



ENFORCEABLE UNDERTAKING
AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION
AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION ACT

: SECTION 93AA

The commitments in this Undertaking are offered to the Australian Securities and Investments Commission ('ASIC') by:

AusGem International Limited
160 Greenhill Road
Parkside
South Australia

1. BACKGROUND

- 1.1 AusGem International Limited (the 'Company') is a public company which was registered on 18 June 1999.
- 1.2 On 3 April 2000, the Company lodged with ASIC a Prospectus dated the same date ('Prospectus') pursuant to section 713 of the Corporations Law (the 'Law'). The Prospectus sought to raise \$6 million by way of issue of 24 million shares in the Company at an issue price of 25 cents per share.
- 1.3 On 6 July 2000, ASIC made an interim order pursuant to subsection 739(3) of the Law that no offers or issues of shares in the Company be made on the basis of the Prospectus while the interim order is in force. This order had effect for 21 days or until revoked. This order was made because ASIC formed the view that the offer of securities under the Prospectus would contravene subsection 728(1) of the Law because:
- (a) the Prospectus contained statements which were misleading or deceptive in breach of section 724(1)(a), including:
- (i) that the Independent Geologist's Report and Independent Review and Valuation of Mining Interests both prepared by Terence Willsted & Associates are in accordance with the 1999 Australasian Code for Reporting of Mineral Resources and Ore Reserves whereas in fact the reports do not comply with that Code; and

- (ii) that the Prospectus did not highlight the monetary value of shareholdings of companies associated with three of the directors if the issue was fully subscribed, which value would be in the order of \$7.5 million consequent on their holding of almost 30 million shares in the Company; and
- (b) the Prospectus omitted material required to be included by subsection 710(2) of the Law specifically:
- (i) sufficient information as to the basis on which the expert categorised mining tenement resources as respectively measured, indicated and inferred;
 - (ii) sufficient information as to the expert's valuation methodology including the basis for the expert's assumption that all indicated and inferred resources will convert into reserves;
 - (iii) sufficient sensitivity analysis in the expert's valuation report so as to enable investors to make an informed assessment as to the value of the mining tenements to be acquired by the Company; and
 - (iv) sufficient disclosure of a material risk being that there may be significant delays before the Company converts its prospecting and exploration licences into mining leases and hence before the Company is able to achieve full mine production.
- 1.4 On 20 July 2000, ASIC sent the directors of the Company a notice that a hearing would be held on 26 July 2000 for the purposes of enabling the directors to make submissions before ASIC decided whether to make a final stop order in relation to the Prospectus.
- 1.5 ASIC brought forward the hearing date to 25 July 2000 at the Company's request. ASIC commenced the hearing on that date and then adjourned the hearing at the Company's request in order to give the Company an opportunity to try and address ASIC's concerns in relation to the Prospectus.
- 1.6 On 26 July 2000, ASIC made a further interim order pursuant to subsection 739(3) of the Law that no offers or issues of shares in the Company be made on the basis of the Prospectus while the interim order is in force. This order had effect until revoked.
- 1.7 The Company acknowledges ASIC's concerns in relation to the Prospectus as set out in this undertaking.

2. UNDERTAKING

2.1 Pursuant to section 93AA of the Australian Securities and Investments Commission Act, the Company undertakes that it will:

- (a) not issue the Prospectus to any person;
- (b) not allot or issue any securities on the basis of the Prospectus;
- (c) not offer securities of the Company on the basis of the Prospectus;
- (d) where future applications are received for the subscription of shares under the Prospectus, return all subscription monies within 14 days after the Company has received them;
- (e) within 14 days after the date of this undertaking, destroy all copies of the Prospectus (except 25 copies) in the custody, possession, or under the control, of the Company;
- (f) within 21 days after the date of this undertaking, provide to ASIC marked to the attention of Director Commercial Operations Victoria, a statutory declaration of one of the directors of the Company that the Company has complied with the undertakings referred to (a) to (e) above; and
- (g) at the written request of ASIC, provide access to ASIC officers to books which will allow ASIC to ascertain that the Company has complied with the undertakings referred to in (a) to (e) above.

3. ACKNOWLEDGMENTS

3.1 The Company acknowledges that ASIC:

- (a) may issue a media release on execution of this undertaking referring to its terms and the concerns of ASIC which led to its execution;
- (b) may from time to time publicly refer to this undertaking; and
- (c) will make this undertaking available for public inspection.

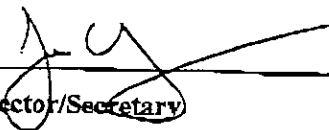
3.2 The Company further acknowledges:

- (a) that it has refunded to persons who have applied for shares in the Company, any subscription monies received by the Company for the subscription of shares under the Prospectus;
- (b) that this undertaking in no way derogates from the rights and remedies available to ASIC or any other person or entity arising from any conduct described in this undertaking;
- (c) that ASIC's acceptance of an enforceable undertaking does not affect ASIC's power to investigate a contravention arising from future conduct, or pursue a criminal prosecution, or its power to lay charges or seek a pecuniary civil order; and
- (d) that this undertaking has no operative force until accepted by ASIC.

The Common Seal of **AusGem International**)
Limited (ACN 087 396 512) was duly)
 affixed to this undertaking in the presence of:)



 Director



 Director/Secretary

T. FEATHERBY


 Name (Print)

JOHN J. CHEGWIDDEN

 Name (Print)

This 31 day of October 2000.

ACCEPTED BY THE AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION
 PURSUANT TO SECTION 93AA OF THE ASIC LAW BY ITS DULY AUTHORISED
 DELEGATE:



 Debra Russell
 Director - Commercial Operations
 Victorian Regional Office

This 11th day of ~~October~~ 2000.
 December