposal.
- 71 Furthermore, in our opinion, there is no apparent incentive or benefit to be gained by Augur shareholders by voting against the Proposal.
- 72 We therefore recommend that Augur shareholders approve the Proposal.

Appendix A

Financial Services Guide

Lonergan Edwards & Associates Limited

- 1 Lonergan Edwards & Associates Limited (LEA) (ABN53 095 445 560) is a specialist valuation firm which provides valuation advice, valuation reports and independent experts' reports (IER) in relation to takeovers and mergers, commercial litigation, tax and stamp duty matters, assessments of economic loss, commercial and regulatory disputes.
- 2 LEA holds Australian Financial Services Licence No 246532.

Financial Services Guide

- 3 The Corporations Act 2001 authorises LEA to provide this financial services guide (FSG) in connection with its preparation of an IER to accompany the Explanatory Memorandum to be sent to Augur shareholders in connection with the Proposal.
- 4 This FSG is designed to assist retail clients in their use of any general financial product advice contained in the IER. This FSG contains information about LEA generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the IER, and if complaints against us ever arise how they will be dealt with.

Financial services we are licensed to provide

- 5 Our Australian financial services licence allows us to provide a broad range of services to retail and wholesale clients, including providing financial product advice in relation to various financial products such as securities, derivatives, interests in managed investment schemes, superannuation products, debentures, stocks and bonds.

General financial product advice

- 6 The IER contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.
- 7 You should consider your own objectives, financial situation and needs when assessing the suitability of the IER to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

Appendix A

Fees, commissions and other benefits we may receive

- 8 LEA charges fees to produce reports, including this IER. These fees are negotiated and agreed with the entity who engages LEA to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. In the preparation of this IER our fees are based on a time cost basis using agreed hourly rates.
- 9 Neither LEA nor its directors and officers receives any commissions or other benefits, except for the fees for services referred to above.
- 10 All of our employees receive a salary. Our employees are eligible for bonuses based on overall performance and the firm's profitability, and do not receive any commissions or other benefits arising directly from services provided to our clients. The remuneration paid to our directors reflects their individual contribution to the company and covers all aspects of performance. Our directors do not receive any commissions or other benefits arising directly from services provided to our clients.
- 11 We do not pay commissions or provide other benefits to other parties for referring prospective clients to us.

Complaints

- 12 If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner.
- 13 If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Financial Ombudsman Services Limited (FOSL), an external complaints resolution service. You will not be charged for using the FOSL service.

Contact details

- 14 LEA can be contacted by sending a letter to the following address:

Level 27
363 George Street
Sydney NSW 2000
(or GPO Box 1640, Sydney NSW 2001)

Appendix B

Qualifications, declarations and consents

Qualifications

- 1 LEA is a licensed investment adviser under the Corporations Act. LEA's authorised representatives have extensive experience in the field of corporate finance, particularly in relation to the valuation of shares and businesses and have prepared more than 100 Independent Expert's Reports.
- 2 This report was prepared by Mr Craig Edwards and Mr Martin Holt, who are each authorised representatives of LEA. Mr Edwards and Mr Holt have over 15 years and 20 years experience respectively in the provision of valuation advice.

Declarations

- 3 This report has been prepared at the request of the Independent Director of Augur to accompany the Explanatory Memorandum to be sent to Augur shareholders. It is not intended that this report should serve any purpose other than as an expression of our opinion as to whether the advantages of the Proposal outweigh the disadvantages from the perspective of Augur shareholders not associated with the Proposal.

Interests

- 4 At the date of this report, neither LEA, Mr Edwards nor Mr Holt have any interest in the outcome of the Proposal. LEA is entitled to receive a fee of \$20,000 for the preparation of this report based on time expended at our standard hourly professional rates. With the exception of the above fee, LEA will not receive any other benefits, either directly or indirectly, for or in connection with the preparation of this report.

Indemnification

- 5 As a condition of LEA's agreement to prepare this report, Augur agrees to indemnify LEA in relation to any claim arising from or in connection with its reliance on information or documentation provided by or on behalf of Augur which is false or misleading or omits material particulars or arising from any failure to supply relevant documents or information.

Consents

- 6 LEA consents to the inclusion of this report in the form and context in which it is included in Augur's Explanatory Memorandum.

Appendix C

Glossary	
Abbreviation	Definition
AIFRS	Australian equivalent to International Financial Reporting Standards
Augur	Augur Resources Limited
FIRB	Foreign Investment Review Board
Ichiya	Ichiya Co Ltd
IER	Independent Expert's Report
LEA	Lonergan Edwards & Associates Limited
Minnelex	Minnelex Pty Ltd
Permgold	Permgold Pty Ltd
The Proposal	The acquisition by Permgold of a 56.6% shareholding in Augur from Ichiya
VWAP	Volume weighted average price

Augur Resources Ltd

ABN 79 106 879 690

000001 000 AUK
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Lodge your vote:



By Mail:

Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:

(within Australia) 1300 850 505
(outside Australia) +61 3 9415 4000

Proxy Form

For your vote to be effective it must be received by 11:00 am on Saturday 28 November 2009

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.computershare.com.

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

Turn over to complete the form →



View your securityholder information, 24 hours a day, 7 days a week:

www.investorcentre.com

Review your securityholding

Update your securityholding

Your secure access information is:

SRN/HIN: I999999999



PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

MR SAM SAMPLE
 FLAT 123
 123 SAMPLE STREET
 THE SAMPLE HILL
 SAMPLE ESTATE
 SAMPLEVILLE VIC 3030

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

Proxy Form

Please mark to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Augur Resources Limited hereby appoint

the Chairman of the Meeting **OR**



PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the Annual General Meeting of Augur Resources Limited to be held at the Company's registered office located at Level 45, Citigroup Tower, 2 Park Street, Sydney, NSW, on Monday, 30 November 2009 at 11.00 am (AEDT) and at any adjournment of that meeting.

Important for Items 5, 6 and 7: If the Chairman of the Meeting is your proxy and you have not directed him/her how to vote on Items 5, 6 and 7 below, please mark the box in this section. If you do not mark this box and you have not directed your proxy how to vote, the Chairman of the Meeting will not cast your votes on Items 5, 6 and 7 and your votes will not be counted in computing the required majority if a poll is called on the Item. The Chairman of the Meeting intends to vote undirected proxies in favour of Items 5, 6 and 7 of business.

I/We acknowledge that the Chairman of the Meeting may exercise my proxy even if he/she has an interest in the outcome of the Item and that votes cast by him/her, other than as proxy holder, would be disregarded because of that interest.

STEP 2 Items of Business



PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

Ordinary Business

		For	Against	Abstain
2	To adopt the Remuneration Report for the year ended 30 June 2009.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	To re-elect Mr Shinji Yamamoto as Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	To re-elect Mr Fye Hong as Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Special Business

5	That Directors under the ESOP retain their Options beyond termination of their services to the Company.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6	That the expiry date of Options in the ESOP be modified to three years.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7	To approve the Issue of Options to Mr Grant Kensington.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8	To approve the acquisition of shares by Permgold Pty Ltd.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name _____

Contact Daytime Telephone _____

Date ____/____/____

Augur Resources Ltd

ABN 79 106 879 690

All correspondence to:

Computershare Investor Services Pty Limited
GPO Box 2975 Melbourne
Victoria 3001 Australia
Enquiries (within Australia) 1300 855 080
(outside Australia) 61 3 9415 4000
Facsimile 61 3 9473 2500
www.computershare.com

000001 000 AUK
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SAMPLEVILLE VIC 3030

Dear Securityholder,

We have been trying to contact you in connection with matters arising from your securityholding in Augur Resources Limited. Unfortunately, our correspondence has been returned to us marked "Unknown at the current address". For security reasons we have flagged this against your securityholding which will exclude you from future mailings, other than notice of meeting.

We value you as a securityholder and request that you supply your current address so that we can keep you informed about our Company. Where the correspondence has been returned to us in error we request that you advise us of this so that we may correct our records.

You are requested to include the following;

- Security Reference Number (SRN);
- ASX trading code;
- Name of company in which security is held;
- Old address; and
- New address.

Please ensure that the notification is signed by all holders and forwarded to our Share Registry at:

Computershare Investor Services Pty Limited
GPO Box 2975
Melbourne Victoria 3001
Australia

Note: If your holding is sponsored within the CHESS environment you need to advise your sponsoring participant (in most cases this would be your broker) of your change of address so that your records with CHESS are also updated.

Yours sincerely

Augur Resources Limited