

17 November 2010

Dear Shareholder,

I am pleased to invite you to an Extraordinary General Meeting of shareholders of Monteray Group Ltd (the Company) at the offices of KPMG, Level 2, 10 Shelley Street, Sydney NSW 2000 on 17 December 2010 at 2.00 pm.

A number of important decisions regarding the Company's future direction will be covered at the meeting.

As advised in the ASX announcement on 8 October 2010, the Company has entered into a Share Purchase Agreement with Jaek Holdings Pty Ltd to acquire 100% of the issued capital in Aberystwyth Nominees Pty Ltd (Aberystwyth) subject to certain conditions as set out in the attached Explanatory Memorandum.

Shareholders are asked to vote on certain resolutions regarding the issue of shares and options, and the consolidation of the Company's capital by converting twenty fully paid ordinary shares currently on issue into one fully paid ordinary share. Shareholders are also asked to vote on a change in activities for the Company from the technology sector to the mining and resources sector, as well as the proposed name change to Monteray Mining Group Ltd to reflect the change in activities of the Company.

The Company is also seeking shareholder approval to be given for the issue of up to 17,500,000 post-Consolidation ordinary shares at \$0.20 each pursuant to a Prospectus to raise funds for the development of the Western Australian gold tenements acquired under the Proposed Transaction, to review and evaluate new resources project opportunities and to provide working capital.

The Directors engaged HLB Mann Judd as an independent expert to review the proposed acquisition of Aberystwyth in the context of the relevant ASX Listing Rules and Corporations Act 2001. The independent Expert's Report is attached as Annexure B to the Explanatory Memorandum.

The Directors recommend the approval of the acquisition of Aberystwyth together with the other interdependent resolutions detailed in the attached Notice of Extraordinary General Meeting and Explanatory Memorandum.

I welcome your attendance at the Extraordinary General Meeting. If you are unable to attend the meeting please complete the attached proxy form and return it in accordance with the instructions provided.

Yours sincerely,

WH Jones
Chairman

PROXY FORM

MONTERAY GROUP LTD

ACN 062 959 540

Member/s name/s and address

Name/s: _____

Address/es: _____

I/we appoint as my/our proxy the person named below at the Extraordinary General Meeting of the Company to be held at the offices of KPMG, Level 2, 10 Shelley Street, Sydney NSW 2000 on 17 December 2010 at 2.00 pm and at any adjournment thereof.

Appointment of Proxy

I/we appoint
as my/our proxy *or*, failing him/her, the Chairman to exercise my/our votes for me/us on my/our behalf

Box A



OR

Appointment of Chairman

I/we appoint the Chairman to exercise all of my/our votes for me/us on my/our behalf

Box B



Directing your proxy how to vote

I/we direct my/our proxy to vote in the following manner:

No	Resolution	For	Against	Abstain	Discretion
1	Election of Director – Alexander Barblett				
2	Election of Director – John Hannaford				
3	Change in Company’s activities				
4	Approval for related party acquisition				
5	Approval of issue of Shares and Options in the Company to the Vendor				
6	Issue of Shares and Options in the Company to Murchison				
7	Issue of Shares and Options in the Company to Charter				
8	Approval of issue of Shares to raise working capital pursuant to the Prospectus				
9	Consolidation of shares				
10	Change to company name				

If you do not wish to direct your proxy how to vote, please place a mark in the box.



By marking this box, you acknowledge that the Chairman may exercise your proxy even if he has an interest in the outcome of the resolution and votes cast by him other than as proxy holder will be disregarded because of that interest.

The Chairman intends to vote all undirected proxies in favour of the resolutions being passed.

Individuals to sign

Execution by attorney

Executed by: _____
(insert name of attorney)

(attorney to sign here)

as attorney for

(insert name of individual or Company)

in accordance with the Company’s constitution and the Corporations Act 2001. The authority or a certified copy of the authority under which the appointment is signed must be attached.

DATED...../...../.....

Companies to sign

Executed in accordance with the Company’s constitution:

Director

Director/Secretary OR

Sole Director and Sole Company Secretary

Affix seal if required



MONTERAY GROUP LTD

ACN 062 959 540

Registered Office:
Level 18, 50 Cavill Avenue, Surfers Paradise Queensland 4217

Notice of Extraordinary General Meeting

Notice is given that the Extraordinary General Meeting of Monterey Group Ltd (**Company**) will be held at the offices of KPMG, Level 2, 10 Shelley Street, Sydney NSW 2000 on 17 December 2010 at 2.00 pm.

For the purpose of the meeting, and in accordance with regulation 7.11.37 of the Corporations Regulations 2001, securities will be taken to be held by persons who are registered holders as at 7:00 pm on 15 December 2010. Accordingly, transactions registered after that time will be disregarded in determining entitlement to attend and vote at the Extraordinary General Meeting.

SPECIAL BUSINESS

ITEM 1

Resolution 1 - Election of Director

To consider and, if in favour, to pass the following as an ordinary resolution:

‘That, subject to passing of each of the other resolutions proposed in this Notice of Meeting, that Alexander Barblett who offers himself for election under rules 19.3 and 19.5 of the Company’s constitution, and being eligible, be elected as a Director of the Company.’

ITEM 2

Resolution 2 - Election of Director

To consider and, if in favour, to pass the following as an ordinary resolution:

‘That, subject to passing of each of the other resolutions proposed in this Notice of Meeting, that John Hannaford who offers himself for election under rules 19.3 and 19.5 of the Company’s constitution, and being eligible, be elected as a Director of the Company.’

Note: Information about each candidate appears in the Explanatory Memorandum.

ITEM 3

Resolution 3 - Change in Company’s activities

To consider, and if in favour, pass the following resolution as an ordinary resolution:

‘That, subject to passing of each of the other resolutions proposed in this Notice of Meeting and for the purposes of Listing Rule 11.1, the nature and scale of the Company’s activities be changed to include investment in activities in the mining and resources sector.’

ITEM 4**Resolution 4 – Approval for related party acquisition**

To consider, and if in favour, pass the following resolution as an ordinary resolution:

‘That, subject to passing of each of the other resolutions proposed in this Notice of Meeting and for the purposes of Listing Rule 10.1 and chapter 2E of Corporations Act, the Shareholders approve the Company acquiring 100% of the issued shares in Aberystwyth Nominees Pty Ltd ACN 145 832 775 (**Aberystwyth**) from Jaek Holdings Pty Ltd ACN 145 089 596 (**Vendor**) on the terms set out in the Share Purchase Agreement and as described in the Explanatory Memorandum accompanying this Notice of Meeting.’

ITEM 5**Resolution 5 – Approval of issue of Shares and Options in the Company to the Vendor**

To consider, and if in favour, pass the following resolution as an ordinary resolution:

‘That, subject to passing of each of the other resolutions proposed in this Notice of Meeting and for the purposes of chapter 2E of Corporations Act, Listing Rule 10.11 and the requirements of ASX, approval be given for the issue of 40,000,000 (pre-Consolidation) fully paid ordinary shares at an issue price of \$0.01 each and the grant of 20,000,000 (pre-Consolidation) options to acquire Shares at an issue price \$0.0125 each expiring on 31 August 2014 to the Vendor in part consideration for the acquisition by the Company of 100% of the issued shares in Aberystwyth on the terms set out in the Share Purchase Agreement and as described in the Explanatory Memorandum accompanying this Notice of Meeting.’

Note: A detailed summary of the proposed terms of the issue is contained in the Explanatory Memorandum. If approval is given under Listing Rule 10.11, approval is not required under Listing Rule 7.1.

ITEM 6**Resolution 6 - Issue of Shares and Options in the Company to Murchison**

To consider, and if in favour, pass the following resolution as an ordinary resolution:

‘That, subject to passing of each of the other resolutions proposed in this Notice of Meeting and for the purposes of Listing Rule 7.1, approval be given for the issue of 15,000,000 (pre-Consolidation) fully paid ordinary shares at an issue price of \$0.01 each and the grant of 15,000,000 (pre-Consolidation) options to acquire Shares at an issue price \$0.0125 each expiring 31 August 2014 to Murchison Resources Pty Ltd ACN 009 175 491 (**Murchison**) as part consideration for the acquisition by the Company of 100% of the issued shares in Aberystwyth on the terms set out in the Share Purchase Agreement and as described in the Explanatory Memorandum accompanying this Notice of Meeting.’

ITEM 7**Resolution 7 – Approval of issue of Shares and Options in the Company to Charter**

To consider, and if in favour, pass with or without amendment as an ordinary resolution, the following:

‘That, subject to passing of each of the other resolutions proposed in this Notice of Meeting and for the purpose of chapter 2E of Corporations Act, Listing Rule 10.11 and the requirements of ASX, approval be given for the issue of 150,000,000 (pre-Consolidation) fully paid ordinary shares at an issue price of \$0.01 each to Charter Pacific Corporation Limited ACN 003 344 287 (**Charter**) and the grant of 150,000,000 (pre-Consolidation) options to acquire Shares at an issue price \$0.0125 each expiring 31 August 2014 in full repayment of loan funds totalling \$1,500,000 and the forgiveness of further loan funds of \$942,508 advanced to the Company from time to time since July 2005 for working capital purposes.’

Note: A detailed summary of the proposed terms of the issue is contained in the Explanatory Memorandum. If approval is given under Listing Rule 10.11, approval is not required under Listing Rule 7.1.

ITEM 8**Resolution 8 – Approval of issue of Shares to raise working capital pursuant to the Prospectus**

To consider, and if in favour, pass with or without amendment as an ordinary resolution, the following:

‘That, subject to passing of each of the other resolutions proposed in this Notice of Meeting and for the purposes of Listing Rules 7.1 and 7.3, approval be given to the issue of up to 17,500,000 (post-Consolidation) ordinary shares at \$0.20 each pursuant to the Prospectus to obtain funds to be used for development of the Western Australian gold tenements acquired under the Proposed Transaction, to review and evaluate new resources project opportunities and also provide working capital.’

ITEM 9**Resolution 9 - Consolidation of shares**

To consider, and if in favour, pass the following resolution as an ordinary resolution:

‘That, subject to the passing of each of the other resolutions proposed in this Notice of Meeting and in accordance with section 254H of the Corporations Act, all Shares in the Company be consolidated on the basis that every twenty (20) Shares be consolidated into one (1) Share and where the Consolidation results in a fraction of a Share being held by a Shareholder, the Directors be authorised to round that fraction up to the nearest whole Share.’

ITEM 10**Resolution 10 - Change to Company name**

To consider and, if thought fit, pass the following resolution as a special resolution:

‘That, subject to the passing of each of the other resolutions proposed in this Notice of Meeting and the approval of the ASIC, the name of the Company be changed from ‘Monteray Group Ltd’ to ‘Monteray Mining Group Ltd’ pursuant to section 157(1) of the Corporations Act.’

DATED: 17 November 2010

By Order of the Board of Directors



Steven Cole (*Company Secretary*)

INFORMATION FOR MEMBERS

- 1 A member entitled to attend and vote at the Extraordinary General Meeting is entitled to appoint a proxy.
- 2 A member who is entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise.
- 3 A proxy need not be a member of the Company.
- 4 The Proxy Form must be signed by the member or his or her attorney.
- 5 Proxies given by corporations must be signed either under seal or signed by a director, secretary or attorney of the appointor in accordance with section 127 Corporations Act.
- 6 To be valid, the form appointing the proxy and the power of attorney or other authority (if any) under which it is signed (or an attested copy) must be deposited at Level 18, 50 Cavill Avenue, Surfers Paradise Qld 4217 or by mail to PO Box 40, Surfers Paradise Qld 4217 or sent by facsimile transmission to the Company (07) 5526 8922 not later than 48 hours before the time of holding the Extraordinary General Meeting.
- 7 Unless a member specifically directs the proxy how to vote, the proxy may vote as he or she thinks fit or abstain from voting.
- 8 Any undirected proxies given to the Chairman will be voted in favour of each resolution.

EXPLANATORY MEMORANDUM

Introduction

The Explanatory Memorandum has been prepared for the information of the Shareholders in connection with the business to be conducted at the Extraordinary General Meeting to be held at the offices of KPMG, Level 2, 10 Shelley Street, Sydney NSW 2000 on 17 December 2010 at 2.00 pm.

The main purpose of this Explanatory Memorandum is to provide Shareholders with information concerning all of the resolutions proposed in the Notice of Meeting.

It is important that you either attend the meeting personally or complete and lodge the Proxy Form attached to the Notice of Meeting.

If you do not understand this Explanatory Memorandum or are in any doubt about the action to be taken, you should consult your solicitor, accountant, investment advisor or other professional advisor immediately.

This Explanatory Memorandum should be read with, and forms part of, the Notice of Meeting of which it accompanies.

This Explanatory Memorandum is required pursuant to various regulatory and ASX requirements. The resolutions before Shareholders contemplate that to be effective, resolutions 1 to 10 (inclusive) all need to be passed by Shareholders for any of those resolutions to be effective.

Important Dates

Event	Date
Lodge prospectus with ASIC	15 November 2010
Offer under the Prospectus opens	22 November 2010
Last date for receipt of Proxy Forms	2.00pm 15 December 2010
Offer under the Prospectus closes	5.00pm 15 December 2010
Date for establishing voting entitlements	7.00pm 15 December 2010
Extraordinary General Meeting of Shareholders	17 December 2010
Trading halt, suspension of trading if resolutions 1 to 10 are approved	17 December 2010
Anticipated date of allotment of Shares	17 January 2011
Anticipated date of despatch of shareholding statements	17 January 2011
Anticipated date of re-quotations of Shares on ASX and recommencement of trading	21 January 2011

Apart from the date of the Extraordinary General Meeting, the above dates are indicative only and may need to vary as a result of changed circumstances not foreseen at this time. The Board reserves the right to vary the dates either by shortening or extending the dates, subject to the Corporations Act and the Listing Rules.

ITEMS 1 and 2 – Resolutions 1 and 2 – Election of Directors

Pursuant to rule 19.3 of the Company's constitution, the election of Directors must be by resolution of the Company in general meeting.

Pursuant to rule 19.5 of the Company's constitution, a person is eligible to be appointed as a Director by resolution of the Company in general meeting, where the Company receives at its office at least 30 business days before the relevant general meeting both:

- (i) a nomination of the person by a Shareholder; and
- (ii) a consent to that nomination signed by the person nominated for election as a Director.

The Company has received both a nomination and a consent in respect of each of Alexander (Sandy) Barblett and John Hannaford to act as Director in accordance with the Company's constitution.

Alexander (Sandy) Barblett

Mr Barblett has over 20 years senior management experience working with private and publicly listed companies in the United Kingdom, United States of America and Hong Kong. He has advised companies on raising private equity and general fund raising, corporate strategy and mergers and acquisitions.

He is currently Chief Operating Officer of Charter Pacific Corporation Limited which is an ASX listed investment company active in the mining and resource and agribusiness sectors. He is a partner in the London based corporate finance company, Ironbridge Capital Partners. He is currently a non-executive director of AIM listed Solo Oil plc.

Mr Barblett has a bachelor of business from Curtin University of Technology in Perth and a bachelor of laws from the University of Queensland. He previously worked for Minter Ellison as a solicitor, and is a member of the Australian Institute of Company Directors.

John Hannaford

Mr Hannaford has extensive financial experience from several corporate roles in Australia, Asia and Europe with a resources emphasis ranging from listed oil producers and oilfield construction groups to gold and mineral exploration companies, as well as banking. He co-founded boutique Corporate Advisory firm Ventnor Capital which specialises in the provision of corporate advice to the junior resources sector. At Ventnor Capital, he has been responsible for several new listings and M&A transactions including Emerald Oil & Gas, Bathurst Resources, Transit Holdings, Atlantic Limited, & Resource Generation Limited (formerly Comdek Limited). Mr Hannaford is a director and authorised representative of Ventnor Capital's associated company Bligh Capital (WA) Pty Ltd. Mr Hannaford is currently a director of Emerald Oil & Gas NL.

Mr Hannaford graduated from the University of Western Australia with a Bachelor of Commerce degree in 1986 majoring in finance and economics. He qualified as a Chartered Accountant in 1990, gaining experience with Arthur Andersen audit division in Perth and in Hong Kong. He is a Fellow of the Financial Services Institute of Australia.

Directors' recommendation

Each of resolutions 1 and 2 is subject to the passing of each of the other resolutions proposed in this Notice of Meeting.

The Directors unanimously recommend that Shareholders vote in favour of resolutions 1 and 2.

ITEMS 3 to 7 – Resolutions in respect of the Proposed Transaction**Background and Proposed Transaction**

After reporting a net profit after income tax for the full year ended 30 June 2010 of \$243,425, the Company outlined to Shareholders that the Directors were reviewing a number of opportunities in a wider range of areas to add value to the Company's strategic goals.

The Company continued to evaluate investment opportunities, and on 20 August 2010 announced that it had entered into a heads of agreement with the shareholder of Aberystwyth to purchase 100% of the issued shares in Aberystwyth subject to numerous conditions precedent including entry into formal legal documentation.

Capital raising and Prospectus

The Company intends to raise between \$2.5 and \$3.5 million under the Prospectus (**Offer**). It is anticipated that the Offer will close prior to the date of this meeting. Shareholders should refer to the Prospectus for additional information regarding the Company, Aberystwyth and the Proposed Transaction.

Overview of Aberystwyth's business

The Company is proposing to acquire 100% of the issued shares in Aberystwyth, which has a legally enforceable right to obtain an 80% interest in the following exploration licences and prospecting licences located in the goldfields region of Western Australia (**Portfolio**):

- (a) Golden Rdg. Sth, Western Australia prospecting licence P26/3218, granted 10 August 2007;
- (b) Golden Rdg. Sth, Western Australia prospecting licence P26/3219, granted 10 August 2007;
- (c) Malcolm King, Western Australia prospecting licence P37/7778, granted 18 June 2007;
- (d) Triple 3, Western Australia exploration licence E25/333, granted 21 June 2007; and
- (e) Hickmans, Western Australia exploration licence E25/341, granted 19 March 2008.

In addition, two further exploration licence applications proximal to the Hickmans licence, ELA 25/460 and ELA 25/459, form part of the Portfolio.

Murchison will continue to hold 20% interest in the Portfolio.

The Company intends to appoint a knowledgeable and experienced team to manage and develop the Western Australian gold mining tenements after completion of the Proposed Transaction.

Share Purchase Agreement

The Company announced to the market on 8 October 2010 that the Company had entered into a legally binding Share Purchase Agreement with Aberystwyth and the Vendor to acquire from the Vendor 100% of the issued shares in Aberystwyth (**Proposed Transaction**). Completion of the Proposed Transaction is subject to numerous conditions precedent, which are set out below. The total purchase price for the Proposed Transaction is also set out below.

The Vendor will be entitled to appoint one representative to the Board on completion of the Proposed Transaction. The Vendor has nominated Mr John Hannaford as its preferred nominee in this respect, who stands for election to the Board by way of resolution 2.

Conditions precedent

Performance of the obligations under the Share Purchase Agreement is subject to satisfaction or waiver of the following conditions:

- (a) due diligence investigations being undertaken on Aberystwyth and the tenements to the Company's reasonable satisfaction;
- (b) \$1,500,000 of the loan from Charter as recorded on the balance sheet of the Company as at 30 June 2010 being converted to fully paid ordinary shares in the Company at an issue price of \$0.01 per share pre-Consolidation (150,000,000 fully paid ordinary shares pre-Consolidation) and 150,000,000 (pre-Consolidation) options exercisable at \$0.0125 each (pre-Consolidation) expiring on 31 August 2014, and the balance of the loan (\$942,508) being forgiven by Charter;
- (c) the Company complying with Chapters 1 and 2 of the Listing Rules and the Company's shares being readmitted to the official list of ASX;
- (d) the Company obtaining the necessary approvals of the Shareholders, ASIC or ASX (where applicable) for:
 - (i) the conversion of the Loan from Charter;
 - (ii) the purchase of Aberystwyth's shares by the Company in accordance with the Share Purchase Agreement;
- (e) the issue of the Consideration Shares and the grant of the Consideration Options to the Vendor in accordance with the terms of the Share Purchase Agreement for the purposes of Listing Rule 7.1;
- (f) the issue of the Murchison Shares and the grant of the Murchison Options to Murchison in accordance with the terms of Share Purchase Agreement for the purposes of Listing Rule 7.1;
- (g) the necessary approvals for the issue of Shares to any person in a position of influence under Listing Rule 10;
- (h) the change to the Company's name to Monteray Mining Group Ltd;
- (i) the change to the Company's nature or scale of activities (if ASX requires) for the purposes of Listing Rule 11;

Share Purchase Agreement continued

- (j) any other matter the Company reasonably considers necessary in connection with the Share Purchase Agreement;
- (k) the Company completing a capital raising described in item 10;
- (l) the Company completing the Consolidation as described in item 11; and
- (m) the Vendor and Aberystwyth ensuring that Aberystwyth owns 80% of all right, title and interest in the tenements, free from any encumbrance.

Purchase price

The purchase price for the Proposed Transaction includes:

- (a) cash payment of \$110,000 to be paid by the Company to the Vendor (or Murchison, as the case may require) as follows:
 - (i) \$10,000 which was paid to the Vendor on 20 August 2010; and
 - (ii) a further cash payment of \$100,000 to Murchison on completion of the Proposed Transaction;
- (b) 40 million Shares (pre-Consolidation) in the Company at an issue price of \$0.01 (pre-Consolidation) to be issued to the Vendor (**Consideration Shares**);
- (c) 15 million Options (pre-Consolidation) in the Company exercisable at \$0.0125 (pre-Consolidation) each on or before 31 August 2014 to be issued to the Vendor (**Consideration Options**);
- (d) 40 million Shares (pre-Consolidation) in the Company at an issue price of \$0.01 (pre-Consolidation) to be issued to the Vendor (**Murchison Shares**); and
- (e) 15 million Options (pre-Consolidation) in the Company exercisable at \$0.0125 (pre-Consolidation) each on or before 31 August 2014 to be issued to the Vendor (**Murchison Options**).

The Consideration Shares and Murchison Shares are to be restricted (voluntarily and pursuant to Listing Rule 10.7) following completion. The other terms of the Consideration Options and Murchison Options are set out in Annexure A attached to this Explanatory Memorandum.

Warranties

Under the Share Purchase Agreement, the Vendor provided warranties and made representations about Aberystwyth, the Vendor, records, financial records, Aberystwyth's assets, litigation, compliance with laws, intellectual property, environment and tax (**Warranties**).

If the Company subsequently discovers that any of the Warranties are untrue or inaccurate then the Company may take action against the Warrantor to recover their losses under the indemnity in the Share Purchase Agreement. The maximum liability of the Warrantor under the indemnity is \$800,000.

Pro forma balance sheet – post completion of the Proposed Transaction (consolidated entity)

A pro forma balance sheet for the Company post completion of the Proposed Transaction based on the management accounts for the Company and Aberystwyth for the period ended on 30 September 2010 is attached as Annexure C.

Aberystwyth's historical financial information

Aberystwyth was incorporated in August 2010 to hold the 80% interest in the Portfolio (the mining tenements identified in the overview of Aberystwyth's business section above) and therefore does not have any historical financial information.

Independent Expert's Report

The Directors engaged HLB Mann Judd to prepare an Independent Expert's Report in order to assist Shareholders in deciding whether to vote for or against the resolutions to give effect to the Proposed Transaction.

The Independent Expert has concluded that the Proposed Transaction is fair and reasonable. A copy of the Independent Expert's Report is attached as Annexure B.

Fairness

In order to assess whether the Proposed Transaction is fair and reasonable, the independent expert has:

- assessed whether the Proposed Transaction is fair by estimating the fair market value of the Company and an ordinary share of the Company (value of consideration offered) prior to the Proposed Transaction and comparing this value to the estimated fair market value of the Company and an ordinary share of the Company after the matters contemplated by the Proposed Transaction are completed, including the other conditions precedent contained in the Share Purchase Agreement; and
- assessed the reasonableness of the Proposed Transaction by considering other advantages and disadvantages of the Proposed Transaction to non-associated Shareholders.

The Independent Expert's Report provides the following estimated fair market value:

Estimated fair market value of Monteray prior to the proposed transaction	\$Nil
Estimated fair market value of Monteray following completion of the Proposed Transaction	\$2,823,435

Reasonableness

The Independent Expert outlined that an offer is reasonable if it is fair. On that basis of the Independent Expert's conclusion that the offer is fair, the Independent Expert considers that the Proposed Transaction is reasonable, having regard to the advantages and disadvantages summarised below.

Advantages of accepting the Proposed Transaction

- The Proposed Transaction will provide the Company with a business activity, which has been absent since the divestment of GPen Pty Ltd. Without a business, the Company would be running a risk of being suspended by ASX or possibly delisted. This will be to the detriment of all Shareholders.
- As part of the Proposed Transaction, the current large debt owing to Charter will be repaid to Charter by the issue of shares and grant of options (amounting to \$1,500,000), with the balance of the debt being forgiven. The Company will then have no large liabilities.
- The Proposed Transaction includes a capital raising of \$2,500,000 to \$3,500,000 which will provide the Company with funding to pursue the exploration and development of the Western Australian gold tenements of Aberystwyth.

Disadvantages of accepting the Proposed Transaction

- The Company will be entering into an activity comprising mineral exploration which is subject to certain risks associated with that industry, including the following:
 - the success of mineral exploration activity is inherently uncertain; and
 - prices of mineral commodities (including gold) are subject to external factors outside the control of the Company.

Other options considered by the Directors

Some of the alternative commercial options for the Company considered by the Directors if it did not proceed with the Proposed Transaction include:

- continuing with business as usual, however, the Proposed Transaction will provide the Company with a business activity, which has been absent since the divestment of GPen Pty Ltd. Without a business, the Company would be running a risk of being suspended by ASX or possibly delisted. This will be to the detriment of all Shareholders; and
- as at the date of the Notice of Meeting the Directors have not identified any superior alternative proposal.

Reasons for selection of consideration

The Directors consider that having regard to the financial position of the Company and the desirability of the Proposed Transaction that the consideration for the Proposed Transaction is appropriately satisfied by the issue of securities to the Vendor and relevant parties. Likewise, the Directors consider that having regard to the desirability of eliminating the current loan from Charter, the willingness of Charter to accept securities in lieu of the loan repayment and the lack of availability of an alternative means of repayment of this loan, that it is appropriate that the consideration be securities. The Directors consider that in the event that the Company is able to raise limited capital that it is appropriate that the capital be applied to future growth of the business.

Shareholdings in the Company – before and after completion of the Proposed Transaction and capital raising

The shareholders and each Shareholder's shareholding in the Company as at the date of this Notice of Meeting and on completion of the Proposed Transaction (as contemplated by resolutions 3 to 7) and the capital raising (as contemplated by resolution 8) are set out in the table below.

Pre-Consolidation

Name of Shareholder	Shareholding before Proposed Transaction and capital raising	% Holding	Shareholding after Proposed Transaction Minimum capital raising	% Holding	Shareholding after Proposed Transaction Maximum capital raising	% Holding
CHARTER PACIFIC CORPORATION LTD	30,541,508	40.71%	180,541,508	33.74%	180,541,508	28.66%
JAEK HOLDINGS PTY LTD	0	0%	40,000,000	7.47%	40,000,000	6.35%
MURCHISON RESOURCES PTY LTD	0	0%	15,000,000	3.73%	15,000,000	2.38%
MR SIMON SALIBA	4,000,000	5.33%	4,000,000	0.75%	4,000,000	0.63%
AUSTRALIAN EXECUTOR TRUSTEES LIMITED <NO 1 ACCOUNT>	2,768,150	3.69%	2,768,150	0.52%	2,768,150	0.44%
MORNINGTON INVESTMENTS (VIC) PTY LTD	1,836,530	2.45%	1,836,530	0.34%	1,836,530	0.29%
MR JEFFREY HOWARD LATIMER + MRS JUDITH ANN LATIMER <LATIMER S/F A/C>	1,687,645	2.25%	1,687,645	0.32%	1,687,645	0.27%
MCMULLAN CONSULTING PTY LTD	1,228,965	1.64%	1,228,965	0.23%	1,228,965	0.19%
MS NADA SAADE	1,225,200	1.63%	1,225,200	0.23%	1,225,200	0.19%
JOHN COOK SUPER FUND PTY LTD <JOHN COOK SUPER FUND A/C>	1,200,000	1.60%	1,200,000	0.22%	1,200,000	0.19%
MR RAMON JOHN ROSS	1,175,000	1.57%	1,175,000	0.22%	1,175,000	0.19%
PEGARI PTY LIMITED	1,100,000	1.47%	1,100,000	0.21%	1,100,000	0.17%
MRS SARAH MIKHAEL	950,000	1.27%	950,000	0.18%	950,000	0.15%
MR TREVOR NEIL HAY	807,568	1.08%	807,568	0.15%	807,568	0.13%
MR NICHOLAS TSOUKATOS + MRS RYSOULA TSOUKATOS	790,000	1.05%	790,000	0.15%	790,000	0.13%
MR ANDREW GEORGE MOORE + MRS LYNETTE MOORE <MOORE SUPER FUND A/C>	744,300	0.99%	744,300	0.14%	744,300	0.12%
KEN HORAN	690,000	0.92%	690,000	0.13%	690,000	0.11%
NEIL SCHOPPE	690,000	0.92%	690,000	0.13%	690,000	0.11%
MR JOHN ANTHONY COOK	600,000	0.80%	600,000	0.11%	600,000	0.10%
JOHN MCMULLAN + TRACEY MCMULLAN <BONBEACH FAMILY A/C>	600,000	0.80%	600,000	0.11%	600,000	.010%
DB BUILDING CONTROLS (VIC) PTY LTD	518,120	0.69%	518,120	0.10%	518,120	0.08%
MR ADAM FURST	512,500	0.68%	512,500	0.10%	512,500	0.08%
NEW ISSUE PURSUANT TO PROSPECTUS	0	0%	250,000,000	46.7%	350,000,000	55.55%
REMAINING SHAREHOLDERS	21,342,636	28.46%	21,342,636	3.99%	21,342,636	3.39%
Total	75,008,122	100%	530,008,122	100%	630,008,122	100%

The number of Shares in the above table does not take into account the proposed Consolidation of Shares as described in resolution 9, however, regardless of the Consolidation, the percentage of shareholdings will remain the same.

The table below takes into account the proposed Consolidation of Shares as described in resolution 9

Post-Consolidation

Name of Shareholder	Shareholding before Proposed Transaction and capital raising	% Holding	Shareholding after Proposed Transaction Minimum capital raising	% Holding	Shareholding after Proposed Transaction Maximum capital raising	% Holding
CHARTER PACIFIC CORPORATION LTD	1,527,075	40.71%	9,027,075	33.74%	9,027,075	28.66%
JAEK HOLDINGS PTY LTD	0	0%	2,000,000	7.47%	2,000,000	6.35%
MURCHISON RESOURCES PTY LTD	0	0%	750,000	3.73%	750,000	2.38%
MR SIMON SALIBA	200,000	5.33%	200,000	0.75%	200,000	0.63%
AUSTRALIAN EXECUTOR TRUSTEES LIMITED <NO 1 ACCOUNT>	138,408	3.69%	138,408	0.52%	138,408	0.44%
MORNINGTON INVESTMENTS (VIC) PTY LTD	91,827	2.45%	91,827	0.34%	91,827	0.29%
MR JEFFREY HOWARD LATIMER + MRS JUDITH ANN LATIMER <LATIMER S/F A/C>	84,382	2.25%	84,382	0.32%	84,382	0.27%
MCMULLAN CONSULTING PTY LTD	61,448	1.64%	61,448	0.23%	61,448	0.19%
MS NADA SAADE	61,260	1.63%	61,260	0.23%	61,260	0.19%
JOHN COOK SUPER FUND PTY LTD <JOHN COOK SUPER FUND A/C>	60,000	1.60%	60,000	0.22%	60,000	0.19%
MR RAMON JOHN ROSS	58,750	1.57%	58,750	0.22%	58,750	0.19%
PEGARI PTY LIMITED	55,000	1.47%	55,000	0.21%	55,000	0.17%
MRS SARAH MIKHAEL	47,500	1.27%	47,500	0.18%	47,500	0.15%
MR TREVOR NEIL HAY	40,378	1.08%	40,378	0.15%	40,378	0.13%
MR NICHOLAS TSOUKATOS + MRS RYSOULA TSOUKATOS	39,500	1.05%	39,500	0.15%	39,500	0.13%
MR ANDREW GEORGE MOORE + MRS LYNETTE MOORE <MOORE SUPER FUND A/C>	37,215	0.99%	37,215	0.14%	37,215	0.12%
KEN HORAN	34,500	0.92%	34,500	0.13%	34,500	0.11%
NEIL SCHOPPE	34,500	0.92%	34,500	0.13%	34,500	0.11%
MR JOHN ANTHONY COOK	30,000	0.80%	30,000	0.11%	30,000	0.10%
JOHN MCMULLAN + TRACEY MCMULLAN <BONBEACH FAMILY A/C>	30,000	0.80%	30,000	0.11%	30,000	.010%
DB BUILDING CONTROLS (VIC) PTY LTD	25,906	0.69%	25,906	0.10%	25,906	0.08%
MR ADAM FURST	25,625	0.68%	25,625	0.10%	25,625	0.08%
NEW ISSUE PURSUANT TO PROSPECTUS	0	0%	12,500,000	46.7%	17,500,000	55.55%
REMAINING SHAREHOLDERS	1,067,132	28.46%	1,067,132	3.99%	1,067,132	3.39%
Total	3,750,406	100%	26,500,406	100%	31,500,406	100%

At this point in time it not known which of the above Shareholders (if any) intends to apply for shares under the Prospectus. Accordingly their percentage shareholdings will increase if they are successful in any applications under the Prospectus.

Existing interests and the potential dilutionary effect on other shareholders

If the Proposed Transaction is approved by Shareholders (and if the Company complies with Chapters 1 and 2 of the Listing Rules), on completion of the Proposed Transaction and the capital raising contemplated by the Prospectus, the Vendor, Murchison and Charter will hold the following percentages of the total Shares on issue (assuming that the offer under the Prospectus is fully subscribed) and the total Options granted by the Company:

Shareholder	Percentage of total Shares on issue	Percentage of total Options
Jaek Holdings Pty Ltd ACN 145 089 596	6.35%	9.89%
Murchison Resources Pty Ltd ACN 145 089 596	2.38%	7.42%
Charter Pacific Corporation Limited ACN 003 344 287	28.66%	74.18%

NB: The above table assumes that the offer under the Prospectus will be fully subscribed.

There is no issue price for the Consideration Options, Murchison Options and Charter Options, however, the Vendor, Murchison and Charter (as the case may be) will be required to pay an exercise price of \$0.0125 per Share (pre-Consolidation) to exercise the relevant Options.

The classes of Options (pre-Consolidation) currently on issue and the relevant exercise prices of those Options are set out in the table below. The number of Options and exercise prices will be adjusted in accordance with the Consolidation (as set out in item 11). The shares issued on the exercise of the Options will not be subject to a voluntary escrow period.

Number of Options	Issue date	Exercise price	Expiry date
16,200,000	14 August 2006	\$0.10	14 July 2011
1,000,000	14 August 2006	\$0.30	14 July 2011

The following tables set out the capital structure of both Shares (pre-Consolidation) and Options (pre-Consolidation) in the Company both before completion of the Proposed Transaction and after the completion of the Proposed Transaction (assuming that the offer under the Prospectus is fully subscribed). The number of Shares and Options will be adjusted in accordance with the Consolidation (as set out in item 11).

Shareholder	Shareholding before Proposed Transaction	% Holding	Shareholding after Proposed Transaction	% Holding
Jaek	Nil	0%	40,000,000	6.35%
Murchison	Nil	0%	15,000,000	2.38%
Charter	30,541,508	40.7%	180,541,508	28.66%
Capital raising	Nil	0%	350,000,000	55.55%
Existing holders	44,466,614	59.3%	44,466,614	7.06%
Total	75,008,122	100.0%	630,008,122	100.0%

The above table assumes that the offer under the Prospectus will be fully subscribed.

Option Holder	Holding before Proposed Transaction	% Holding	Holding after Proposed Transaction	% Holding
Jaek	Nil	0%	20,000,000	9.9%
Murchison	Nil	0%	15,000,000	7.4%
Charter	Nil	0%	150,000,000	74.2%
Capital raising	Nil	0%	Nil	0%
Existing holders	17,200,000	100%	17,200,000	8.5%
Total	17,200,000	100%	202,200,000	100%

Note:

The number of Shares and Options in the above tables do not take into account the proposed Consolidation of Shares as described in resolution 9, however, regardless of the Consolidation, the percentage of shareholdings will remain the same.

The Consideration Shares, Murchison Shares and Charter Shares will rank equally with all other ordinary Shares on issue and the Consideration Shares and Murchison Shares will be escrowed for a period of 12 months from the date of issue.

The Consideration Options, Murchison Options and Charter Options will be granted on the terms and conditions set out in Annexure A attached to this Explanatory Memorandum.

Resolution 3 – Change in Company’s activities

Previous activities of the Company

The Company operated in the technology sector through its investment in GPen Pty Ltd, a global internet based pension administration system. The Company sold its investment in GPen Pty Ltd in September 2009 following Shareholder approval. The sale price was \$500,000.

Need for change of activities

As it has been noted in the Company’s annual reports for the financial years ended 30 June 2009 and 30 June 2010, and in several announcements during this period, the Directors have been reviewing a number of opportunities in a wide range of areas to add value to the Company’s strategic goals.

On 8 October 2010 the Company entered into a legally binding Share Purchase Agreement with Aberystwyth and the Vendor to acquire from the Vendor 100% of the issued shares in Aberystwyth.

The Directors consider that the Proposed Transaction is an opportunity for the Company to:

- (a) generate strong future revenue streams and profits from the growth of the mining sector in the short to medium term; and
- (b) participate in future growth in value in the mining sector.

Why is shareholder approval required?

Resolution 3 has been included so that Shareholders may approve, pursuant to Listing Rule 11.1, the Company proceeding with the Proposed Transaction.

Listing Rule 11.1.2 provides that the Company must obtain the approval of the Shareholders if required by ASX, where the Company proposes a significant change to the nature or scale of its activities.

The Proposed Transaction will amount to a change to the nature and scale of the Company’s activities as contemplated by Listing Rule 11.1.

On that basis, the Company will be required to comply with Listing Rules 11.1.2 and 11.1.3 in respect of the Proposed Transaction (which includes obtaining shareholder approval and compliance with Chapters 1 and 2 of the Listing Rules).

If each of the other resolutions proposed in this Notice of Meeting is approved by Shareholders, then trading in the Company’s securities will be suspended immediately, until the Company meets the requirements of Chapters 1 and 2 of the Listing Rules.

The Company expects to comply with Chapters 1 and 2 of the Listing Rules in the months following the Extraordinary General Meeting on 17 December 2010. The Company is required to prepare and lodge a prospectus as a condition of re-admission to official quotation, which the Company intends to lodge in November 2010. All Shareholders will be posted a copy of the prospectus following the lodgement of the prospectus at ASIC and ASX.

Following the completion of the Proposed Transaction, it is proposed that the Company will satisfy the assets test as set out in Listing Rule 1.3, which is a prerequisite to admission in ASX. Further, when the Company applies for re-admission to official quotation in accordance with Chapters 1 and 2 of the Listing Rules, the Company expects to have 400 Shareholders with a minimum marketable parcel of \$2,000 subject to confirmation by ASX. The Company is intending to raise up to \$3,500,000 in additional capital as part of this process.

What majority of votes is required?

A simple majority of shareholders is required to pass the resolution.

Who can vote on this resolution?

All shareholders can vote on this resolution.

Directors’ recommendation

This resolution is subject to the passing of each of the other resolutions proposed in this Notice of Meeting.

The Directors recommend that Shareholders vote in favour of this resolution.

Resolution 4 – Approval for related party acquisition

Acquisition

The Company is seeking shareholder approval to acquire 100% of the issued shares in Aberystwyth from the Vendor on the terms set out in Share Purchase Agreement for the purposes of Listing Rule 10.1.

Why is shareholder approval required?

ASX Listing Rule 10.1 provides that the Company cannot acquire a substantial asset from a related party without the approval of shareholders.

The Vendor is a related party of the Company for the purposes of chapter 2E of the Corporations Act, as the Company has reasonable grounds to believe that the Vendor is likely to become a related party of the Company in the future. A director is a ‘related party’ for the purposes of chapter 2E of the Corporations Act. The Company has reasonable grounds to believe that it is likely that resolutions 1 to 10 will be passed by Shareholders, and therefore that Mr John Hannaford, the sole director of the Vendor, will be a Director of the Company in the future.

The issue of Consideration Shares to the Vendor will constitute the giving of a financial benefit to a related party under section 229(3)(e) of the Act and consequently, approval under section 208 of the Act is sought by the Company. Listing Rule 10.11 also requires the approval of shareholders before the Consideration Shares can be issued to a related party. The Company seeks the approval of Shareholders to issue the Consideration Shares to the Vendor under both Chapter 2E and Listing Rule 10.11. If approval is given under ASX Listing Rule 10.11, approval is not required under ASX Listing Rule 7.1.

Section 208(1) of the Corporations Act provides that a public company must not, without the approval of the Company’s members, give a financial benefit to a related party, subject to certain exceptions. A related party includes directors under section 228 of the Corporations Act. Financial benefit is defined in section 229 of the Corporations Act and includes issuing securities or granting an option to a related party. Accordingly, shareholder approval under section 208(1) of the Corporations Act is required to give the financial benefits described below.

The following information is given in relation to the acquisition of 100% of the issued shares in Aberystwyth from the Vendor:

Related party	Vendor
Relationship to Company	The Vendor is a related party of the Company for the purposes of Listing Rule 10, as the Company has reasonable grounds to believe that the Vendor is likely to become a related party of the Company in the future. The Company has reasonable grounds to believe that it is likely that resolutions 1 to 10 will be passed by Shareholders, and therefore that Mr John Hannaford, the sole director of the Vendor, will be a Director of the Company in the future.
Terms of transaction	Please refer to Background and Proposed Transaction section and Annexure A In accordance with Listing Rule 10.7 the Consideration Shares and Murchison Shares will be restricted.

Under ASX Listing Rule 10.2, an asset is substantial if its value is 5% or more of the equity interest of the Company in the latest accounts given to ASX under the Listing Rules. The independent Directors have resolved that the acquisition by the Company of 100% of the issued shares in Aberystwyth is a substantial asset for the purpose of Listing Rule 10.2.

What does the independent expert say about the Proposed Transaction?

A copy of the Independent Expert’s Report is set out in full in Annexure B. The independent expert concludes that the Proposed Transaction is fair and reasonable.

Who can vote on this resolution?

All shareholders other than Aberystwyth and Murchison and their associates can vote on this resolution.

Voting exclusion

The Company will disregard any votes cast on resolution 4 by:

- Jaek and Murchison; and
- an associate of those persons.

However, the Company need not disregard a vote if:

- 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
- 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.

Directors' recommendation

This resolution is subject to the passing of each of the other resolutions proposed in this Notice of Meeting.

The Directors recommend that Shareholders vote in favour of this resolution on the basis that:

- (a) the Independent Expert has concluded that this transaction is fair and reasonable;
- (b) the Directors consider that in the current circumstances this Proposed Transaction is in the best interests of the Company; and
- (c) the Proposed Transaction will provide the Company with a business activity, which has been absent since the divestment of GPen Pty Ltd. Without a business, the Company would be running a risk of being suspended by ASX or possibly delisted, which would be to the detriment of all Shareholders.

Resolution 5 – Approval of issue of securities to a related party

The issue of shares and options in the Company to the Vendor

The Company seeks approval to issue 40,000,000 (pre-Consolidation) fully paid ordinary shares at an issue price of \$0.01 each (pre-Consolidation) and to grant 20,000,000 (pre-Consolidation) options to acquire Shares at an issue price \$0.0125 each (pre-Consolidation) expiring 31 August 2014 to the Vendor in consideration for the acquisition by the Company of 100% of the issued shares in Aberystwyth on the terms set out in the Share Purchase Agreement dated 8 October 2010.

Why is shareholder approval required?

The Vendor is a related party of the Company for the purposes of chapter 2E of the Corporations Act, as the Company has reasonable grounds to believe that the Vendor is likely to become a related party of the Company in the future. A director is a 'related party' for the purposes of chapter 2E of the Corporations Act. The Company has reasonable grounds to believe that it is likely that resolutions 1 to 10 will be passed by Shareholders, and therefore that Mr John Hannaford, the sole director of the Vendor, will be a Director of the Company in the future.

The issue of Consideration Shares to the Vendor will constitute the giving of a financial benefit to a related party under section 229(3)(e) of the Act and consequently, approval under section 208 of the Act is sought by the Company. Listing Rule 10.11 also requires the approval of shareholders before the Consideration Shares can be issued to a related party. The Company seeks the approval of Shareholders to issue the Consideration Shares to the Vendor under both Chapter 2E and Listing Rule 10.11. If approval is given under ASX Listing Rule 10.11, approval is not required under ASX Listing Rule 7.1.

Section 208(1) of the Corporations Act provides that a public company must not, without the approval of the Company's members, give a financial benefit to a related party, subject to certain exceptions. A related party includes directors under section 228 of the Corporations Act. Financial benefit is defined in section 229 of the Corporations Act and includes issuing securities or granting an option to a related party. Accordingly, shareholder approval under section 208(1) of the Corporations Act is required to give the financial benefits described below.

The nature of the Vendor's relationship with the Company and the financial benefit proposed to be given is set out in the following table.

Related party and its associates	Nature of relationship	Nature of financial benefit
Vendor	<p>The Vendor is a related party of the Company for the purposes of section 228 of the Corporations Act, as the Company has reasonable grounds to believe that the Vendor is likely to become a related party of the Company in the future.</p> <p>A director is a 'related party' for the purposes of section 228 of the Corporations Act. The Company has reasonable grounds to believe that it is likely that resolutions 1 to 10 will be passed by Shareholders, and therefore that Mr John Hannaford, the sole director of the Vendor, will be a Director of the Company in the future.</p>	<p>Issue 40,000,000 (pre-Consolidation) fully paid ordinary shares at an issue price of \$0.01 each and grant of 20,000,000 (pre-Consolidation) options to acquire Shares at an issue price \$0.0125 each expiring 31 August 2014.</p>

The following information is given under ASX Listing Rule 10.13 in relation to the securities that are proposed to be issued to the Vendor under the Share Purchase Agreement:

Related party	Vendor
Maximum number of securities to be issued	40,000,000 (pre-Consolidation) fully paid ordinary shares at an issue price of \$0.01 each and 20,000,000 (pre-Consolidation) options to acquire Shares at an issue price \$0.0125 each expiring 31 August 2014
Date the Company committed to issue the securities	The Company expects that the Consideration Shares and will be issued and allotted and Consideration Options will be granted on the date of completion of the Proposed Transaction.
Date the Company will issue the securities	The Company expects that the Consideration Shares and Consideration Options will be issued and allotted on the date of completion of the Proposed Transaction.
Relationship to Company	The Vendor is a related party of the Company for the purposes of Listing Rule 10.1, as the Company has reasonable grounds to believe that the Vendor is likely to become a related party of the Company in the future. A director is a 'related party' for the purposes of ASX Listing Rule 10.11. The Company has reasonable grounds to believe that it is likely that resolutions 1 to 10 will be passed by Shareholders, and therefore that Mr John Hannaford, the sole director of the Vendor, will be a Director of the Company in the future.
Issue price of the securities	40,000,000 (pre-Consolidation) fully paid ordinary shares at an issue price of \$0.01 each and 20,000,000 (pre-Consolidation) options to acquire Shares at an issue price \$0.0125 each expiring 31 August 2014
Terms of issue	Please see Background and Proposed Transaction section and Annexure A.
Intended use of funds	To be used for development of the Western Australian gold tenements of Aberystwyth, to review and evaluate new resources project opportunities and also provide working capital.

If approval is given under ASX Listing Rule 10.11, approval is not required under ASX Listing Rule 7.1.

What majority of votes is required?

A simple majority of shareholders is required to pass the resolution.

Who can vote on this resolution?

All shareholders other than Jaek and its associates can vote on this resolution.

Voting exclusion

The Company will disregard any votes cast on resolution 5 by:

- Jaek; and
- an associate of those persons.

However, the Company need not disregard a vote if:

- 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
- 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.

Directors' recommendation

This resolution is subject to the passing of each of the other resolutions proposed in this Notice of Meeting.

The Directors recommend that Shareholders vote in favour of this resolution on the basis that:

- (a) the independent expert has concluded that this transaction is fair and reasonable;
- (b) the Directors consider that in the current circumstances this Proposed Transaction is in the best interests of the Company; and
- (c) the Proposed Transaction will provide the Company with a business activity, which has been absent since the divestment of GPen Pty Ltd. Without a business, the Company would be running a risk of being suspended by ASX or possibly delisted, which would be to the detriment of all Shareholders.

Resolution 6 – Issue of shares and options in the Company to Murchison

Issue of shares to Murchison

The Company intends to issue 15,000,000 (pre-Consolidation) fully paid ordinary shares at an issue price of \$0.01 each (pre-Consolidation) and to grant 15,000,000 (pre-Consolidation) options to acquire Shares at an issue price \$0.0125 each (pre-Consolidation) expiring 31 August 2014 to Murchison Resources Pty Ltd ACN 009 175 491 (**Murchison**) as part consideration for the acquisition by the Company of 100% of the issued shares in Aberystwyth on the terms set out in the Share Purchase Agreement.

Why is shareholder approval required?

Listing Rule 7.1 provides that (subject to certain exceptions under Listing Rule 7.2, none of which is relevant here) prior approval of shareholders is required for an issue of securities if the securities will, when aggregated with the securities issued by the entity during the previous 12 months, exceed 15% of the number of the securities at the commencement of that 12 month period. As the issue does not fall within any of the exceptions under Listing Rule 7.2, shareholder approval of the issue to Murchison is required in accordance with Listing Rule 7.1.

The Company also seeks the approval of Shareholders for the issue of Shares to Murchison so that its 15% issuing capacity is replenished enabling it to issue further securities up to that limit.

Resolution 6 proposes the approval of the issue of securities to Murchison for the purposes of satisfying the requirements of Listing Rule 7.1.

The information required to be given to shareholders to seek approval under Listing Rule 7.1 is specified in Listing Rule 7.3. The following information is provided for the purposes of Listing Rule 7.3:

- (a) the maximum number of Shares to be issued to Murchison is 15,000,000 (pre-Consolidation) fully paid ordinary shares and the maximum number of Options to be granted to Murchison is 15,000,000 (pre-Consolidation) options;
- (b) the issue price of the Shares will be \$0.01 each (pre-Consolidation) and the issue price of the Shares at the exercise of the option will be \$0.0125 (pre-Consolidation);
- (c) the Shares will be fully paid pre-Consolidation Shares;
- (d) the Shares will be issued as part of the acquisition price of 100% of the issued capital in Aberystwyth, and therefore no monies are raised from the issue;
- (e) allotment of the Shares and grant of the Options will be within three months after the date of Shareholder approval;
- (f) the Shares will be issued and the Options will be granted to Murchison;
- (g) the Company will disregard any votes cast by a person who may participate in the proposed issue and a person who might obtain a benefit, except solely in the capacity of a holder of ordinary securities, if resolutions 1 to 10 are passed and any associate of any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities.

Murchison Shares will not be issued until the Company satisfies ASX's requirements for its Shares to be readmitted to the official list of ASX.

The Vendor and Murchison have agreed that the Shares issued to them as part of the consideration for the Proposed Transaction will be subject to voluntary escrow restrictions for a minimum period of 12 months from completion of the Proposed Transaction.

This resolution is subject to the passing of the other resolution contained in the Notice of Meeting.

What majority of votes is required?

A simple majority of shareholders is required to pass the resolution.

Who can vote on this resolution?

All shareholders other than Murchison and its associates can vote on this resolution.

Voting exclusion

The Company will disregard any votes cast on resolution 6 by:

- Murchison; and
- an associate of those persons.

However, the Company need not disregard a vote if:

- 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
- 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.

Directors' recommendation

This resolution is subject to the passing of each of the other resolutions proposed in this Notice of Meeting.

The Directors recommend that Shareholders vote in favour of this resolution.

Resolution 7 – Approval of issue of shares and options in the Company to Charter

The issue of securities to a related party

The Company seeks approval to issue 150,000,000 pre-Consolidation Shares (**Charter Shares**) and to grant 150,000,000 pre-Consolidation Options (**Charter Options**) to Charter in full repayment of loan funds totalling \$1,500,000 advanced by Charter to the Company from time to time since July 2005. Charter agrees to forgive further loan funds of \$942,508 advanced to the Company from time to time since July 2005 for working capital purposes.

Why is shareholder approval required?

Charter is a related party for the purpose of Chapter 2E of the Corporations Act because it is associated with Kevin Dart, a director of the Company.

The issue of Charter Shares to Charter will constitute the giving of a financial benefit to a related party under section 229(3)(e) of the Act and consequently, approval under section 208 of the Act is sought by the Company. Listing Rule 10.11 also requires the approval of shareholders before Charter Shares can be issued to a related party. The Company seeks the approval of Shareholders to issue Charter Shares to Charter under both Chapter 2E and Listing Rule 10.11. If approval is given under ASX Listing Rule 10.11, approval is not required under ASX Listing Rule 7.1.

Section 208(1) of the Corporations Act provides that a public company must not, without the approval of the Company's members, give a financial benefit to a related party, subject to certain exceptions. A related party includes directors under section 228 of the Corporations Act. Financial benefit is defined in section 229 of the Corporations Act and includes issuing securities or granting an option to a related party. Accordingly, shareholder approval under section 208(1) of the Corporations Act is required to give the financial benefits described below.

The nature of Charter's relationship with the Company and the financial benefit proposed to be given is set out in the following table.

Related party and its associates	Nature of relationship	Nature of financial benefit
Charter	<p>Charter is a related party for the purpose of section 228 of the Corporations Act because it is associated with Kevin Dart, a director of the Company.</p> <p>Charter is a substantial shareholder in the Company holding 40.71% of the shares currently on issue.</p>	<p>Issue of 150,000,000 pre-Consolidation Shares (Charter Shares) and grant of 150,000,000 pre-Consolidation Options (Charter Options) to Charter in full repayment of loan funds totalling \$1,500,000 advanced by Charter to the Company from time to time since July 2005.</p>

The following information is given under Listing Rule 10.13 in relation to the securities that are proposed to be issued to Charter under the Share Purchase Agreement:

Related party	Charter
Maximum number of securities to be issued	150,000,000 pre-Consolidation Shares (Charter Shares) and 150,000,000 pre-Consolidation Options (Charter Options).
Date the Company committed to issue the securities	The Company expects that the Charter Shares will be issued and allotted and Charter Options will be granted on the date of completion of the Proposed Transaction.
Date the Company will issue the securities	The Company expects that the Charter Shares will be issued and allotted and Charter Options will be granted on the date of completion of the Proposed Transaction.
Relationship to Company	Charter is a related party of the Company for the purposes of Listing Rule 10.1, because it is associated with Kevin Dart, a director of the Company and is a substantial shareholder currently holding 40.71% of the issued capital of the Company.
Issue price of the securities	150,000,000 pre-Consolidation Shares at an issue price of \$0.01 per Share (Charter Shares) and 150,000,000 pre-Consolidation Options exercisable at \$0.0125 each (Charter Options) to Charter in full repayment of loan funds totalling \$1,500,000 advanced by Charter to the Company from time to time since July 2005.
Terms of issue	Please see Background and Proposed Transaction section and Annexure A.
Intended use of funds	To retire \$2,442,508 debt in the Company.

What majority of votes is required?

A simple majority of shareholders is required to pass the resolution.

Who can vote on this resolution?

All shareholders other than the Charter and its associates can vote on this resolution.

Voting exclusion

The Company will disregard any votes cast on resolution 7 by:

- Charter and its associates; and
- an associate of those persons.

However, the Company need not disregard a vote if:

- 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
- 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.

Directors' recommendation

Kevin Dart and Steven Cole have an interest in the outcome of resolution 7. Because of their interest in the outcome, they do not make a recommendation in relation to this resolution.

The Directors other than Messrs Dart and Cole recommend that Shareholders vote in favour of this resolution on the basis that:

- (a) the Independent Expert has concluded that this transaction is fair and reasonable;
- (b) the Directors consider that in the current circumstances this Proposed Transaction is in the best interests of the Company; and
- (c) as part of the Proposed Transaction, the current large debt owing to Charter will be repaid to Charter by the issue of shares and grant of options (amounting to \$1,500,000), with the balance of the debt (\$942,508) being forgiven. The Company will then have no large liabilities.

ITEM 8 – : Resolution 8 – Approval of issue of Shares to raise working capital pursuant to a Prospectus

The Company intends to raise up to \$3,500,000 by offering up to 17,500,000 (post-Consolidation) ordinary shares to Shareholders and investors at an issue price of \$0.20 per share (pre-Consolidation) pursuant to a Prospectus. The offer under the Prospectus is to provide existing Shareholders and investors with the opportunity to acquire Shares in the Company as part of a capital raising of minimum subscription of \$2,500,000 which is a condition precedent to the Proposed Transaction under the Share Purchase Agreement.

If the Proposed Transaction is approved by Shareholders, under Listing Rule 11.1.2, it is anticipated that trading in the Company's Shares will be suspended until the requirements of Chapters 1 and 2 of the Listing Rules are complied with in accordance with Listing Rule 11.1.3 immediately after approval of resolutions 1 to 10 (inclusive).

The Prospectus will be reviewed by ASIC and ASX and has been prepared for the purposes of being readmitted to the Official List of ASX and to raise additional capital for use in completion of the Proposed Transaction and to raise funds to be used for development of the Western Australian gold tenements acquired with Aberystwyth, to review and evaluate new resources project opportunities and also provide working capital.

The Company aims to publicly raise up to \$3,500,000 through the issue of up to 17,500,000 (post-Consolidation) fully paid post-Consolidation Shares. This capital raising will broaden the Company's capital base.

Application will be made to ASX to have the Company's Shares reinstated to quotation as soon as possible.

Why is shareholder approval required?

Listing Rule 7.1 provides that (subject to certain exceptions under Listing Rule 7.2, none of which is relevant here) prior approval of shareholders is required for an issue of securities if the securities will, when aggregated with the securities issued by the entity during the previous 12 months, exceed 15% of the number of the securities at the commencement of that 12 month period. As the Prospectus does not fall within any of the exceptions under Listing Rule 7.2, shareholder approval of the Prospectus is required in accordance with Listing Rule 7.1.

The Company also seeks the approval of Shareholders for the issue of Shares under the Prospectus so that its 15% issuing capacity is replenished enabling it to issue further securities up to that limit.

Resolution 8 proposes the approval of the issue of securities pursuant to the Prospectus for the purposes of satisfying the requirements of Listing Rule 7.1.

The information required to be given to shareholders to satisfy Listing Rule 7.1 is specified in Listing Rule 7.3. The following information is provided for the purposes of Listing Rule 7.3:

- (a) the maximum number of Shares to be issued under the Prospectus is up to 17,500,000 (post-Consolidation);
- (b) the issue price of the Shares will be \$0.20 each (post-Consolidation);
- (c) the Shares will be fully paid Shares;
- (d) the funds raised will be used for development of the Western Australian gold tenements acquired with Aberystwyth, to review and evaluate new resources project opportunities and also provide working capital;
- (e) allotment of the Shares will be within three months after the date of Shareholder approval;
- (f) the Shares will be offered to the public; and
- (g) the Company will disregard any votes cast by a person who may participate in the proposed issue and a person who might obtain a benefit, except solely in the capacity of a holder of ordinary securities, if resolutions 1 to 10 are passed and any associate of any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities.

This resolution is subject to the passing of the other resolution proposed in the Notice of Meeting.

What majority of votes is required?

A simple majority of shareholders is required to pass the resolution.

Who can vote on this resolution?

All shareholders can vote on this resolution.

Directors' recommendation

This resolution is subject to the passing of each of the other resolutions proposed in this Notice of Meeting.

The Directors recommend that Shareholders vote in favour of this resolution.

ITEM 9 – : Resolution 9 – Consolidation of Shares

Background

Currently, the Company has 75,008,122 Shares on issue (pre-Consolidation). None of the currently issued Shares are subject to escrow restrictions. If resolutions 1 to 10 (inclusive) are passed, the Company proposes to issue:

- 55,000,000 Shares (pre-Consolidation) to the Vendor and Murchison;
- 150,000,000 Shares (pre-Consolidation) to Charter for conversion of debt to equity; and
- up to 17,500,000 (post-Consolidation maximum subscription) to Shareholders and investors pursuant to the Prospectus.

The Company also has 17,200,000 Options (pre-Consolidation) on issue and proposes to grant if resolutions 1 to 10 (inclusive) are passed:

- 35,000,000 Options (pre-Consolidation) to the Vendor and Murchison; and
- 150,000,000 Options (pre-Consolidation) to Charter.

Share Consolidation

Under section 254H Corporations Act, a company may convert all or any of its shares into larger and small numbers of shares by ordinary resolution passed by Shareholders.

The consolidation of the Company's capital will enable it to comply with Listing Rule 2.1 Condition 2, which is a pre-condition of its Shares being re-quoted on ASX after the Proposed Transaction is completed. In order to comply with Listing Rule 2.1 Condition 2, the value of each Share on issue must be at least \$0.20 per Share. To achieve this, the Company's share capital must be consolidated by reducing the existing number of Shares on issue (**Consolidation**).

Currently, the Company has 75,008,122 fully paid Shares on issue (pre-Consolidation). None of these Shares are subject to escrow restrictions. The Company also has 17,200,000 Options on issue (pre-Consolidation). These numbers do not include share issues and option grants to the Vendor, Murchison and Charter as part of the Proposed Transaction and share issues under the Prospectus.

Resolution 9 provides for consolidation of the Company's issued Shares in the ratio of 20 into 1, i.e. 20 existing Shares will be consolidated into 1 consolidated Share. Ignoring necessary rounding which will occur to deal with fractional entitlements, it will mean that the Company's issued Shares will reduce in number from 75,008,122 to approximately 3,750,406 (excluding share issues to the Vendor, Murchison and Charter as part of the Proposed Transaction and share issues under the Prospectus). This means that if a Shareholder holds 100,000 Shares pre Consolidation, then, post Consolidation, that Shareholder will hold 5,000 Shares instead.

Subject to the passing of resolution 9, in accordance with Listing Rule 7.22, the Options will be consolidated in line with the consolidation of Shares, i.e. in the ratio of 20 into 1, i.e. 20 existing Options will be consolidated into 1 consolidated Option. To preserve the parity of the exercise price, the exercise price of the Options will be amended in inverse proportion to the Consolidation ratio.

The process of Consolidation does not involve a capital reduction or any capital gains tax issues. Consolidation is recognised under section 254H Corporations Act under which a consolidation of this type is permitted if the authorising resolution is passed by Shareholders as an ordinary resolution.

The consolidation of the Company's capital will enable it to comply with Listing Rule 2.1 Condition 2, which may be a pre-condition of its Shares being re-quoted on ASX after the Proposed Transaction is completed. The Company has chosen the Consolidation ratio of 20 into 1 on the basis that Listing Rule 2.1 Condition 2 requires Shares to be requoted on ASX at no less than \$0.20. Given recent trading prices for the Shares, the Company considers that a 20 into 1 ratio is appropriate to ensure that this occurs. The Directors consider it likely that Shares in the Company will continue to trade at a price of at least \$0.01 per Share until the time of the Consolidation.

In the event that the trading price of Shares is less than \$0.01 per Share immediately prior to the Consolidation, the Company will be required to convene a further meeting of Shareholders in order to obtain Shareholder approval for a further consolidation of Shares to comply with Listing Rule 2.1 Condition 2, so that the trading price of the Shares is at least \$0.20 per Share.

The Consolidation will not result in any adverse tax consequences for Shareholders and, immediately after Consolidation, each Shareholder will hold the same proportion of the Company's capital in voting power as before the Consolidation prior to the shares being issued under resolutions 3 to 7.

The last day for registration of pre-Consolidation transfers will be four business days after the date of the Extraordinary General Meeting. If ASX approval is obtained for re-quotations of the Company's Shares, then trading will recommence on the post-Consolidation basis.

The timetable for the proposed Consolidation (in accordance with the timetable set out in Appendix 7A of the Listing Rules) is as follows:

Event	Date
ASX is notified of approval of Consolidation by Shareholders (if resolution 9 is passed) and last day for trading pre-Consolidation Shares.	17 December 2010 (date of Extraordinary General Meeting) (business day 0)
Last day for entity to register transfers on a pre-Consolidation basis	29 December 2010 (business day 6)
Issue of Shares pursuant to the Prospectus	This will occur after confirmation of re-admission to the official list of ASX has occurred but before the day of re-quotations (estimated to be 14 January 2011)
First day for trading Consolidated Shares	Date on which trading in all Shares in the Company recommences after completion of the offer under the Prospectus are re-quoted (estimated to be 21 January 2011).

This resolution is subject to the passing of each of the other resolutions proposed in the Notice of Meeting.

Directors' recommendation

The Directors unanimously recommend that Shareholders vote in favour of this resolution.

ITEM 10 – : Resolution 10 – Change to Company name

Given that the Proposed Transaction involves a significant change to the nature and scale of the Company's activities as outlined above, if each of the other resolutions proposed in this Notice of Meeting is passed, then 'Monteray Group Ltd' would no longer appropriately reflect the Company's business going forward. If each of the other resolutions proposed in this Notice of Meeting is passed, the Company's nature of activity would mainly involve mining assets. Accordingly, the Company seeks the approval of Shareholders to change its name to 'Monteray Mining Group Ltd' to reflect this new direction of its activities.

Section 157 Corporations Act requires that the Company pass a special resolution in order for it to change its name. A special resolution requires approval by at least 75% of the votes cast by members entitled to vote on the resolution.

If resolution 10 is passed by special resolution (assuming each of the other resolutions in this Notice of Meeting is passed), the Company must lodge a copy of the special resolution with ASIC within 14 days of the Extraordinary General Meeting. The change of name takes effect when ASIC alters the details of the Company's registration.

This resolution is subject to the passing of each of the other resolutions in this Notice of Meeting.

Directors' recommendation

The Directors unanimously recommend that Shareholders vote in favour of this resolution.

GLOSSARY

In the attached Notice of Meeting and Explanatory Memorandum, the following words and expressions have the following meanings:

Term	Definition
Aberystwyth	means Aberystwyth Nominees Pty Ltd ACN 145 832 775.
ASIC	means the Australian Securities and Investments Commission.
ASX	means ASX Limited ACN 008 624 691.
Board	means the board of directors of the Company.
Company or Monteray	means Monteray Group Limited ACN 062 959 540.
Consolidation	means the Consolidation of Shares contemplated by resolution 9.
Corporations Act	means <i>Corporations Act 2001</i> (Cth).
Chairman	means the Chairman of the Company as approved from time to time and includes an acting Chairman.
Directors	means the directors of the Company from time to time.
Explanatory Memorandum	means the explanatory memorandum accompanying this Notice.
Extraordinary General Meeting	means the Extraordinary general meeting of the Company to be held on 17 December 2010.
HLB Mann Judd	means HLB Mann Judd Corporate (WA) Pty Ltd ACN 008 878 55.
Independent Expert's Report	means the report prepared by HLB Mann Judd attached as Annexure B.
Jaek or Vendor	means Jaek Holdings Pty Ltd ACN 145 089 596
Listing Rules or ASX Listing Rules	means Listing Rules of ASX and any other rules of ASX which are applicable while the Company is admitted to the Official List of ASX, each as amended or replaced from time to time, except to the extent of any express written waiver by ASX.
Murchison	means Murchison Resources Pty Ltd ACN 009 175 491
Notice and Notice of Meeting	means the notice of Extraordinary General Meeting included in this booklet.
Option	means an option to acquire a Share.
Proposed Transaction	means the offer by the Company to purchase all of the issued Shares in Aberystwyth under the terms of the Share Purchase Agreement.
Prospectus	means the prospectus lodged by the Company with ASIC in relation to the capital raising contemplated by resolution 8.
Proxy Form	means the proxy form attached to this Notice of Meeting.
Share	means a share in the capital of the Company, the terms of which are contained in the constitution of the Company.
Share Purchase Agreement	means the agreement between Monteray, Jaek and Aberystwyth under which Monteray agrees to acquire all of the issued shares in Aberystwyth from Jaek dated 8 October 2010.
Shareholders	means the holders of the Shares in the Company from time to time.
Trading Day	means a day on which sales in Shares were recorded on ASX.

ANNEXURE A

The terms of the Consideration Options, Murchison Options and Charter Options are set out below:

- Each option will entitle the holder, on exercise, to subscribe for one unissued share in the Buyer for \$0.0125.pre-Consolidation
- The options will be exercisable at any time from the date of grant of the options until their expiry on 31 August 2014 (Exercise Period) by giving written notice to the Company which must be received by the Company by 5:00pm on 31 August 2014 (Exercise Time).
- Any number of options may be exercised by the Exercise Time.
- Options expire at 5.00pm AEST on 31 August 2014.
- Issue of Shares
 - (a) All shares allotted and issued on exercise of the options will rank equally with the Company's existing fully paid ordinary shares (including as to dividends, entitlement to which is determined after allotment).
 - (b) Shares will be allotted and issued within 15 days after the Company receives a notice of exercise of option from the holder.
- No application will be made for the options to be quoted on ASX.
- The holder may transfer the options by a written document which is a sufficient instrument of transfer for the purposes of the Corporations Act. A notice of the transfer must be sent to the Company.
- Effect of Company re-organisations or new issues on options
 - (a) If there is any re-organisation in the Company's ordinary share capital before the Exercise Time (such as a subdivision or Consolidation of capital, return of capital or cancellation of shares), the number of unexercised options held by any person at the time of the re-organisation and the number of shares to be received on exercise of the options, is intended to be adjusted proportionately with the re-organisation, in accordance with ASX Listing Rule 7.22. Following a re-organisation, however, the holder exercising an option must not receive any benefit that holders of ordinary shares do not receive.
 - (b) If the Company issues shares or other securities before the Exercise Time, the number of unexercised options held by any person at the time of the issue and the number of shares to be received on exercise of the options will not be adjusted.
 - (c) There will be no change to the exercise price of the options or the number of shares to which an option will entitle a Company's shareholder if the Company makes a pro rata issue of shares or other securities to its shareholders.
- Changes to entitlements and adjustments
 - (a) The rights of the holder will be changed to the extent necessary to comply with the applicable laws and the listing rule of ASX (to the extent applicable), including those applying to a reorganisation of capital of the Company at the time of any reorganisation.
 - (b) On exercise of an option, in the case of fractions (if any), the number of shares issued is rounded down to the next lower whole number and the exercise price is rounded up to the next highest cent.
 - (c) The Company must give notice to the holder of any adjustment to the number, description or items of securities which are to be issued on exercise of an option, or to the exercise price.
- The holder does not have the right to participate in new issues of securities without exercising the option.

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ANNEXURE B

Independent Expert's Report



Mann Judd Corporate (WA) Pty Ltd
ACN 008 878 555

Licensed Investment Adviser

Independent Expert's Report

Monteray Group Limited



Mann Judd Corporate (WA) Pty Ltd
ACN 008 878 555

Licensed Investment Adviser

FINANCIAL SERVICES GUIDE

Dated 1 July 2010

1. HLB Mann Judd Corporate (WA) Pty Ltd

HLB Mann Judd Corporate (WA) Pty Ltd ABN 69 008 878 555 (“HLB Mann Judd Corporate” or “we” or “us” or “ours” as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

2. Financial Services Guide

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide (“FSG”). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as a financial services licensee.

This FSG includes information about:

- who we are and how we can be contacted;
- the services we are authorised to provide under our **Australian Financial Services Licence, Licence No. 250903**;
- remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

3. Financial services we are licensed to provide

We hold an Australian Financial Services Licence which authorises us to provide financial product advice in relation to:

- securities;
- interests in managed investment schemes excluding investor directed portfolio services;
- superannuation; and
- debentures, stocks or bonds issued or proposed to be issued by a government

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

4. General financial product advice

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product and there is no statutory exemption relating to the matter, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

5. Benefits that we may receive

We charge fees for providing reports. These fees will be agreed with, and paid by, the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis.

Except for the fees referred to above, neither HLB Mann Judd Corporate, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

6. Remuneration or other benefits received by us

HLB Mann Judd Corporate has no employees. All personnel who complete reports for HLB Mann Judd Corporate are partners of HLB Mann Judd (WA Partnership). None of those partners are eligible for bonuses directly in connection with any engagement for the provision of a report.

7. Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

8. Associations and relationships

HLB Mann Judd Corporate is wholly owned by HLB Mann Judd (WA Partnership). Also, our directors are partners in HLB Mann Judd (WA Partnership). Ultimately the partners of HLB Mann Judd (WA Partnership) own and control HLB Mann Judd Corporate.

From time to time HLB Mann Judd Corporate or HLB Mann Judd (WA Partnership) may provide professional services, including audit, tax and financial advisory services, to financial product issuers in the ordinary course of its business.

9. Complaints resolution

9.1. Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. Complaints must be in writing, addressed to The Complaints Officer, HLB Mann Judd Corporate (WA) Pty Ltd, Level 4, 130 Stirling Street, Perth WA 6000.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within **7 days** and investigate the issues raised. As soon as practical, and not more than **one month** after receiving the written complaint, we will advise the complainant in writing of the determination.

9.2 *Referral to external disputes resolution scheme*

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service Limited (“FOS”). FOS independently and impartially resolves disputes between consumers, including some small business, and participating financial services providers.

Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly via the details set out below.

Financial Ombudsman Service Limited
GPO Box 3
Melbourne VIC 3001
Toll free: 1300 78 08 08
Facsimile: (03) 9613 6399

10. Contact details

You may contact us using the details at the foot of page 1 of this FSG.



Mann Judd Corporate (WA) Pty Ltd
ACN 008 878 555

Licensed Investment Adviser

1010 MONTERAY REP
LDI

5 November 2010

The Directors
Monteray Group Limited
PO Box 40
SURFERS PARADISE QLD 4217

Dear Sirs

INDEPENDENT EXPERT'S REPORT

1. INTRODUCTION

On 8 October 2010 ("Announcement Date"), Monteray Group Limited ("Monteray" or the "Company") announced that it had entered into a Share Purchase Agreement ("SPA") under which it would acquire a 100% interest in Aberystwyth Nominees Pty Ltd ("Aberystwyth") ("Proposed Transaction"). The key material terms of the SPA, including the purchase price, are set out in Section 1.1 of this Report. Completion of the Proposed Transaction is subject to numerous conditions precedent, which are also set out in Section 1.1 of this Report.

2. PURPOSE OF THE REPORT

This Report is to be included in the Notice of Extraordinary General Meeting and Explanatory Memorandum ("Notice of Meeting") for the meeting to be held on 17 December 2010 to consider various resolutions, including the resolutions giving effect to the Proposed Transaction, for the purpose of assisting shareholders in their consideration of those resolutions. This Report should not be used for any other purpose.

Shareholder approval for the proposed issue of the Consideration Shares, Consideration Options, Murchison Shares, Murchison Options, Charter Shares and Charter Options is required under ASX Listing Rules 7.1 and 11.1. Listing Rule 7.1 provides that a listed company may not issue securities in any 12 month period where the total number of securities to be issued exceeds 15% of the number of fully paid ordinary securities on issue 12 months before the date of issues, except with the prior approval of members of the Company in general meeting of the terms and conditions of the proposed issue, or where certain other exemptions apply. Listing Rule 11.1 provides that the Company must obtain the approval of the shareholders if required by the ASX, where the proposal is a significant change to the nature of the Company's activities. The Proposed Transaction will amount to a significant change to the nature and scale of the Company's activities.

2. PURPOSE OF THE REPORT (CONTINUED)

Shareholder approval for the proposed acquisition of a substantial asset from a related party is required under Listing Rule 10.1. Shareholder approval for the issue of shares to a related party is required under ASX Listing Rule 10.11, unless one of the exceptions in Listing Rule 10.12 applies. The vendor, Jaek Holdings Pty Ltd (“Jaek”) and Charter Pacific Corporation Limited (“Charter Pacific”) are related parties of the Company for the purposes of Listing Rule 10.11 and Section 228 of the Corporations Act, as the Company has reasonable grounds to believe that the Vendor is likely to become a related party of the Company in the future by virtue of the likely passing of resolutions 1 to 10 by the shareholders of the Company, therefore allowing for Mr John Hannaford, the sole director of the Vendor, to be appointed as a director of the Company in future.

In accordance with Listing Rule 10.10.2, an independent expert's report is required to be prepared.

The Directors of Monteray have requested that HLB Mann Judd Corporate (WA) Pty Ltd (“HLB”) provide an independent expert's report (“Report”) advising whether, in our opinion, the Proposed Transaction is fair and reasonable to the non-associated shareholders of Monteray. “Non-associated shareholders” would be deemed to be all shareholders of Monteray other than those who might obtain a benefit as a result of the Proposed Transaction.

Our Report is required in accordance with ASX Listing Rule 10.10 in relation to the issue of shares to a related party under ASX Listing Rule 10.11. However, as the resolutions giving rise to the Proposed Transaction are interdependent, we have assessed the Proposed Transaction in its entirety, including consideration of the numerous conditions precedent set out in Section 1.1 of this Report.

This independent expert's report has been prepared to assist shareholders in their decision whether to vote for or against the resolutions giving effect to the Proposed Transaction.

We have prepared this Report having regard to the relevant Australian Securities and Investments Commission (“ASIC”) releases. ASIC Regulatory Guide 74 “Acquisitions Agreed to by Shareholders” suggests that the obligation to supply shareholders with all information that is material to the decision on how to vote on the resolutions giving effect to the Proposed Transaction, can be satisfied by either:

- (a) undertaking a detailed examination of the Proposed Transaction, if the Directors consider that they have sufficient expertise; or
- (b) by commissioning an independent expert's report.

The Directors of Monteray have commissioned this Report to satisfy this obligation.

We have also had regard to ASIC Regulatory Guide 111 “Content of Expert Reports” and ASIC Regulatory Guide 112 “Independence of Experts”. Further details are provided in Section 2 of this Report.

3. SUMMARY AND OPINION

In order to assess whether the Proposed Transaction is fair and reasonable, we have:

- assessed whether the Proposed Transaction is fair by estimating the fair market value of Monteray and an ordinary Monteray share (value of consideration offered) prior to the Proposed Transaction and comparing this value to the estimated fair market value of Monteray and an ordinary Monteray share after the matters contemplated by the Proposed Transaction are completed, including the other conditions precedent contained in the SPA; and
- assessed the reasonableness of the Proposed Transaction by considering other advantages and disadvantages of the Proposed Transaction to non-associated shareholders.

3.1 Fairness

Set out in the table below is a comparison of our assessment of the fair market value of Monteray (value of consideration offered) before the Proposed Transaction with the estimated fair market value of Monteray after the matters contemplated by the Proposed Transaction are completed, including the other conditions precedent contained in the SPA.

Estimated fair market value of Monteray before the Proposed Transaction (Section 5.3)	\$ NIL
Estimated fair market value of Monteray after the Proposed Transaction (Section 6.1)	2,823,435

The estimated fair market value of Monteray prior to the Proposed Transaction is below the estimated fair market value of Monteray after the matters contemplated by the Proposed Transaction are completed, including the other conditions precedent contained in the SPA.

Accordingly, it is our opinion that the Proposed Transaction is fair.

Valuation of Monteray

As set out in Section 5 of this Report, the fair market value of Monteray before and after the Proposed Transaction has been determined using the *net assets on a going concern* method. We have also referred to the share trading history of Monteray shares over the past 12 months.

3.2 Reasonableness

The Proposed Transaction is reasonable.

In accordance with ASIC Regulatory Guide 111, an offer is reasonable if it is fair. On this basis, in our opinion, the Proposed Transaction is reasonable. We have also identified the following factors in relation to the reasonableness of the Proposed Transaction.

3.2.1 Advantages of accepting the Proposed Transaction

- The Proposed Transaction will provide the Company with a business activity, which has been absent since the divestment of the GPen undertaking. Without a business, the Company would be running a risk of being suspended by ASX or possibly delisted. This will be to the detriment of all shareholders.
- As part of the Proposed Transaction, the current large debt owing to Charter Pacific will be repaid via the issue to Charter Pacific of shares and options (amounting to \$1,500,000), with the balance of the debt being forgiven. The Company will then have no large liabilities.
- The Proposed Transaction includes a capital raising of a minimum of \$2,500,000 (with oversubscriptions to be accepted raising a potential further \$1,000,000) which will provide the Company with cash to pursue the development of the Western Australian gold tenements to be acquired from Aberystwyth.

3.2.2 Disadvantages of accepting the Proposed Transaction

- The Company will be entering into an activity comprising mineral exploration which is subject to certain risks associated with that industry, some of which include the following:
 - The success of mineral exploration activity is inherently uncertain.
 - Prices of mineral commodities (including gold) are subject to external factors outside the control of the Company.

3.2.3 Other Considerations

- An individual shareholder's decision in relation to the Proposed Transaction may be influenced by his or her particular circumstances. We have considered the Proposed Transaction for Monteray Shareholders as a whole. We have not considered the effect of the Proposed Transaction on the particular circumstances of individual shareholders nor have we considered their individual objectives, financial situation or needs. Due to their particular circumstances, individual shareholders may place different emphasis on various aspects of the Proposed Transaction from the one adopted in this Report. Accordingly, individuals may reach different conclusions as to whether the Proposed Transaction is fair and reasonable.

In conclusion, as the Proposed Transaction is fair, it is also reasonable.

4. *Conclusion*

We are of the opinion that the Proposed Transaction is fair and reasonable to Monteray's non-associated shareholders.

This opinion should be read in conjunction with our detailed report which sets out our scope and findings.

Yours faithfully

HLB MANN JUDD CORPORATE (WA) PTY LTD

Licensed Investment Advisor (AFSL Licence number 250903)



L DI GIALLONARDO
Authorised Representative

MONTERAY GROUP LIMITED
INDEPENDENT EXPERT'S REPORT
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MONTERAY GROUP LIMITED
INDEPENDENT EXPERT'S REPORT

1. DETAILS OF THE PROPOSED TRANSACTION

1.1 Summary

On 8 October 2010, Monteray announced that it had entered into a Share Purchase Agreement ("SPA") under which it would acquire a 100% interest in Aberystwyth Nominees Pty Ltd ("Proposed Transaction") from the current owner of Aberystwyth Nominees Pty Ltd ("Aberystwyth"), Jaek Holdings Pty Ltd ("Jaek" or "Vendor").

The purchase price for the Proposed Transaction comprises the following:

- (a) cash payment of \$110,000 to be paid by the Company to the Vendor (or Murchison Resources Pty Ltd ["Murchison"], as the case may require) as follows:
 - (i) \$10,000 was paid to the Vendor on 20 August 2010; and
 - (ii) a further cash payment of \$100,000 to Murchison on completion of the Proposed Transaction;
- (b) 40 million shares (pre-Consolidation) in the Company at an issue price of \$0.01 pre-Consolidation to be issued to the Vendor ("Consideration Shares");
- (c) 20 million options (pre-Consolidation) in the Company exercisable at \$0.0125 pre-Consolidation each on or before 31 August 2014 to be issued to the Vendor ("Consideration Options");
- (d) 15 million shares (pre-Consolidation) in the Company at an issue price of \$0.01 pre-Consolidation to be issued to the Vendor ("Murchison Shares"); and
- (e) 15 million options (pre-Consolidation) in the Company exercisable at \$0.0125 pre-Consolidation each on or before 31 August 2014 to be issued to the Vendor ("Murchison Options").

The Proposed Transaction is subject to various conditions precedent, being:

- (a) the agreement for the acquisition of certain mining tenements (which are discussed in further detail below) by Aberystwyth from Murchison being completed;
- (b) the Company confirming that Aberystwyth does in fact have rights to the relevant mining tenements and that Aberystwyth can exploit those rights once the Company is the shareholder;
- (c) the Company making necessary enquiries and confirming that it is or can be authorised by any applicable law to purchase or take a transfer of the shares and exploit the assets of Aberystwyth (including any mining tenements) in the future;
- (d) \$1,500,000 of the loan from Charter Pacific Corporation Limited ("Charter Pacific") as recorded in the statement of financial position of the Company as at 30 June 2010 is to be converted to fully paid ordinary shares in the Company at an issue price of \$0.01 per share pre-Consolidation (150,000,000 fully paid ordinary shares pre-Consolidation) plus 150,000,000 (pre-Consolidation) options exercisable at \$0.0125 each (pre-Consolidation) expiring on 31 August 2014, and the balance of the loan (\$942,508) shall be written off by Charter Pacific;
- (e) the Company being satisfied in its sole discretion with the outcome of financial, legal, commercial, geotechnical, operational and other due diligence investigations on the Proposed Transaction, Aberystwyth and the assets of Aberystwyth;
- (f) each party obtaining the formal approval of its board and, if required by law or an applicable stock exchange, the approval of shareholders of that party;
- (g) the Company obtaining the approval of the Australian Securities Exchange Limited (ASX) as required under ASX Listing Rule 11 and if required by ASX, shareholder approval;
- (h) the Company obtaining written confirmation from ASX that the Company has complied with Chapters 1 and 2 of the ASX Listing Rules;
- (i) the Company obtaining shareholder approval to the Proposed Transaction;
- (j) the Company obtaining shareholder approval to the change in activities of the Company;
- (k) each party being satisfied with the results of its respective due diligence investigations;
- (l) a change to the Company's name on completion of the Proposed Transaction; and
- (m) all approvals required by law or an applicable stock exchange for the Proposed Transaction, the debt conversion by Charter Pacific, the raising of a minimum of \$2,500,000 by the Company and the issue of consideration shares to the Vendor (or Murchison, as the case may require).

1.2 Details of Aberystwyth

The Company is proposing to acquire 100% of the issues shares in Aberystwyth, which has a legally enforceable right to obtain an 80% interest in the following exploration licences and prospecting licences located in the goldfields region of Western Australia (Murchison will remain the owner of the other 20% interest in the tenements):

- (a) Golden Rdg. Sth, Western Australia prospecting licence P26/3218, granted 10 August 2007;
- (b) Golden Rdg. Sth, Western Australia prospecting licence P26/3219, granted 10 August 2007;
- (c) Malcolm King, Western Australia prospecting licence P37/7778, granted 18 June 2007;
- (d) Triple 3, Western Australia exploration licence E25/333, granted 21 June 2007; and
- (e) Hickmans, Western Australia exploration licence E25/341, granted 19 March 2008.

In addition two further exploration licence applications proximal to the Hickmans licence, ELA 25/460 and ELA 25/459, have been added to the portfolio.

The Company intends to appoint a knowledgeable and experienced team to manage and develop the Western Australian gold mining tenements after completion of the Proposed Transaction.

1.3 Resolutions giving effect to the Proposed Transaction

Our Report is required in accordance with ASX Listing Rule 10.10 in relation to the issue of shares to a related party under ASX Listing Rule 10.11. However, as the resolutions giving rise to the Proposed Transaction are interdependent, we have assessed the Proposed Transaction in its entirety, including consideration of the numerous conditions precedent set out in Section 1.1 of this Report.

The resolutions which are interdependent are:

- | | |
|--------------|---|
| Resolution 1 | Election of Mr Alexander Barblett as a director. |
| Resolution 2 | Election of Mr John Hannaford as a director. |
| Resolution 3 | Change in the Company's activities (for the purposes of ASX Listing Rule 11.1). |
| Resolution 4 | The acquisition of 100% of the issued shares in Aberystwyth on the terms set out in the SPA. |
| Resolution 5 | The issue of 40,000,000 (pre-Consolidation) fully paid ordinary shares in the Company at an issue price of \$0.01 each and the grant of 20,000,000 (pre-Consolidation) options to acquire shares in the Company at an issue price of \$0.0125 each expiring on 31 August 2014, in consideration for the acquisition by the Company of 100% of the issued shares in Aberystwyth on the terms set out in the SPA. |

- Resolution 6 The issue of 15,000,000 (pre-Consolidation) fully paid ordinary shares in the Company at an issue price of \$0.01 each and the grant of 15,000,000 (pre-Consolidation) options to acquire shares in the Company at an issue price of \$0.0125 each expiring on 31 August 2014 to Murchison, as part consideration for the acquisition by the Company of 100% of the issued shares in Aberystwyth on the terms set out in the SPA.
- Resolution 7 The issue of 150,000,000 (pre-Consolidation) fully paid ordinary shares in the Company at an issue price of \$0.01 each and the grant of 150,000,000 (pre-Consolidation) options to acquire shares in the Company at an issue price of \$0.0125 each expiring on 31 August 2014 to Charter Pacific, in full repayment of loan funds totalling \$1,500,000 and the forgiveness of the balance of loan funds owing to Charter Pacific.
- Resolution 8 The issue of 12,500,000 (post-Consolidation) ordinary shares at \$0.20 each (minimum subscription) pursuant to a Prospectus to obtain funds for the development of the Western Australian gold tenements acquired from Aberystwyth, to review and evaluate new resources project opportunities and also to provide working capital, with oversubscriptions to be accepted for up to a further 5,000,000 shares.
- Resolution 9 Consolidation of the Company's shares at a ratio which ensures that the value of each share on issue in the Company is at least 20 cents following the consolidation, such ratio to be based on the share price at the close of trading on the trading day prior to the extraordinary general meeting.
- Resolution 10 Change of the Company's name to Monteray Mining Group Ltd.

2. SCOPE OF THE REPORT

2.1 Purpose of the Report

This Report is to be included in the Notice of Extraordinary General Meeting and Explanatory Memorandum ("Notice of Meeting") for the meeting to be held on 17 December 2010 to consider various resolutions, including the resolutions giving effect to the Proposed Transaction, for the purpose of assisting shareholders in their consideration of those resolutions. This Report should not be used for any other purpose.

Shareholder approval for the proposed issue of the Consideration Shares, Consideration Options, Murchison Shares, Murchison Options, Charter Shares and Charter Options is required under ASX Listing Rules 7.1 and 11.1. Listing Rule 7.1 provides that a listed company may not issue securities in any 12 month period where the total number of securities to be issued exceeds 15% of the number of fully paid ordinary securities on issue 12 months before the date of issues, except with the prior approval of members of the Company in general meeting of the terms and conditions of the proposed issue, or where certain other exemptions apply. Listing Rule 11.1 provides that the Company must obtain the approval of the shareholders if required by the ASX, where the proposal is a significant change to the nature of the Company's activities. The Proposed Transaction will amount to a significant change to the nature and scale of the Company's activities.

Shareholder approval for the proposed acquisition of a substantial asset from a related party is required under Listing Rule 10.1. Shareholder approval for the issue of shares to a related party is required under ASX Listing Rule 10.11, unless one of the exceptions in Listing Rule 10.12 applies. The Vendor and Charter Pacific are related parties of the Company for the purposes of Listing Rule 10.11 and Section 228 of the Corporations Act, as the Company has reasonable grounds to believe that the Vendor is likely to become a related party of the Company in the future by virtue of the likely passing of resolutions 1 to 10 by the shareholders of the Company, therefore allowing for Mr John Hannaford, the sole director of the Vendor, to be appointed as a director of the Company in future.

In accordance with Listing Rule 10.10.2, an independent expert's report is required to be prepared.

The Directors of Monteray have requested that HLB Mann Judd Corporate (WA) Pty Ltd ("HLB") provide an independent expert's report ("Report") advising whether, in our opinion, the Proposed Transaction is fair and reasonable to the non-associated shareholders of Monteray. "Non-associated shareholders" would be deemed to be all shareholders of Monteray other than those who might obtain a benefit as a result of the Proposed Transaction.

Our Report is required in accordance with ASX Listing Rule 10.10 in relation to the issue of shares to a related party under ASX Listing Rule 10.11. However, as the resolutions giving rise to the Proposed Transaction are interdependent, we have assessed the Proposed Transaction in its entirety, including consideration of the numerous conditions precedent set out in Section 1.1 of this Report.

This Report has been prepared to assist shareholders in their decision whether to vote for or against the resolutions giving effect to the Proposed Transaction.

2.2 Basis of Evaluation

We have prepared this report having regard to the relevant Australian Securities and Investments Commission ("ASIC") releases. ASIC Regulatory Guide 74 "Acquisitions Agreed to by Shareholders" suggests that the obligation to supply shareholders with all information that is material to the decision on how to vote on the resolutions, can be satisfied by either:

- (a) undertaking a detailed examination of the Proposed Transaction, if the Directors consider that they have sufficient expertise; or
- (b) by commissioning an independent expert's report.

The Directors of Monteray have commissioned this Report to satisfy this obligation.

We have also had regard to ASIC Regulatory Guide 111 "Content of Expert Reports" and ASIC Regulatory Guide 112 "Independence of Experts". Further details are provided below.

2.2.1 Fairness

In determining the fairness and reasonableness of the Proposed Transaction, we have had regard to ASIC Regulatory Guide 111, which states that an opinion as to whether an offer is fair and/or reasonable shall entail a comparison between the offer price and the value that may be attributed to the securities under offer (*fairness*) and an examination to determine whether there is justification for the offer price on objective grounds after reference to that value (*reasonableness*).

The concept of *fairness* is taken to be the value of the offer price, or the consideration, being equal to or greater than the value of the securities in this offer. In relation to our assessment of the Proposed Transaction, we have assessed whether the Proposed Transaction is fair by estimating the fair market value of Monteray (value of consideration offered) prior to the Proposed Transaction and comparing this value to the estimated fair market value of Monteray after the matters contemplated by the Proposed Transaction are completed, including the other conditions precedent contained in the SPA.

The shares have been valued at fair market value, which we have defined as the amount at which the shares would be expected to change hands between a knowledgeable willing buyer and a knowledgeable willing seller, neither of whom is under any compulsion to buy or sell. Special purchasers may be willing to pay higher prices to gain control, to reduce or eliminate competition, to ensure a source of material supply or sales, or to achieve cost savings or other synergies arising on business combinations, which could only be enjoyed by the special purchaser. Our assessment of the value of Monteray has not been premised on the existence of a special purchaser.

2.2.2 Reasonableness

ASIC Regulatory Guide 111 states that an offer is reasonable if it is fair. An offer may also be reasonable, if despite it not being fair, there are significant factors which in the expert's opinion shareholders should consider in accepting the offer.

2.2.3 Individual circumstances

We have evaluated the Proposed Transaction for Monteray shareholders as a whole. We have not considered the effect of the Proposed Transaction on the particular circumstances of individual shareholders. Due to their particular circumstances, individual shareholders may place a different emphasis on various aspects of the Proposed Transaction from the ones adopted in this Report. Accordingly, individual shareholders may reach different conclusions to ours on whether the Proposed Transaction is fair and reasonable. If in doubt, shareholders should consult an independent adviser.

2.3 Limitations and Reliance on Information

HLB's opinion is based on economic, sharemarket, business trading and other conditions and expectations prevailing at the date of this Report. These conditions can change significantly over relatively short periods of time. If these conditions did change materially the valuations and opinions could be different in these changed circumstances.

This report is also based upon financial information and other information provided by Monteray and its consultants. HLB has considered and relied upon this information. HLB has no reason to believe that any material facts have been withheld. The information provided to HLB has been evaluated through analysis, enquiry and review for the purposes of forming an opinion as to whether the Proposed Transaction is fair and reasonable. However, in preparing reports such as this, time is limited and HLB does not warrant that its enquiries have identified or verified all of the matters that an audit, extensive examination or “due diligence” investigation might disclose. In any event, an opinion as to fairness and reasonableness is more in the nature of an overall review rather than a detailed audit or investigation.

An important part of the information used in forming an opinion of the kind expressed in this Report is comprised of the opinions and judgment of management. This type of information was also evaluated through analysis, enquiry and review to the extent practical. However, such information is often not capable of external verification or valuation.

Preparation of this Report does not imply that HLB has audited in any way the management accounts or other records of Monteray or Aberystwyth. It is understood that the accounting information that was provided was prepared in accordance with generally accepted accounting principles and in a manner consistent with the method of accounting in previous years except as otherwise noted.

The information provided to HLB included historical financial information of Monteray and Aberystwyth. Monteray is responsible for this information. HLB has used and relied on this information for the purpose of analysis. HLB has assumed that this information was prepared appropriately and accurately based on the information available to management at the time and within the practical constraints and limitations of such information. HLB has assumed that this information does not reflect any material bias, either positive or negative. HLB has no reason to believe otherwise.

3. PROFILE OF MONTERAY

3.1 Company History

Monteray operated in the technology sector through its investment in GPen Pty Ltd, a global internet based pension administration system. The Company sold its investment in GPen Pty Ltd in September 2009 for consideration of \$500,000.

3.2 Assets

The Company has negligible assets. It has an investment in a Newcastle Stock Exchange listed company, Doclocker Worldwide Limited. The carrying value of this asset at 30 June 2010 was \$50,000. For the purposes of this Report, we have assessed this asset to have no market value.

Carried forward costs in relation to the intellectual property asset relating to the GPen business were fully impaired in the 2009 financial year.

3.3 Legal Structure

The Monteray group structure up to 14 September 2009 was as follows:

Group Entity	Place of Incorporation	Interest Held %
<i>Parent Entity:</i>		
Monteray Group Limited	Australia	
<i>Controlled Entities:</i>		
GPen Pty Ltd	Australia	100
Hookwood Pty Ltd	Australia	100

Investments in these controlled entities were disposed of on 14 September 2009. At the date of this Report, the Company has no controlled entities.

3.4 Directors and Management

As disclosed in the Company's 2010 Annual Report, the Company's current directors and management are:

Wayne Jones	Non- Executive Chairman
Kevin Dart	Non-Executive Director
Steven Cole	Non-Executive Director and Company Secretary
Barry Driscoll	Non-Executive Director

3.5 Capital Structure and Shareholders

At the date of this Report, Monteray had the following securities on issue:

Shares:	Number
Balance per 30 June 2010 audited financial statements	75,008,122
Balance at the date of this Report	75,008,122

Options:	Number
Balance per 30 June 2010 audited financial statements	17,200,000
Balance at the date of this Report	17,200,000

The above unlisted options comprise the following:

Grant date	Expiry date	Exercise price	Number
14/7/2006	14/7/2011	\$0.10	17,200,000
			17,200,000

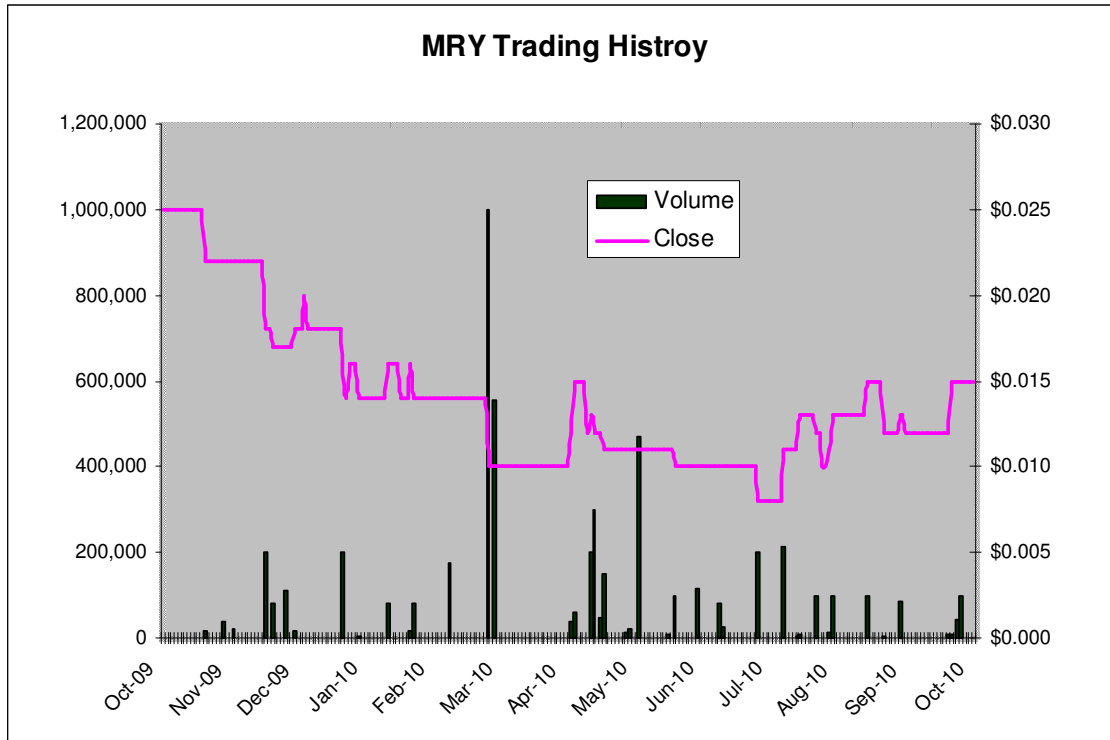
Top 20 shareholders

The top 20 shareholders at the date of this Report are set out below.

Shareholder	Number of Shares (millions)	% of total shares on issue
CHARTER PACIFIC CORPORATION LTD	30,541,508	40.71%
MR SIMON SALIBA	4,000,000	5.33%
AUSTRALIAN EXECUTOR TRUSTEES LIMITED <NO 1 ACCOUNT>	2,768,150	3.69%
MORNINGTON INVESTMENTS (VIC) PTY LTD	1,836,530	2.45%
MR JEFFREY HOWARD LATIMER + MRS JUDITH ANN LATIMER <LATIMER S/F A/C>	1,687,645	2.25%
MCMULLAN CONSULTING PTY LTD	1,228,965	1.64%
MS NADA SAADE	1,225,200	1.63%
JOHN COOK SUPER FUND PTY LTD <JOHN COOK SUPER FUND A/C>	1,200,000	1.60%
MR RAMON JOHN ROSS	1,175,000	1.57%
PEGARI PTY LIMITED	1,100,000	1.47%
MRS SARAH MIKHAEL	950,000	1.27%
MR TREVOR NEIL HAY	807,568	1.08%
MR NICHOLAS TSOUKATOS + MRS HRYSOULA TSOUKATOS	790,000	1.05%
MR ANDREW GEORGE MOORE + MRS LYNETTE MOORE <MOORE SUPER FUND A/C>	744,300	0.99%
KEN HORAN	690,000	0.92%
NEIL SCHOPPE	690,000	0.92%
MR JOHN ANTHONY COOK	600,000	0.80%
JOHN MCMULLAN + TRACEY MCMULLAN <BONBEACH FAMILY A/C>	600,000	0.80%
DB BUILDING CONTROLS (VIC) PTY LTD	518,120	0.69%
MR ADAM FURST	512,500	0.68%
Remaining shareholders	21,342,636	28.46%
Total	75,008,122	100%

3.6 Share Price Performance

Monteray's share price movements in the 12 months to the date of this Report, together with volumes traded are presented in the graph below:



The following facts are worthy of note in relation to the above:

- The Monteray share price has been relatively steady in the period leading up to the Announcement Date, namely between \$0.010 to \$0.015.
- The volume of trading in the Company's shares has been relatively thin.

3.7 Financial Performance

The audited consolidated financial results for the years ended 30 June 2009 and 30 June 2010 are set out below:

	Consolidated	
	Audited Year to 30 June 2009	Audited Year to 30 June 2010
Revenue:		
Services revenue	68,182	-
Interest received	900	631
Other	150	8,658
Total revenue	69,232	9,289
Administration expenses	(227,680)	(63,767)
Depreciation and amortisation	(2,414)	(2,477)
Directors' benefits	(61,308)	(133,020)
Finance costs	(268,119)	(601)
Personnel costs	(75,000)	(15,294)
Professional fees	(10,170)	(23,083)
Rent and occupancy costs	(63,317)	(13,000)
Travel costs	(31,189)	(3,970)
Other	(7,809)	(21,322)
Loss before income tax	(677,774)	(267,245)
Income tax benefit/(expense)	-	-
Loss after income tax	(677,774)	(267,245)
Profit/(loss) from discontinued operation	(1,366,385)	510,670
Profit/(loss) for the year	(2,044,159)	243,425

3.8 Financial Position

The audited consolidated statement of financial position as at 30 June 2010 and the reviewed consolidated statement of financial position as at 30 September 2010 are set out below:

	Consolidated	
	Audited 30 June 2010	Reviewed 30 Sept 2010
Current Assets		
Cash assets	27	7,993
Receivables	836	4,346
Total Current Assets	863	12,399
Non Current Assets		
Other financial asset (shares in Doclocker Worldwide Limited)	50,000	47,500
Investment in Aberystwyth (deposit)	-	10,000
Total Non Current Assets	50,000	57,500

	Consolidated	
	Audited 30 June 2010	Reviewed 30 Sept 2010
Total Assets	50,863	69,839
Current Liabilities		
Payables	822	10,859
Amounts payable to directors	167,010	178,215
Loan payable to related party - Charter Pacific	2,442,508	2,502,338
Total Current Liabilities	2,610,340	2,691,412
Total Liabilities	2,610,340	2,691,412
Net Liabilities	(2,559,477)	(2,621,573)
Equity		
Issued capital	4,843,156	4,843,156
Reserves	476,363	473,863
Accumulated losses	(7,878,996)	(7,938,592)
Total Equity	(2,559,477)	(2,621,573)

3.9 Tax Losses

We are advised that the Board of Monteray is currently seeking specialist taxation advice with regard to the determination of tax losses available given the significant proposed changes in business and ownership. The 30 June 2010 financial report discloses an unrecognised deferred tax asset of \$1,401,101 in relation to tax losses not brought to account. At the date of this Report, it is unknown as to the extent of tax losses available to the Company, therefore we have not ascribed a value to these tax losses.

4 PROFILE OF ABERYSTWYTH

4.1 History of Aberystwyth

Aberystwyth was registered in August 2010 to hold the 80% interest in mining tenements identified in section 4.2 of this Report, and as a result, it does not have any historical financial information.

4.2 Current Activities

Aberystwyth has a legally enforceable right to obtain an 80% interest in the following exploration licences and prospecting licences located in the goldfields region of Western Australia (Murchison will remain the owner of the other 20% interest in the tenements):

- (a) Golden Rdg. Sth, Western Australia prospecting licence P26/3218, granted 10 August 2007;
- (b) Golden Rdg. Sth, Western Australia prospecting licence P26/3219, granted 10 August 2007;
- (c) Malcolm King, Western Australia prospecting licence P37/7778, granted 18 June 2007;
- (d) Triple 3, Western Australia exploration licence E25/333, granted 21 June 2007; and
- (e) Hickmans, Western Australia exploration licence E25/341, granted 19 March 2008.

In addition two further exploration licence applications proximal to the Hickmans licence, ELA 25/460 and ELA 25/459, have been added to the portfolio.

4.3 Directors and Management

The current directors and management of Aberystwyth are as follows:

John Hannaford Sole Director and Company Secretary

4.4 Capital Structure and Shareholders

The shareholding of Aberystwyth is as follows:

Name of shareholder	No. of fully paid ordinary shares	%
Jaek Holdings Pty Ltd	10	100
	<u>10</u>	<u>100</u>

4.5 Financial Position

As Aberystwyth was registered in August 2010 to hold the 80% interest in mining tenements identified in section 4.2 of this Report, it does not have any historical financial information.

5 VALUATION OF MONTERAY BEFORE THE PROPOSED TRANSACTION

5.1 Valuation Summary

HLB has estimated the fair market value of Monteray prior to the Proposed Transaction to be \$NIL, as set out in section 5.3 of this Report. This is on the basis that as at 30 September 2010, Monteray was in a net liability position, with total liabilities of \$2,691,412 exceeding total assets of \$22,339.

For the purpose of our opinion, fair market value is defined as the amount at which the shares would change hands between a knowledgeable willing buyer and a knowledgeable willing seller, neither being under a compulsion to buy or sell. We have not considered special value in this assessment.

In determining this amount, we estimated the fair market value of Monteray after considering the various methods, which are discussed in further detail below.

5.2 Valuation Methodology

Methodologies commonly used for valuing assets and businesses are as follows:

5.2.1 Capitalisation of future maintainable earnings ("FME")

This method places a value on a business by estimating the likely FME, capitalised at an appropriate rate which reflects business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach relies on the availability and analysis of comparable market data.

The FME approach is the most commonly applied valuation technique and is particularly applicable to profitable businesses with relatively steady growth histories and forecasts, regular capital expenditure requirements and non-finite lives.

The FME used in the valuation can be based on net profit after tax or alternatives to this such as earnings before interest and tax ("**EBIT**") or earnings before interest, tax, depreciation and amortisation ("**EBITDA**"). The capitalisation rate or "earnings multiple" is adjusted to reflect which base is being used for FME.

5.2.2 Discounted future cash flows ("DCF")

The DCF methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows, discounted to their present value at an appropriate discount rate (often called the weighted average cost of capital). This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks.

A terminal value for the asset or business is calculated at the end of the future cash flow period and this is also discounted to its present value using the appropriate discount rate.

DCF valuations are particularly applicable to businesses with limited lives, experiencing growth, that are in a start up phase, or experience irregular cash flows.

5.2.3 Net asset value

Asset based methods estimate the market value of an entity's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- Orderly realisation of assets method
- Liquidation of assets method
- Net assets on a going concern method

The *orderly realisation of assets method* estimates fair market value by determining the amount that would be distributed to entity holders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the entity is wound up in an orderly manner.

The *liquidation method* is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the entity may not be contemplated, these methods in their strictest form may not be appropriate. The *net assets on a going concern method* estimates the market values of the net assets of an entity but does not take into account any realisation costs.

The *net assets on a going concern method* is usually appropriate where the majority of assets consist of cash, passive investments or projects with a limited life. All assets and liabilities of the entity are valued at market value under this alternative and this combined market value forms the basis for the entity's valuation.

Often the FME and DCF methodologies are used in valuing assets forming part of the overall net assets on a going concern basis. This is particularly so for exploration and mining companies where investments are in finite life producing assets or prospective exploration areas.

These asset based methods ignore the possibility that the entity's value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill. Asset based methods are appropriate when entities are not profitable, a significant proportion of the entity's assets are liquid or for asset holding companies.

5.2.4 Quoted Market Price Basis

Another alternative valuation approach that can be used in conjunction with (or as a replacement for) any of the above methods is the quoted market price of listed securities. Where there is a ready market for securities such as the ASX, through which shares are traded, recent prices at which shares are bought and sold can be taken as the market value per share. Such market value includes all factors and influences that impact upon the ASX. The use of ASX pricing is more relevant where a security displays regular high volume trading, creating a “deep” market in that security.

5.2.5 Methodology Adopted

We consider that the most appropriate method for the valuation of Monteray is the net assets on a going concern method.

5.3 Valuation

We set out below the reviewed 30 September 2010 consolidated statement of financial position of Monteray and the “proforma market value” consolidated statement of financial position of Monteray at that date. The proforma market value consolidated statement of financial position is based on the reviewed 30 September 2010 consolidated statement of financial position adjusted for the following items:

- (a) For the purposes of this Report, we have assessed the investment in Doclocker Worldwide Limited, a company listed on the Newcastle Stock Exchange, to have no value.

	Consolidated	
	Reviewed 30 Sept 2010	Proforma Market value 30 Sept 2010
Current Assets		
Cash assets	7,993	7,993
Receivables	4,346	4,346
Total Current Assets	12,339	12,339
Non Current Assets		
Other financial asset (shares in Doclocker Worldwide Limited)	47,500	-
Investment in Aberystwyth (deposit)	10,000	10,000
Total Non Current Assets	57,500	10,000
Total Assets	69,839	22,339
Current Liabilities		
Payables	-	-
Amounts payable to directors	189,074	189,074
Loan payable to related party - Charter Pacific	2,502,338	2,502,338
Total Current Liabilities	2,691,412	2,691,412
Total Liabilities	2,691,412	2,691,412
Net Liabilities	(2,621,573)	(2,669,073)
No. of shares on issue		75,008,122
Net asset backing per share		\$NIL

In other words, the net asset backing per share based on the assessed proforma market value of assets and liabilities at 30 September 2010 is \$NIL on the basis that Monteray has an excess of liabilities over assets.

5.4 Cross-check with Quoted Market Price Basis

In Section 3.6 of this Report, we have noted the following:

- (a) The Monteray share price had been relatively steady in the period leading up to the Announcement Date, namely between \$0.010 to \$0.015.
- (b) There have been very few trades over the last few months and the volume of trading has also been very thin.

The market price of a Monteray share up to the Announcement Date (approximately 1 cent per share) indicates that the Company's market capitalisation is approximately \$750,000. Given that the Company has no effective assets and that it is proposed that the Charter Pacific loan will be effectively extinguished, it appears that the market has placed a value on the Company's shell of that value of \$750,000.

5.5 Commentary on Premium for Control

The share market can be expected to provide an objective assessment of the fair market value of a listed entity, where the market is well informed and liquid. Market prices incorporate the influence of all publicly known information relevant to the value of an entity's securities.

Share prices from share market trading do not reflect the market value for control of a company as they are for portfolio holdings. Traditionally, the premiums required to obtain control of companies range between 15% and 25% of the portfolio holding values.

The following table sets out the capital structure of the pre-Consolidation shares both before and after the completion of the Proposed Transaction. The number of shares will be adjusted in accordance with the proposed consolidation of shares:

Shareholder	Shareholding Pre-Acquisition	% Holding	Shareholding Post Acquisition	% Holding
Aberystwyth	-	0%	40,000,000	7.5%
Murchison	-	0%	15,000,000	2.8%
Charter Pacific	30,541,508	40.7%	180,541,508	34.1%
Capital raising	-	0%	250,000,000	47.2%
Existing holders	44,466,614	59.3%	44,466,614	8.4%
Total	75,008,122	100.0%	530,008,122	100.0%

No one group of shareholders will control the Company after the completion of the Proposed Transaction, therefore we do not consider that any adjustment is required to be made with regard to a premium for control.

5.6 Conclusion on the Fair Market Value of Monteray Before the Proposed Transaction

The value derived from the net assets on a going concern method is considered to be the best estimate of the fair market value of Monteray, being \$NIL. We have considered Monteray's recent trading performance and consider that the value range indicated by the analysis of recent share trading prior to the Announcement Date is not inconsistent

with the preferred value derived under the net assets on a going concern method, other than the market placing a value of approximately \$750,000 on the Company's shell (this value will also be present after the completion of the Proposed Transaction).

6 VALUATION OF MONTERAY AFTER THE PROPOSED TRANSACTION

We have addressed in Section 5.2 of this Report valuation methods commonly utilised in valuing businesses. As noted previously, our assessment of the Proposed Transaction in its entirety is required due to the resolutions giving rise to the Proposed Transaction being interdependent. This includes consideration of the numerous conditions precedent set out in Section 1.1 of this Report. As a result, we have assessed the fair market value of Monteray after taking into account numerous proforma adjustments contemplated by resolutions 1 to 10 and as listed in section 6.1 below.

6.1 Valuation

	Market value 30 Sept 2010 (per section 5.3)	Proforma Market value 30 Sept 2010
Current Assets		
Cash	7,993	2,407,993
Receivables	4,346	4,346
	<u>12,339</u>	<u>2,412,339</u>
Non-Current Assets		
Other financial asset (shares in Doclocker Worldwide Limited)	-	-
Investment in Aberystwyth (deposit)	10,000	-
Exploration tenement acquisition expenditure	-	660,000
	<u>10,000</u>	<u>660,000</u>
Total Assets	<u>22,339</u>	<u>3,072,339</u>
Current Liabilities		
Payables	-	-
Amounts payable to directors	189,074	189,074
Loan payable to related party - Charter Pacific	2,502,338	59,830
	<u>2,691,412</u>	<u>248,904</u>
Total Liabilities	<u>2,691,412</u>	<u>248,904</u>
Net Assets/(Liabilities)	<u>(2,669,073)</u>	<u>2,823,435</u>
No. of shares on issue (Proforma)		26,500,406
Net asset backing per share		\$0.11

Proforma Adjustments

The proforma adjustments incorporated in the above "proforma market value" column result from the numerous conditions precedent set out in Section 1.1 of this Report, and comprise the following:

- (a) The acquisition of 100% of the shares in Aberystwyth for consideration of 55,000,000 fully paid ordinary shares (pre-Consolidation) at an issue price of \$0.01, being a value of \$550,000. This, together with a cash payment of \$100,000 (in addition to an initial payment of \$10,000 made prior to 30 September 2010), will be represented by Exploration and Tenement Acquisition Expenditure in the consolidated group comprising Monteray and Aberystwyth.
- (b) The issue of 150,000,000 fully paid ordinary shares (pre-Consolidation) to Charter Pacific in repayment of loan funds totalling \$1,500,000 and the forgiveness of the balance of loan funds of \$942,508 advanced to the Company from time to time since July 2005 for working capital purposes.
- (c) The issue of 12,500,000 fully paid ordinary shares (post-Consolidation) at \$0.20 each pursuant to a Prospectus to raise \$2,500,000 for the development of the Western Australian gold tenements to be acquired from Aberystwyth. No share issue costs have been included in this proforma adjustment as yet. This capital raising is based on the minimum subscription pursuant to the Prospectus. The Prospectus also allows for oversubscriptions of a further 5,000,000 fully paid ordinary shares (post-Consolidation) to raise a further \$1,000,000. We have not included this further adjustment in our proforma calculations above, however if included, the estimated fair market value of Monteray after the Proposed Transaction would improve, and therefore our opinion in Section 7 of this Report would not change.
- (d) The consolidation of the Company's shares at a ratio which ensures that the value of each share on issue in the Company is at least 20 cents following the consolidation, such ratio to be based on the share price at the close of trading on the trading day prior to the extraordinary general meeting. For the purposes of this proforma adjustment, we have assumed that the Company's share price on which the consolidation will be based will be 1 cent, resulting in the Company's number of issued shares immediately prior to the consolidation of 280,008,122 (which takes into account the issue of the Vendor, Murchison and Charter shares) reducing to 14,000,406.

The following potential proforma adjustments have not been incorporated into the proforma balances above:

- (a) The Aberystwyth acquisition noted at (a) above also includes the granting of 35,000,000 options (pre-Consolidation) to acquire shares at an issue price of \$0.0125 each expiring on 31 August 2014. The Company has not yet valued these options using an option pricing model. However, any valuation derived would have the effect of increasing the purchase price of Aberystwyth, thus increasing the value of Exploration and Tenement Acquisition Expenditure recorded in the consolidated statement of financial position. As explained below, this will not affect our conclusion as to the fairness or reasonableness of the Proposed Transaction.
- (b) The repayment of loan funds to Charter Pacific via the issue of shares to Charter Pacific noted at (b) above also includes the granting to Charter Pacific of 150,000,000 options (pre-Consolidation) to acquire shares at an issue price of \$0.0125 each expiring on 31 August 2014. As noted above, the Company has not yet valued these options using an option pricing model. However, any value derived would have the effect of creating an option reserve as part of the Company's equity and reducing the balance of the loan forgiven (included in the

Company's profit or loss). As such, this will have no effect on the Company's net assets and will not affect our conclusion as to the fairness or reasonableness of the Proposed Transaction.

- (c) The acquisition of Aberystwyth and the resulting recognition of a value for Exploration and Tenement Acquisition Expenditure recorded in the consolidated statement of financial position could lead to a potential deferred tax liability being required to be recorded on consolidation. This would lead to a grossing up of the purchase price allocated to Exploration and Tenement Acquisition Expenditure. As such, this will have no effect on the Company's net assets and will not affect our conclusion as to the fairness or reasonableness of the Proposed Transaction.

Reconciliation of Shares on Issue

(Pre-Consolidation)	Number of shares
Number of shares on issue at 30 June 2010	75,008,122
Issue of shares to Vendor and Murchison	55,000,000
Issue of shares to Charter Pacific	150,000,000
	280,008,122
Consolidation of shares (assumed at 20:1)	14,000,406
Issue of shares pursuant to Prospectus	12,500,000
	26,500,406

6.2 Conclusion on the fair market value of Monteray after the Proposed Transaction

In our opinion, the fair market value of Monteray after taking into account the proforma adjustments noted above is \$2,823,435.

7 EVALUATION AND CONCLUSION

7.1 Fairness

ASIC Regulatory Guide 111 defines an offer as being fair if the value of the offer price is equal to or greater than the value of the securities being the subject of the offer. However, in the context of the Proposed Transaction, we have considered the Proposed Transaction as being fair if the fair market value of Monteray (value of consideration offered) prior to the Proposed Transaction is less than the estimated fair market value of Monteray after the matters contemplated by the Proposed Transaction are completed, including the other conditions precedent contained in the SPA. Set out in the table below is a comparison of our assessment of the fair market value of Monteray before and after the Proposed Transaction.

Estimated fair market value of Monteray before the Proposed Transaction (Section 5.3)	\$ NIL
Estimated fair market value of Monteray after the Proposed Transaction (Section 6.1)	2,823,435

Accordingly, it is our opinion that the Proposed Transaction is fair.

7.2 Reasonableness

In accordance with ASIC Regulatory Guide 111, an offer is reasonable if it is fair. On this basis, in our opinion, the Proposed Transaction is reasonable. We have also identified the following factors in relation to the reasonableness of the Proposed Transaction.

7.2.1 Advantages of accepting the Proposed Transaction

- The Proposed Transaction will provide the Company with a business activity, which has been absent since the divestment of the GPen undertaking. Without a business, the Company would be running a risk of being suspended by ASX or possibly delisted. This will be to the detriment of all shareholders.
- As part of the Proposed Transaction, the current large debt owing to Charter Pacific will be repaid via the issue to Charter Pacific of shares and options (amounting to \$1,500,000), with the balance of the debt being forgiven. The Company will then have minimal liabilities.
- The Proposed Transaction includes a capital raising of a minimum of \$2,500,000 (with oversubscriptions to be accepted raising a potential further \$1,000,000) which will provide the Company with cash to pursue the development of the Western Australian gold tenements to be acquired from Aberystwyth.

7.2.2 Disadvantages of accepting the Proposed Transaction

- The Company will be entering into an activity comprising mineral exploration which is subject to certain risks associated with that industry, some of which include the following:
 - The success of mineral exploration activity is inherently uncertain.
 - Prices of mineral commodities (including gold) are subject to external factors outside the control of the Company.

7.2.3 Other Considerations

- An individual shareholder's decision in relation to the Proposed Transaction may be influenced by his or her particular circumstances. We have considered the Proposed Transaction for Monteray shareholders as a whole. We have not considered the effect of the Proposed Transaction on the particular circumstances of individual shareholders nor have we considered their individual objectives, financial situation or needs. Due to their particular circumstances, individual shareholders may place different emphasis on various aspects of the Proposed Transaction from the one adopted in this Report. Accordingly, individuals may reach different conclusions as to whether the Proposed Transaction is fair and reasonable.

In conclusion, as the Proposed Transaction is fair, it is also reasonable.

7.3 Conclusion

We are of the opinion that the Proposed Transaction is fair and reasonable.

8 APPENDICES

APPENDIX 1 – GLOSSARY OF TERMS

TERM	DEFINITION
Aberystwyth	Aberystwyth Nominees Pty Ltd
Announcement Date	Date the Proposed Transaction was announced to ASX being 8 October 2010
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange Limited
Charter Pacific	Charter Pacific Corporation Limited
Consideration Shares	40 million shares (pre-Consolidation) in the Company at an issue price of \$0.01 pre-Consolidation to be issued to the Vendor
Consideration Options	20 million options (pre-Consolidation) in the Company exercisable at \$0.0125 pre-Consolidation each on or before 31 August 2014 to be issued to the Vendor
Directors	Directors of Monteray
FME	Capitalisation of future maintainable earnings
HLB	HLB Mann Judd Corporate (WA) Pty Ltd
Jaek or Vendor	Jaek Holdings Pty Ltd
Monteray or the Company	Monteray Group Limited
Murchison	Murchison Resources Pty Ltd
Murchison Shares	15 million shares (pre-Consolidation) in the Company at an issue price of \$0.01 pre-Consolidation to be issued to the Vendor
Murchison Options	15 million options (pre-Consolidation) in the Company exercisable at \$0.0125 pre-Consolidation each on or before 31 August 2014 to be issued to the Vendor
Notice of Meeting	The Notice of Extraordinary General Meeting and Explanatory Memorandum for the meeting to be held on 17 December 2010
NTA	Net tangible assets
Proposed Transaction	The entering into the SPA under which Monteray will acquire a 100% interest in Aberystwyth
Shareholders	Existing shareholders in Monteray
SPA	The Share Purchase Agreement between Monteray, Aberystwyth and Jaek

Appendix 2 - Sources of Information

In preparing this report we have had access to the following principal sources of information:

- Monteray's Annual report for the year ended 30 June 2010;
- Monteray's unaudited management accounts for the period ended 30 September 2010;
- Discussions with directors, management and consultants of Monteray;
- Publicly available information;
- ASX Announcements and media releases concerning the Proposed Transaction;
- Workpapers and calculations setting out proforma consolidated financial information;
and
- Correspondence with the independent directors of Monteray.

Appendix 3 - Qualifications, Declarations and Consents

HLB, which is a wholly owned entity of HLB Mann Judd Chartered Accountants, is a Licensed Investment Adviser and holder of an Australian Financial Services Licence under the Act and its authorised representatives are qualified to provide this Report. The authorised representatives of HLB responsible for this Report have not provided financial advice to Monteray.

Prior to accepting this engagement, HLB considered its independence with respect to Monteray with reference to ASIC Regulatory Guide 112. In HLB's opinion, it is independent of Monteray and Aberystwyth.

This Report has been prepared specifically for the shareholders of Monteray. It is not intended that this Report be used for any other purpose other than to accompany the Notice of Meeting to be sent to the Monteray shareholders. In particular, it is not intended that this Report should be used for any purpose other than as an expression of the opinion as to whether or not the Proposed Transaction is fair and reasonable to the non-associated shareholders of Monteray. HLB disclaims any assumption of responsibility for any reliance on this Report to any person other than those for whom it was intended, or for any purpose other than that for which it was prepared.

The statements and opinions given in this Report are given in good faith and in the belief that such statements and opinions are not false or misleading. In the preparation of this Report, HLB has relied on and considered information believed, after due inquiry, to be reliable and accurate. HLB has no reason to believe that any information supplied to it was false or that any material information has been withheld.

HLB has evaluated the information provided to it by Monteray and other parties, through inquiry, analysis and review, and nothing has come to its attention to indicate the information provided was materially misstated or would not provide a reasonable basis for this Report. HLB has not, nor does it imply that it has, audited or in any way verified any of the information provided to it.

In accordance with the Act, HLB provides the following information and disclosures:

- HLB will be paid its usual professional fees (estimated to be \$15,000 plus GST) based on time involvement at normal professional rates, for the preparation of this Report.
- Apart from the aforementioned fee, neither HLB, nor any of its associates will receive any other benefits, either directly or indirectly, for or in connection with the preparation of this Report.
- HLB, nor any of its directors or associates, have any interest in Monteray or Aberystwyth.
- Neither HLB nor HLB Mann Judd has had any relationship with Monteray or Aberystwyth or any associate of Monteray or Aberystwyth.

ANNEXURE C

Pro forma balance sheet of the entity post completion of Proposed Transaction based upon the management accounts for the Company and Aberystwyth as at 30 September 2010 is set out below.

		Post Transaction Maximum Subscription Unaudited \$	Post Transaction Maximum Subscription Unaudited \$
	Notes		
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	1	2,407,993	3,407,993
Trade and other receivables		4,346	4,346
Total current assets		2,412,339	3,412,339
NON CURRENT ASSETS			
Other financial asset		47,500	47,500
Investment Aberystwyth	2	660,000	660,000
Total non-current assets		707,500	707,500
TOTAL ASSETS		3,119,839	4,119,839
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	3	(389,074)	(439,074)
Other financial liability	4	(59,830)	(59,830)
Total current liabilities		(448,904)	(498,904)
TOTAL LIABILITIES		(448,904)	(498,904)
NET ASSETS		2,670,935	3,620,935
EQUITY			
Issued capital	5	9,193,156	10,143,156
Reserves		473,863	473,863
Accumulated losses		(7,873,496)	(7,873,496)
Current year loss	6	877,412	877,412
TOTAL EQUITY		2,670,935	3,620,935

NOTES

- 1 Includes \$2,500,000 (minimum subscription) and \$3,500,000 (maximum subscription) capital raised less balance cash consideration of \$100,000;
- 2 Includes cash consideration \$110,000 plus equity consideration \$550,000;
- 3 Includes estimated costs of capital raising raising – minimum \$200,000 maximum \$250,000;
- 4 Includes forgiveness of debt in return for equity to Charter Pacific of \$1,500,000 and debt forgiven by Charter of \$942,508;
- 5 Includes new issue for capital raised of \$2,500,000 (minimum subscription), \$3,500,000 (maximum subscription); equity consideration \$550,000 and new issue in exchange for debt to Charter Pacific \$1,500,000 less estimated costs of capital raising – minimum \$200,000 maximum \$250,000;
- 6 Includes debt forgiveness by Charter Pacific of \$942,508.

Whilst care has been taken in the preparation of the above statements, they have not been reviewed by the Company's auditors and may not be consistent with the relevant financial reporting requirements.