

# Marginbet Limited ABN 95 112 425 788

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## **ACQUISITION OF INTEREST IN CHRISTMAS BORE PROJECT**

The Directors of Marginbet Limited (**Marginbet** or the **Company**) wish to announce the Company has entered into a conditional agreement to farm into two prospecting licences currently owned by Cazaly Resources Limited (**Cazaly**). As a consequence, the Company will change its focus to the resources sector.

The agreement is conditional upon, but not limited to, the Company entering into a formal agreement, Marginbet conducting due diligence enquiries and the obtaining of all requisite statutory and regulatory approvals. As part of this process, Marginbet will undertake a capital raising and comply with all relevant ASX regulatory requirements as detailed below.

### **1. BACKGROUND**

The Company was incorporated on 10 January 2005 for the purpose of establishing and operating an international fixed odds, internet and telephone sports and horse racing bookmaking business. Subsequently, Portlandbet Pty Ltd (**Portlandbet**) (a wholly owned subsidiary of the Company) successfully applied for a sports bookmaking licence enabling Portlandbet to accept fixed odds and spread bets on an extensive range of sports and racing events, over the telephone and internet.

The Company traded for approximately 12 months during which time it recognised that to overcome its financial constraints it would be appropriate to raise further capital and list on ASX. On 22 June 2007, the Company lodged a prospectus for this purpose.

Since the Company's listing on ASX, it has been able to expand its operations and the Company's turnover has increased significantly.

However, the Board has noted that the performance of the business has been significantly below expectation. The primary performance indicator, the sports betting 'theoretical win ratio' is below budget (and well below industry averages). As a consequence, the Company's cash position has deteriorated. In addition, although margins may fluctuate on a weekly basis due to the nature of the business, it has become apparent that this below projected margin appears to be permanent. This seems to be due to the fact that clients of the Portlandbet business are, in general, larger or more professional punters.

In light of this information, the Board has resolved to appoint an independent consultant to review the operation of the business and to report to the Board as to the viability of the business and provide any recommendations as to how the business might be restructured to improve profitability. The Company has now engaged Jon Wild, a marketing and advertising executive, as a consultant for this purpose. His last role was as the General Manager of Brand and Advertising

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across Telstra. It is expected that the results of this review will be obtained by the Board within the next 2 weeks. The Company will update the market as soon as these results are available.

As a consequence of the above matters, the Company has resolved to explore other opportunities in the resources industry.

To this end, the Board has resolved to enter into a farm in agreement with Cazaly under which the Company will farm in to two prospects in the Christmas Bore Project.

To reflect the change in direction of the Company, it is expected that there may be one or more changes to the composition of the Board. The Company will keep the market updated in this regard.

## **2. ABOUT THE CHRISTMAS BORE PROJECT**

Refer to the annexure to this announcement.

## **3. THE PROPOSED TRANSACTION**

Under the terms of the Company's farm in agreement with Cazaly, the Company has conditionally agreed to farm in to the Christmas Bore Project. The Company has the right to earn a 75% joint venture interest from Cazaly by undertaking no less than 2,000 metres of RAB drilling within 3 years of the date of entering into the farm in agreement.

The farm in agreement is subject to the following conditions precedent:

- (a) the parties entering into a formal agreement;
- (b) the Company paying to Cazaly a non-refundable deposit of \$25,000 cash on or before 6 December 2007;
- (c) the Company confirming to Cazaly it is satisfied with the results of its due diligence investigations on or before 6 December 2007;
- (d) the parties obtaining all necessary governmental, regulatory and other consents and approvals to the transaction; and
- (e) the Company obtaining all necessary regulatory and shareholder approvals.

Given the change in direction proposed by the Company, it will not proceed with the farm in agreement unless and until it has obtained shareholder approval and complied with Chapters 1 and 2 of the ASX Listing Rules. In particular, the Company will undertake a capital raising of no less than \$2,000,000 at a minimum of 20 cents per share. In order to raise capital at 20 cents per share, the Company is likely to need to undertake a reconstruction of its share capital. Whether or not a consolidation is required and the price of the capital raising will be determined once the Company resumes trading on ASX.

## **4. TIMETABLE**

The proposed timetable for completion of the transaction is as follows:

Announcement of Transaction and Due Diligence Period Commences	23 November 2007
Due Diligence completed and deposit paid	6 December 2007
Notice of Meeting despatched to shareholders	21 December 2007
Issue of Prospectus	15 January 2008
Suspension of Company's Shares	22 January 2008
Shareholder Meeting	23 January 2008
Completion of Capital Raising	7 February 2008
Company recommences trading on ASX	11 February 2008

Please refer below to the accompanying proforma capital structure and financial statement.

**5. PROPOSED PROFORMA CAPITAL STRUCTURE AND BALANCE SHEET**

A proposed pro forma capital structure is annexed. This assumes a capital raising of \$2,000,500 at an issue price of 7 cents per share (on a pre-consolidation basis).

A pro forma balance sheet outlining the financial effect of the transaction upon the Company is also attached.

Yours faithfully



John Levy  
Chairman

## CHRISTMAS BORE PROJECT SUMMARY

The Christmas Bore Project comprises two prospecting licenses P37/6760 and P37/6761 which cover a total area of 400 Ha over the Clover Downs and Minara Pastoral Leases. Each prospecting license covers 200 Ha and was granted to Cazaly Resources Limited on 22<sup>nd</sup> of July 2005.

The Christmas Bore Project is located approximately 23km from the sealed Leonora – Laverton road and then via station tracks which runs north for 8 kilometres to Allan Well, and then an additional distance of 10km in a north-easterly direction to Triggs Well. The project area is located immediately to the northeast in the Cardinia Hill area. Access can also be obtained by the Leonora-Nambi Road then via station tracks from the Gambier Lass workings.

The project area is covered by low to moderate relief typical of the north-eastern Goldfields region with intermittent creeks and sheet wash.

The area is semi arid and has only sporadic moderate rainfall during the winter period. Occasional summer thunderstorms are restricted to cyclone activity from the north and northeast areas of Western Australia. Vegetation consists of low lying scrub (acacia, mulga) with a larger eucalyptus trees restricted to major drainage areas.

Historic gold mining activity as part of the Mount Malcolm mineral field, has been recorded back to the 1980's and continued intermittently to the early 1960's. Mining activity was concentrated in areas of high grade gold with minor alluvial production.

### Regional Geology

The Project Area is located in the central part of the Minerie Terrane (Van der Hor and Witt 1992) of the Eastern Goldfields Province. The western boundary of the Minerie Terrane is marked by the Keith-Kilkenny Tectonic zone, which is a craton scale NNW trending tectonic lineament. Gold mineralisation is controlled by north to northwest trending D<sub>2</sub>/D<sub>3</sub> shear zones which form second order splays to the Keith-Kilkenny zone.

The region is dominated by mafic volcanics, meta-sediments and lesser intermediate and felsic rocks on the western limb of the Benalla Anticline. Aeromagnetic interpretations suggest the limbs and nose of the Benalla Anticline are disrupted by northwest to north-northwest trending parallel faults and associated large and small scale folds. Local stratigraphic reversals tend to be caused by 10m to 100m scale, tight to isoclinal folds with their axes parallel to the south-southeast trending Benalla Anticline. The sediments appear to have been deposited in elongate possibly fault-related graben like structures.

The rocks are generally greenschist metamorphic grade and commonly show regional scale carbonate alteration as a result of metamorphism.

### Project Geology

The geology of the Christmas Bore area is constrained by two fault zones which run sub-parallel to each other. The Mertondale Shear trends in a NNE direction and converges with the Christmas Well fault in the west, which trends in a NNW direction. Felsic volcanic rocks of predominantly dacite with lesser intermediate volcanics dominate the western Project Area, while basalts dominate the eastern Project Area. A granodiorite intrusives lies between the two dominant units. Lithologies trend sub-parallel to the axis of the Benalla Anticline.

Outcrop in the Project Area is generally poor and bedrock is commonly overlain by recent transported sediments.

### **Mineralisation**

This Project is considered prospective for shear hosted gold mineralisation in close proximity to contrasting lithological boundaries.

Minor small scale historical mining and prospecting has occurred at the Christmas Well Prospect within the excised portion of P37/6761. No production figures are available.

### **Previous Exploration**

Most previous exploration work was completed by the Newmex Exploration and Gold and Mineral Exploration N.L Joint Venture (1987-1990). The Mertondale Project Joint Venture covered P37/6761 and partially P37/6760. Exploration involved mapping, stream geochemistry and RAB drilling.

Two stream geochemical anomalies were found on the western side of P37/6761 coincidental with the interpreted position of the Christmas Well Fault as well as south of the tenement boundary on the Mertondale Shear.

Close spaced reconnaissance RAB drilling (10-20m centres on 100m to 1,000m spaced lines) returned anomalous arsenic values from the southern portion of P37/6761, believed to be associated with the Mertondale Shear. No significant gold intersections were returned from within P37/6761.

No significant drill intersections were recorded on the Christmas Well Fault, although testing was not as rigorous as that on the Mertondale Shear.

The Project was later joint ventured to Harbour Lights Mining during 1989 – 1990 (Butcher Bore Project) with limited further exploration and minimal success. No substantial exploration has been conducted on the tenement since.

### **Current Exploration**

Cazaly Resources conducted soil geochemical sampling in early July 2007. A total of 121 soil samples were collected on a nominal 400m x 50m grid. Sixty four samples were taken on P37/6760 and fifty seven on P37/6761 amounting to five E-W lines across the tenements.

Further work is warranted to determine the origins and extents of the soil anomalism in P37/6761 requiring either infill soil geochemistry or limited RAB drilling.

### **Potential Targets**

The Mertondale Shear located within P37/6761 is a priority target. Previous drilling has identified gold and arsenic anomalism and this work requires review to determine its effectiveness and potential follow-up. The arcuate geometry of the shear in this location is relatively unique and also presents a potentially attractive structural target.

The Christmas Fault appears to be a second attractive target within P37/6760 and the southern most part of P37/6761 with only limited previous exploration. The alluvial drainage in the area may have potentially hindered previous exploration efforts. Close spaced RAB drilling will be required.

The small soil geochemical survey conducted by Cazaly has produced two modest anomalies that require follow-up with further detailed soil geochemistry and/or limited RAB drilling.

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## Annexure 1

*Proposed Pro Forma Balance Sheet – un-audited*

### **MARGINBET LIMITED**

Pro-Forma Consolidated Balance Sheet – as at 31 October 2007

	<b>Marginbet Ltd Consolidated</b>	<b>Pro-forma Consolidated</b>
	<b>31 October 2007</b>	<b>31 October 2007</b>
	<b>\$</b>	<b>\$</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	1,282,428	3,282,428
Trade and other receivables	53,777	53,777
<b>TOTAL CURRENT ASSETS</b>	<b>1,336,205</b>	<b>3,336,205</b>
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	206,595	206,595
<b>TOTAL NON-CURRENT ASSETS</b>	<b>206,595</b>	<b>206,595</b>
<b>TOTAL ASSETS</b>	<b>1,542,800</b>	<b>3,542,800</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Trade and other payables	184,216	184,216
Client Funds	161,471	161,471
Provisions	41,256	41,256
<b>TOTAL CURRENT LIABILITIES</b>	<b>386,943</b>	<b>386,943</b>
<b>TOTAL LIABILITIES</b>	<b>386,943</b>	<b>386,943</b>
<b>NET ASSETS</b>	<b>1,155,857</b>	<b>3,155,857</b>
<b>EQUITY</b>		
Issued capital	5,705,722	7,705,722
Retained Earnings	(4,764,040)	(4,764,040)
Reserves	214,175	214,175
<b>TOTAL EQUITY</b>	<b>1,155,857</b>	<b>3,155,857</b>

## MARGINBET LIMITED

### *Proposed Pro Forma Capital Structure*

	<b>Shares (FPO)</b>	<b>Options Ex 20c</b>	<b>Options Ex 40c</b>	<b>Totals (Fully Diluted)</b>
Existing Marginbet Ltd Capital Structure	51,357,063	10,142,500	250,000	61,749,563
Proposed new capital raise	28,571,429	-	-	28,571,429
<b>Total Post Capital Raise Capital Structure</b>	<b>79,928,492</b>	<b>10,142,500</b>	<b>250,000</b>	<b>90,320,992</b>