



# Risk Factors

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The following are considered as potentially significant risk factors for the Company.

## 1. Share Market

Share market conditions may affect the listed Shares 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 fluctuations;
- commodity price fluctuation;
- changes in investor sentiment towards particular market sectors;
- taxation, government and monetary policies;
- the demand for, and supply of capital; and
- war, terrorism or other hostilities.

## 2. Commodity and Currency Price Volatility

Commodity prices inherently fluctuate and are affected by numerous factors beyond the control of the Company, including world demand for particular commodities, forward selling by producers and the level of production costs in major commodity producing regions. Moreover, commodity prices are also affected by macroeconomic factors such as expectations regarding inflation, interest rates and global and regional demand for, and supply of, a commodity.

Commodities are principally sold throughout the world in US dollars. As a result, any significant and/or sustained fluctuations in the exchange rate between the Australian and US dollars and/or adverse movements in commodity prices could have a material adverse affect on the Company's operations, financial position (including revenue and profitability) and performance.

## 3. Economic Factors

Factors such as inflation, currency fluctuation, interest rates, supply and demand and industrial disruption have an impact on operating costs, commodity prices and stock market prices. The Company's future possible profitability and the market price of its quoted Securities can be affected by these factors, which are beyond the control of the Company and its Directors.



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### 4. Government Policy

Changes in Government, monetary policies, taxation and other laws and actions (including such matters as access to lands and infrastructure and compliance with environmental regulations) can have a significant influence on the outlook for companies and the returns to investors.

### 5. Exploration

Exploration, by its nature, contains elements of significant risk. Ultimate success depends on the discovery and delineation of economically recoverable mineral resources, establishment of an efficient exploratory operation and obtainment of necessary government, statutory and other approvals. The exploration activities of the Company may be affected by a number of factors including, but not limited to, geological conditions, seasonal weather patterns, technical difficulties and failures, availability of the necessary drilling rigs, technical equipment and appropriately skilled and experienced technicians, adverse changes in government policy or legislation and access to the required level of funding.

There can be no assurance that the Company's exploration activities, or any other projects, tenements or databases that the Company may acquire in the future, will result in the discovery of a significant mineral resource. Even if a significant mineral resource is identified, there can be no guarantee that it can be economically exploited.

### 6. Operational Risk

Exploration activities may be curtailed, delayed or cancelled as a result of weather conditions, mechanical difficulties, shortages or delays in the delivery of rigs and/or other equipment. The occurrence of any of these risks could result in legal proceedings being instituted against the Company and substantial losses to the Company 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. Damages occurring to third parties as a result of such risks may give rise to claims against the Company.

### 7. Tenure and Access

There is no guarantee that current or future applications, conversions or renewals of the mineral tenements in which the Company has an interest or potential interest will be approved. Tenement applications may result in a requirement for the Company to commence negotiations with the relevant landholders and/or indigenous representative bodies to gain access to the underlying land. There is no guarantee that such negotiations will be successful.

Tenements are subject to a number of State-specific legislative conditions including payment of rent and meeting minimum annual expenditure commitments. The renewal of the term of a granted tenement is also subject to the discretion of the relevant Minister and may trigger native title negotiation rights. The inability to meet these conditions or triggering negotiation procedures in relation to any of the tenements comprising the Company's projects could affect the standing of a tenement or restrict its ability to be renewed, adversely affecting the operations, financial position and performance of the Company.

### 8. Environmental

The Company's projects are subject to South Australian and Commonwealth laws and regulations regarding environmental matters and the discharge of hazardous wastes and materials. As with all mineral projects, the Company's projects are expected to have a variety of environmental impacts. The Company intends to conduct its activities in an environmentally responsible manner and in accordance with all applicable laws, but may still be subject to accidents or other unforeseen events which compromise its environmental performance and have financial implications.



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### **9. Native Title and Aboriginal Heritage and Sacred Sites**

Many of the Company's deposits and prospects are located on freehold land or on Crown Lease convertible to freehold. A Native Title Agreement was signed between the Barnjala and the South Australian Iron Ore Group (SAIOG) which is current. Future tenement applications may trigger Native Title.

### **10. Financing**

The future capital requirements of the Company will depend on many factors including the results of the proposed exploration programmes. An inability to obtain additional funding (if required) would have a material adverse affect on the Company's business and the price of its Securities.

### **11. Insurance**

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

### **12. Reliance on Strategic Partners**

The Company may, over the course of its life, develop relationships with a range of strategic partners. Should the relationships with strategic partners deteriorate, or further suitable strategic partners not be identified, there is a risk that adverse effects to the profitability and growth prospects of the Company may result.

### **13. Resource Estimates**

Resource estimates are estimates based on knowledge, experience and industry practice. Estimates are a necessary practice, and though valid when originally calculated, may change significantly and cease to be accurate when new information becomes available through additional fieldwork and analysis. Resource estimates are by their nature imprecise and to an extent depend on interpretation, which may result in inaccuracies. This may result in changes to exploration, development and mining plans which may adversely affect the Company's operations.

### **14. Regulatory Approvals**

The Company will require government regulatory approvals for its operations and must comply with those approvals and other applicable laws, regulations and policies. This may from time to time affect timing and scope of work to be undertaken and the cost of undertaking that work.

Any proposed tenements of the Company which may be under application, can be the subject of delays. This may require the Company to focus its exploration activities on granted tenements. Although the Company is not aware of any reason why applications will not be promptly granted (unless otherwise stated in this Prospectus), the application process is subject to the exercise of discretions and hence there is the risk of adverse outcomes.

### **15. Reliance on Key Executives**

The success of the Company is dependent upon retaining its current experienced personnel. Although key executives have fixed term employment contracts (subject to contractual or statutory termination rights), the continued involvement of certain key Directors, employees and consultants cannot be assured.