

SANTANA

MINERALS LIMITED



ACN 161 946 989

PROSPECTUS

**FOR A NON-RENOUNCEABLE ENTITLEMENT ISSUE TO ALL ELIGIBLE
SHAREHOLDERS WHO ARE REGISTERED AS AT 7.00PM (AEST) ON
WEDNESDAY 20 AUGUST 2014**

TO RAISE UP TO APPROXIMATELY \$1,950,000

**ON THE BASIS OF 1 NEW SHARE FOR EVERY 2 EXISTING SHARES HELD AT
AN ISSUE PRICE OF \$0.04 PER NEW SHARE**

**PLUS 1 FREE NEW OPTION FOR EVERY 2 NEW SHARES SUBSCRIBED FOR,
EXERCISABLE AT \$0.08 PER NEW OPTION ON OR BEFORE THE EXERCISE
DATE**

THIS OFFER IS NOT UNDERWRITTEN

Important Notice

This is an important document and should be read in its entirety.
If you are in doubt as to how to proceed, you should consult your stockbroker, legal or
licensed financial adviser immediately.

The securities offered by this Prospectus should be considered speculative.

THIS OFFER CLOSSES AT 5.00 PM AEST ON THURSDAY 11 SEPTEMBER 2014

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IMPORTANT NOTICE

This Prospectus is dated 14 August 2014 and a copy of this Prospectus was lodged with ASIC on that date.

ASIC and ASX take no responsibility for the contents of this Prospectus.

No New Shares will be issued on the basis of this Prospectus later than thirteen (13) months after the date of this Prospectus. Application will be made to ASX within seven (7) days after the date of this Prospectus for admission of the New Shares offered by this Prospectus to Official Quotation.

The Company is admitted to the Official List of the ASX and its Shares are continuously quoted securities of the Company in the terms of section 713 of the Corporations Act.

Applications for New Shares under the Offer may only be made by forwarding a complete personalised Entitlement and Acceptance Form in accordance with the directions on your Entitlement and Acceptance Form. As the Offer is non-renounceable, Shareholders do not have the right to sell their Entitlements. Shareholders have the opportunity to subscribe for all, part or none of their Entitlement to New Shares under the Offer. For each two New Shares subscribed for, Shareholders will be issued one free New Option. Shareholders may apply for Additional New Shares in excess of their Entitlement under the Offer. The allocation of Additional New Shares will be made from the Shortfall.

No person is authorised to give any information or make any representation in connection with the Rights Issue or Offer described in this Prospectus, which is not contained in this Prospectus. Any information or representation not contained in this Prospectus may not be relied on as having been authorised by the Company in connection with the Rights Issue.

This is an important document. Before deciding to apply for New Shares you should consider whether they are a suitable investment for you. Applicants should read this document in its entirety and, if in any doubt, consult with their professional advisors before deciding whether or not to apply for New Shares. There are risks associated with an investment in the Company and the New Shares offered under this Prospectus must be regarded as a speculative investment. The New Shares and New Options offered under this Prospectus carry no guarantee with respect to return on capital investment, payment of dividends or the future value of the Shares.

The Prospectus does not constitute an offer in any jurisdiction in which, or to any person to whom, it would be unlawful to make such an offer. The distribution of the Prospectus in jurisdictions outside Australia and New Zealand may be restricted by law and persons who come into possession of the Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. The return of a duly completed Entitlement and Acceptance Form will be taken by the Company to constitute a representation and warranty made by the applicant to the Company that there has been no breach of such laws and that all necessary approvals and consents have been obtained.

The New Shares are not being offered or sold to the public within New Zealand other than to existing Shareholders of Santana with registered addresses in New Zealand to whom the Offer is being made in reliance on the *Securities Act (Overseas Companies) Exemption Notice 2002 (New Zealand)*. The Prospectus and the Entitlement and Acceptance Form have not been registered, filed or approved by any New Zealand regulatory authority under the *Securities Act 1978 (New Zealand)*. This document is not an investment statement or prospectus under New Zealand law and is not required to, and may not, contain all the information that an investment statement or prospectus under New Zealand law is required to contain.

This Offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is the *Corporations Act 2001 (Cth)* and Regulations. In New Zealand, this is Part 5 of the *Securities Act 1978* and the *Securities (Mutual Recognition of Securities Offerings—Australia) Regulations 2008*. This Offer and the content of this Prospectus are principally governed by Australian rather than New Zealand law. In the main, the *Corporations Act 2001 (Cth)* and Regulations set out how the Offer must be made. There are differences in how securities are regulated under Australian law. For example, the disclosure of fees for collective investment schemes is different under the Australian regime. The rights, remedies, and compensation arrangements available to New Zealand investors in Australian securities may differ from the rights, remedies, and compensation arrangements for New Zealand securities. Both the Australian and New Zealand securities regulators have enforcement responsibilities in relation to this offer. If you need to make a complaint about this Offer, please contact the Financial Markets Authority, Wellington, New Zealand. The Australian and New Zealand

regulators will work together to settle your complaint. The taxation treatment of Australian securities is not the same as for New Zealand securities. If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser. The Offer may involve a currency exchange risk. The currency for the New Shares is not New Zealand dollars. The value of the New Shares will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant. If you expect the New Shares to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars. If the Shares are able to be traded on a securities market and you wish to trade the New Shares through that market, you will have to make arrangements for a participant in that market to sell the New Shares on your behalf. If the securities market does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the New Shares and trading may differ from securities markets that operate in New Zealand.

Certain abbreviations and other defined terms are used throughout this Prospectus. Defined terms are generally identifiable by the use of an upper case first letter. Details of the definitions and abbreviations used are set out in Section 8 of this Prospectus.

CORPORATE DIRECTORY

DIRECTORS

| | |
|--------------------|------------------------|
| Norman A Seckold | Non-Executive Chairman |
| Anthony J McDonald | Managing Director |
| Richard E Keevers | Non-Executive Director |
| Joseph F Conway | Non-Executive Director |

COMPANY SECRETARY

Craig J McPherson

REGISTERED OFFICE

Ground Floor
139 Coronation Drive
Milton QLD 4064

SOLICITORS TO THE COMPANY

GRT Lawyers
Level 1
400 Queen Street
Brisbane, QLD 4000

AUDITORS

KPMG
Riparian Plaza
Level 16
71 Eagle St
BRISBANE QLD 4000

REGISTRY

Link Market Services Limited
ANZ Building
Level 15
324 Queen Street
Brisbane QLD 4000

CONTACT DETAILS

Web: www.santanaminerals.com
Email: admin@santanaminerals.com
Telephone: +61 (7) 3221 7501
Facsimile: +61 (7) 3221 0698

ASX CODE: SMI

KEY INFORMATION

| | |
|--|---|
| Entitlement | 1 New Share for every 2 Existing Shares held as at the Record Date. Each 2 New Shares will entitle the holder to 1 free attaching New Option (see sections 1.1 and 5). |
| Offer Price per New Share | \$0.04 |
| Issue price per New Option | Free |
| Exercise price per New Option | \$0.08 |
| Exercise Date of New Options | The New Options will be exercisable before the earlier of: (a) 18 months of issue; or (b) within 60 days of Santana issuing a notice to the New Option holders (see section 5). |
| Existing Shares on issue as at the date of this Prospectus | 97,725,799 |
| Existing Options on issue as at the date of this Prospectus | 3,900,000 (Unlisted) |
| Maximum number of New Shares offered under this Prospectus assuming none of the Existing Options are exercised prior to the Record Date | 48,862,900 New Shares (approximately, subject to rounding) |
| Maximum number of New Options attaching to the New Shares offered under this Prospectus assuming none of the Existing Options are exercised prior to the Record Date | 24,431,450 New Options (approximately, subject to rounding) |
| Total number of Shares if all New Shares are allotted | 146,588,699 |
| Total number of Options if all New Options are allotted | 28,331,450 |
| Amount to be raised if all New Shares on offer are issued | \$1,954,516 |

KEY DATES

This Prospectus (prepared in accordance with the Corporations Act and ASX Listing Rules), is dated 14 August 2014.

The following are key dates relating to the Offer that you need to be aware of.

| Activity | Date |
|---|-----------------------------|
| Announcement of Offer | Thursday 14 August 2014 |
| Lodge Appendix 3B and Prospectus with ASIC and ASX | Thursday 14 August 2014 |
| Dispatch of notices to Shareholders informing them of the Rights Issue | Friday 15 August 2014 |
| Shares trade on an "ex" Entitlement basis | Monday 18 August 2014 |
| Record Date for Entitlement to participate in the Rights Issue | Wednesday 20 August 2014 |
| Prospectus and Entitlement and Acceptance Form dispatched to Shareholders | Monday 25 August 2014 |
| Closing Date for Receipt of Entitlement and Acceptance Form | Thursday 11 September 2014 |
| Securities quoted on deferred settlement basis | Friday 12 September 2014 |
| ASX notified of under subscriptions | Monday 15 September 2014 |
| Transaction confirmation statements for New Shares and New Options are dispatched to Shareholders | Wednesday 17 September 2014 |
| Normal ASX trading for New Shares commences | Wednesday 17 September 2014 |

These dates are indicative only and are subject to change. The Company reserves the right to amend this indicative timetable at any time and (subject to the Corporations Act and ASX Listing Rules), to extend the latest date for receipt of Entitlement and Acceptance Forms, to accept late Entitlement and Acceptance Forms either generally or in particular cases, or to cancel the Rights Issue without prior notice.

LETTER FROM THE CHAIRMAN

14 August 2014

Dear Fellow Shareholders

On behalf of the Directors of Santana Minerals Limited (**Santana**), I am pleased to invite you to participate in this Rights Issue, which seeks to raise up to approximately \$1,950,000.

Funds raised will be applied to:

- continued exploration, in particular to drilling activities, at the Namiquipa project in Chihuahua Mexico, to test the northern vein extension potential;
- to initiate exploration, primarily through drilling, and appraisal activities at the Cuitaboca project in Sinaloa, Mexico; and
- Santana's working capital requirements, to the extent they exceed the cash presently held.

Drill targets have been identified at each of the two Mexican Projects. Planning is underway and drilling will be undertaken as soon as is possible after the fundraising completes, assuming it is successful.

Shareholders can participate in the Rights Issue by subscribing to this Offer consisting of 1 New Share at \$0.04 cents per New Share for every 2 Existing Shares held on the Record Date. Each 2 New Shares issued will entitle the holder to 1 New Option (see sections 1.1 and 5). **You may apply for Additional New Shares in excess of your entitlement.** The Directors will allocate any Additional New Shares from the Shortfall at their discretion. On 13 August 2014 the closing price of Shares was \$0.05.

The two major Shareholders, of whom I am one, have agreed to take up their full entitlement provided their voting power does not exceed limits prescribed by the Corporations Act (see section 4.4). This equates to almost 40% of the offerings (circa \$780,000). The Directors who are also Shareholders, intend to take up their full entitlement but will not participate in any Shortfall.

The above commitments, together with that cash presently held, means that majority of the funds sought are available to the Company should it wish to commence its planned activities.

Santana is an ASX listed junior explorer focused on precious metals in Mexico. For more information about Santana's projects, please refer to the Company's Quarterly Reports and recent releases to the ASX on our website (www.santanaminerals.com).

Please consider participating in this opportunity and thank you in advance for your support.

Sincerely,

SANTANA MINERALS LIMITED



Norman Seckold
CHAIRMAN

SECTION 1 – RIGHTS ISSUE DETAILS

This summary is not intended to provide full details of the investment opportunity. Shareholders should read this Prospectus in full to make a fully informed investment decision. Details of recent announcements are set out in section 3 of this Prospectus.

1.1 The Offer

The Company is making an Offer to Eligible Shareholders of 1 New Share at an Offer Price of \$0.04 for each 2 Existing Shares, by way of a pro-rata non-renounceable Rights Issue.

The Offer Price is payable in full by Eligible Shareholders on acceptance of the Offer. Applications for New Shares will be accepted from the date of this Prospectus until 5.00pm (AEST) on the Closing Date (Thursday 11 September 2014).

Each Eligible Shareholder is entitled to subscribe for 1 New Share for every 2 Existing Shares held by the Shareholder on the Record Date. The New Shares will be fully paid ordinary Shares and will rank equally in all respects from the date of allotment with the Existing Shares.

For each 2 New Shares issued the holder thereof will be entitled to 1 New Option (see section 5 below). Each New Option has an exercise price of \$0.08 and will be exercisable before the earlier of 18 months of issue or within 60 days of Santana issuing a notice to the New Option holders. Further information in relation to the rights attaching to the New Options is set out in section 5 of this Prospectus.

This Offer is made on a non-renounceable basis. Shareholders who are registered as at 7.00pm (AEST) on the Record Date, who therefore receive an entitlement, may not sell or transfer all or any part of their Entitlement to New Shares. Information on how to deal with Entitlements is set out at Section 2 of this Prospectus.

1.2 Closing Date

The Offer will close at 5.00pm (AEST) on Thursday 11 September 2014, subject to the right of Directors to extend the Closing Date.

As the Offer is non-renounceable, Eligible Shareholders do not have the right to sell their Entitlements. Eligible Shareholders have the opportunity to subscribe for all, part or none of their Entitlement to New Shares. In addition, Eligible Shareholders may apply for Additional New Shares under the Offer pursuant to section 1.12.

To the extent that any part or all of an Entitlement is not taken up, it will lapse on the Closing Date.

Eligible Shareholders should be aware that their Entitlement may have value. If you decide not to accept all or part of your Entitlement, your Entitlement will lapse. It is therefore important that Shareholders take action if they wish to accept their Entitlement in accordance with the instructions on the accompanying Entitlement and Acceptance Form.

1.3 Underwriting

This Offer is not underwritten and therefore there is no guarantee that all the projected proceeds of the Offer will be raised.

1.4 Purpose of the Rights Issue

The purpose of the Rights Issue is to raise up to \$1,954,516 before transaction costs.

1.5 Use of Funds

Funds raised will be applied to:

- continued exploration, in particular to drilling activities, at the Namiquipa project in Chihuahua Mexico, to test the northern vein extension potential;
- to initiate exploration, primarily through drilling, and appraisal activities at the Cuitaboca project in Sinaloa, Mexico; and
- Santana's working capital requirements, to the extent they exceed the cash presently held.

The anticipated budget for the above use of proceeds, assuming the Offer is fully subscribed is as follows:

| Use of Proceeds | |
|---|--------------------|
| Continued exploration, in particular to drilling activities, at the Namiquipa project in Chihuahua Mexico, to test the northern vein extension potential. | \$1,000,000 |
| To initiate exploration, primarily through drilling, and appraisal activities at the Cuitaboca project in Sinaloa, Mexico. | \$750,000 |
| Working Capital | \$200,000 |
| Total | \$1,950,000 |

If less than the full subscription is raised, the funds will be applied firstly to the costs of the Offer and then to other specific activities.

Prospective applicants should consider the risks associated with this investment, particularly in relation to the current and future capital needs of the Company as set out in Section 6 of this Prospectus.

1.6 Effect of Offer on Capital Structure

The effect of the Offer on the capital structure of the Company is set out in the following table:

| | Pre-Offer | Post-Offer (assuming fully subscribed) |
|-------------------------------------|------------------|---|
| Existing Shares¹ | 97,725,799 | 146,588,699 |
| Existing Options² | 3,900,000 | 3,900,000 |
| New Options | Nil | 24,431,450 |

1 This assumes that none of the Existing Options are exercised before the Record Date or otherwise.

2 These are unquoted Existing Options exercisable at \$0.275 cents each, expiring 24 April 2018.

1.7 Effect of Offer on Control

Based on publicly available information, the two largest Shareholders in the Company as at the date of this Prospectus are set out below:

| Name | Number of Existing Shares Held | % of Existing Shares |
|--|---------------------------------------|-----------------------------|
| Primer Mining Corp | 19,535,387 | 19.99% |
| Mr Norman Seckold (shareholding held by related entities) | 19,432,293 | 19.88% |

The two largest Shareholders have indicated that they intend to take up all of their rights under the Entitlement provided their voting power does not exceed limits prescribed by the Corporations Act but do not intend to participate in any Shortfall.

The effect on the control of the Company if the two largest Shareholders subscribe for their Entitlements are set out below:

| Name | Voting power if no other Rights are Exercised under the Offer | Voting power if 50% of other Rights are Exercised under the Offer | Voting power if 100% of other Rights are Exercised under the Offer |
|--|---|---|--|
| Primero Mining Corp | 22.99% | 22.22% | 19.99% |
| | Assumes subscription for 55% of entitlement | Assumes subscription for 100% of entitlement | Assumes subscription for 100% of entitlement |
| Mr Norman Seckold (shareholding held by related entities) | 22.88% | 22.10% | 19.88% |
| | Assumes subscription for 55% of entitlement | Assumes subscription for 100% of entitlement | Assumes subscription for 100% of entitlement |

1.8 Eligible Shareholders

To qualify for the Rights Issue, a Shareholder must:

- (a) be registered as a Shareholder as at the close of business (7.00pm AEST) on the Record Date; and
- (b) have an address in Australia or New Zealand as recorded on the Share Register as at the Record Date.

1.9 Non-Eligible Foreign Shareholders

The Offer is being made to Eligible Shareholders with registered addresses in Australia or New Zealand (as at the Record Date).

The Company reserves the right however in its absolute discretion to offer the Rights Issue to a Shareholder with an address in the Share Register outside Australia or New Zealand if the Company is satisfied that it is not precluded from lawfully issuing New Shares and New Options to that Shareholder either unconditionally or after compliance with conditions which the Board in its sole discretion regard as acceptable.

This Prospectus does not constitute an offer or invitation to acquire securities in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register the New Shares or New Options or otherwise permit an offering of New Shares or New Options in any jurisdiction outside of Australia or New Zealand.

The distribution of this Prospectus outside Australia or New Zealand may be restricted by law. If you come into possession of this Prospectus, you should observe any such restrictions and should seek your own advice on such restrictions. Any failure to comply with such restrictions may contravene applicable securities laws.

Returning the Entitlement and Acceptance Form constitutes an acknowledgement, representation or warranty by the Applicant that there has been no breach of any foreign securities laws. Nominees, trustees and custodians are therefore advised to seek independent advice as to how to proceed.

1.10 Entitlements and Application

The Offer is restricted to Eligible Shareholders of the Company who are registered as Shareholders at the Record Date. The number of New Shares to which a Shareholder is entitled is shown on the accompanying Entitlement and Acceptance Form. Fractional entitlements to New Shares have been rounded up to the nearest whole number of New Shares.

Applications for New Shares under the Offer can only be made by completing the Entitlement and Acceptance Form in full, in accordance with the instructions on it, and returning it to the Company as directed.

1.11 Existing Option holders

The Record Date for the purpose of the Offer is 7.00pm (AEST) on 20 August 2014. The holders of Existing Options issued by the Company may participate in the Offer if they exercise their Existing Options and are on the Company's Share Register as the holder of Shares on the Record Date.

1.12 Additional New Shares

If Eligible Shareholders wish to apply for New Shares in excess of the Entitlement shown on their Entitlement and Acceptance Form, and:

- (a) there is a Shortfall, the Company may place Additional New Shares to Eligible Shareholders in accordance with the explanation provided at Section 1.13 of this Prospectus; and
- (b) where there is no Shortfall, acceptance will be deemed to be for the maximum Entitlement of the Eligible Shareholder.

If you apply for Additional New Shares, you must provide the Application Money for the full amount of New Shares and Additional New Shares applied for. There is no guarantee that you will receive Additional New Shares. If you do not receive any or all of the Additional New Shares applied for, any excess Application Monies will be returned to you (without interest).

1.13 Shortfall

If any Shortfall remains after Shareholders have taken up their Entitlements to New Shares, the Directors reserve the right pursuant to Listing Rule 7.2 (Exception 3) to place any Shortfall with investors selected by the Directors in their discretion. All Shortfall must be placed within 3 months of the Closing Date and will be issued on the same terms as are being offered to Shareholders pursuant to this Prospectus.

1.14 Allotment of New Shares

New Shares under the Rights Issue are expected to be allotted by Tuesday 17 September 2014 (subject to variation at the discretion of the Company).

1.15 Application Monies

Until the New Shares are issued, the Company will hold the Application Monies on trust in an Australian bank account. The accounts will be established and kept solely for the purpose of depositing Application Monies and retaining those funds for as long as required under the Corporations Act.

Any interest accrued on Application Monies will be retained by the Company and will not be paid to the relevant Eligible Shareholder including if the Rights Issue is cancelled or withdrawn.

1.16 Market Prices for Shares on ASX

The lowest and highest market prices of the Shares of the Company on ASX during the 3 months immediately preceding the date of this Prospectus were \$0.03 and \$0.05 respectively.

The closing price of the Company's Shares on the last full day of trading on ASX on the day before this Prospectus was lodged with ASX and ASIC was \$0.05 on Wednesday 13 August 2014.

The volume weighted average price for Shares on the ASX over the 30 trading days preceding the date of announcement of the Rights Issue was \$0.039.

1.17 Taxation Implications

Shareholders should be aware that there may be taxation implications of participating in the Offer and subscribing for New Shares. The taxation consequences of participating in the Offer and/or acquiring New Shares may vary depending on the individual circumstances of each Shareholder. Shareholders should consult their own professional taxation advisers to obtain advice in relation to the taxation laws and regulations applicable to their personal circumstances.

1.18 Regular Reporting and Disclosure

The Company is a disclosing entity for the purposes of the Corporations Act and as such is subject to regular reporting and disclosure obligations under the Corporations Act and ASX Listing Rules. These obligations require the Company to notify ASX of information about specific events and matters as they arise for the purposes of ASX making that information available to the market.

In particular, the Company has an obligation (subject to certain limited exceptions) to notify ASX once it is, or becomes, aware of information concerning the Company which a reasonable person would expect to have a material effect on the price or value of the Company's securities. All announcements made by the Company are available from the ASX website www.asx.com.au.

Additionally, the Company is also required to prepare and lodge with ASIC yearly and half-yearly financial statements accompanied by a directors' statement and report, and an audit review or report. These reports are released to ASX and published on the ASX website.

Further information is provided at Section 3 of this Prospectus.

1.19 Financial Amounts

Money as expressed in this Prospectus is in Australian dollars unless otherwise indicated. Any discrepancies between totals in tables and sums of components in tables in this Prospectus and between those figures and figures referred to in other parts of this document are due to rounding.

1.20 CHESS and Issuer Sponsorship

The Company will not be issuing Share certificates. The Company will apply to ASX to participate in CHESS, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHESS will be issuer sponsored by the Company. Because the sub-register is electronic, ownership of securities can be transferred without having to rely upon paper documentation.

Shareholders will be provided with a statement (similar to a bank account statement) that sets out the number of New Shares allotted to them under this Prospectus. The notice will also advise Shareholders of their Securityholder Reference Number (**SRN**) and explain, for future reference, the sale and purchase procedures under CHESS and issuer sponsorship.

Further monthly statements will be provided to Shareholders in circumstances in which there have been any changes in their security holding in the Company during the preceding month.

1.21 Privacy

If you complete an Application for New Shares, you will be providing personal information to the Company (directly or by the Company's Registry) that may constitute personal information for the purposes of the Privacy Act 1988 (Cth). The Company collects, holds and will use that information to assess your Application, service your needs as a Shareholder, facilitate distribution payments and corporate communications to you as a Shareholder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, ASX, ASIC, authorised securities brokers, print service providers, mail houses and the Company's Registry on the basis that they deal with such information in accordance with the relevant privacy laws.

You can access, correct and update the personal information that we hold about you. Please contact the Company or its Registry if you wish to do so at the relevant contact numbers set out in this Prospectus. A fee may be charged for access.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act 1988 (Cth) (as amended), the Corporations Act and certain rules such as the ASTC Settlement Rules. You should note that if you do not provide the information required on the Entitlement and Acceptance Form, the Company may not be able to accept or process your Application.

1.22 Enquiries

If you have any questions concerning your Entitlement, please contact the Company on (07) 3221 7501 or contact your professional adviser.

SECTION 2 – REQUIRED ACTIONS

2.1 Non-Eligible Foreign Shareholders

No action has been taken to register or qualify the New Shares or New Options to permit a public offering of the New Shares or New Options in any jurisdiction outside Australia and New Zealand.

Shareholders resident outside Australia and New Zealand should consult their professional advisers as to whether any governmental or other consents are required, or other formalities need to be observed to enable them to accept or deal with their Entitlements.

This Prospectus does not constitute an offer in any place in which, or to any person whom, it would not be lawful to make such an offer.

The return of a completed Entitlement and Acceptance Form from a Non-Eligible Foreign Shareholder will be taken by the Company to constitute a representation and warranty by the Applicant that all relevant approvals have been obtained by the Applicant and that the Company may legally issue the New Shares or New Options to the Applicant.

2.2 Eligible Shareholders – Available Alternatives

Eligible Shareholders have the alternatives set out below available in relation to the Rights Issue:

(a) Take up all or part of your Entitlement

This Offer may be accepted in whole or in part.

If you wish to take up all or part of your Entitlement, you should:

- use the BPAY facility as outlined in the accompanying Entitlement and Acceptance Form; or
- complete the Entitlement and Acceptance Form specifying the amount of your Entitlement that you wish to take up; and
- forward the completed Entitlement and Acceptance Form, together with your Application Money to the Registry before 5.00pm (AEST) on the Closing Date.

(b) Do nothing and allow your Entitlement to lapse

If you do nothing, your Entitlement will lapse, in which case you will receive no New Shares. Although, you will continue to own the same number of Existing Shares in the Company, your percentage shareholding in the Company will be diluted, assuming other Shareholders participate in the Offer.

(c) Participate in any Shortfall

If you wish to take up Additional New Shares in excess of your Entitlement, you should use the BPAY facility as outlined in the accompanying Entitlement and Acceptance Form or complete your Entitlement and Acceptance Form to indicate that you would like to accept more than your maximum Entitlement in the manner described in Section 1.14 of this Prospectus.

Instructions for completion and lodgement of acceptances are set out on the back of the enclosed Entitlement and Acceptance Form.

2.3 Method of Payment

Payments will only be accepted in Australian currency, by any one of the following methods:

- **BPAY facility**

If you wish to take up all of part of your Entitlement you:

- may use the BPAY facility as outlined in the accompanying Entitlement and Acceptance Form; and
- will not be required to return the Entitlement and Acceptance Form but will need to provide your holder identification number or Securityholder reference number as a payment reference.

BPAY payments must be submitted by no later than 5.00pm AEST on Thursday 11 September 2014. Please note however that if you wish to use BPAY you should check with your bank in relation to making payments on the closing date as the closing time for BPAY may differ from bank to bank.

- **Cheque**

If you wish to take up all of part of your Entitlement, you should:

- complete and return the accompanying Entitlement and Acceptance Form in accordance with the instructions set out on the back of that form; and
- submit a cheque (drawn on and redeemable at any Australian bank).

Overseas Shareholders who are permitted to apply for New Shares must obtain a draft in Australian currency payable on a bank in Australia, or where the Shareholder has an account with a bank in Australia, by a cheque drawn on that bank within Australia.

The completed Entitlement and Application Form and cheque for the correct Application Monies (being the number of New Shares you wish to take up multiplied by \$0.04 per New Share) must be received by the Registry no later than 5.00pm AEST on Thursday 11 September 2014.

The mailing details for the Registry are as follows:

Santana Minerals Limited
C/- Link Market Services Limited
Locked Bag 3415
Brisbane QLD 4001

The hand delivery address for the Registry is as follows:

Santana Minerals Limited
C/- Link Market Services Limited
1A Homebush Drive,
Rhodes NSW 2138 (***Please do not use this address for mailing purposes***)

Cheques and drafts should be made payable to "Santana Minerals Limited Share Offer" and crossed "Not Negotiable". Shareholders should not forward cash.

If you apply and pay for more New Shares than your Entitlement, your Application will be dealt with in the manner described at Section 1.12 of this Prospectus.

Eligible Shareholders should ensure that their Entitlement and Acceptance Form and Application Monies are mailed early to ensure they arrive at the postal address specified above by 5.00pm AEST on Thursday 11 September 2014 (or such other date as may be determined by the Company).

2.4 Allotment

The New Shares will be allotted and issued as soon as practicable after the Closing Date. Where the number of New Shares issued is less than the number applied for, or where no allotment is made, surplus Application Monies will be refunded without any interest to the Applicant as soon as practicable after the Closing Date.

Transaction confirmation statements for the New Shares will be mailed to Applicants as soon as possible after the Closing Date. Pending the issue of the New Shares or payment of refunds pursuant to this Prospectus, all Application Monies will be held by the Company on trust for the Applicants in a separate bank account as required by the Corporations Act. The Company, however, will be entitled to retain all interest that accrues on the bank account and each Applicant waives the right to claim interest.

2.5 ASX Quotation

Application to ASX for admission of the New Shares to Official Quotation will be made by the Company within 7 days of the date of this Prospectus. If the New Shares are not admitted to Official Quotation within 3 months after the date of this Prospectus the Company will not issue any New Shares and will repay all Application Monies within the time prescribed under the Corporations Act, without interest.

The New Options will not be listed on ASX. New Shares issued pursuant to the exercise of New Options will be listed on the ASX after they are exercised.

2.6 Entitlement and Acceptance Form is binding

A completed Entitlement and Acceptance Form sent to the Registry accompanied by a cheque, or a payment made through BPAY constitutes a binding offer to acquire New Shares on the terms and conditions set out in this Offer Document. Any Entitlement and Acceptance Forms provided without payment of the Application Monies by cheque or by BPAY may be rejected by the Directors at their absolute discretion.

You cannot withdraw your application for New Shares once your Entitlement and Acceptance Form has been received by the Registry or payment is made through BPAY. If the Entitlement and Acceptance Form is not completed correctly it may still be treated as a valid application for New Shares. The Directors' decision whether to treat an acceptance as valid and how to construe, amend or complete the Entitlement and Acceptance Form is final.

The Company reserves the right to refuse any Application, for example, if a cheque is returned unpaid or if the Entitlement and Acceptance Form has not been properly completed, or where there are grounds for believing that the Applicant is not acting in good faith or has sought to split holdings into smaller parcels for the purpose of making multiple applications. By completing and returning your personalised Entitlement and Acceptance Form with the requisite Application Monies or making a payment by BPAY, you will also be deemed to have acknowledged, represented and warranted on behalf of each person on whose account you are acting that:

- (a) you are an Eligible Shareholder and are not in the United States and are not a person (including nominees or custodians) acting for the account or benefit of a person in the United States and are not otherwise a person to whom it would be illegal to make an offer or issue of New Shares under the Entitlement Offer;
- (b) you acknowledge that the New Shares have not been, and will not be, registered under the United States Securities Act or under the laws of any other jurisdiction outside Australia or New Zealand; and
- (c) you have not and will not send any materials relating to the Entitlement Offer to any person in the United States or to any person (including nominees or custodians) acting for the account or benefit of a person in the United States.

SECTION 3 – COMPANY INFORMATION

3.1 Company Background

The Company was admitted to the Official List on 29 May 2013, with Official Quotation of its Shares commencing 31 May 2013.

As at the date of this Prospectus, the Company has the following Existing Shares and Existing Options on issue:

- 97,725,799 Existing Shares;
- 3,900,000 unlisted Existing Options (exercisable at \$0.275 cents on or before 24 April 2018).

3.2 Company Reporting

The Company is a “disclosing entity” for the purposes of the Corporations Act. As such, it is subject to regular reporting and disclosure obligations, which require it to disclose to ASX any information of which it is or becomes aware concerning the Company and which a reasonable person would expect to have a material effect on the price or value of securities of the Company.

Copies of documents lodged in relation to the Company with ASIC may be obtained from, or inspected at, an office of ASIC.

The Company will provide a copy of the following documents, free of charge, to any person who requests such a document on or before the Closing Date:

- the annual financial report of the Company relating to the financial year ended 30 June 2013, being the annual financial report most recently lodged with ASIC;
- the half-year financial report of the Company relating to the half year ended 31 December 2013, being the most recently lodged half-yearly financial report before the date of this Prospectus; and
- any continuous disclosure notices given by the Company to ASX after the lodgement of the annual financial report of the Company relating to the financial year ended 30 June 2013 (lodged with ASX on 26 September 2013) and before the date of this Prospectus. The following is a list of those continuous disclosure notices:

| Document Date | Headline |
|---------------|--|
| 2014 | |
| 29/07/2014 | Cuitaboca Project |
| 23/07/2014 | Quarterly Activities and Cashflow Report – 30 June 2014 |
| 17/07/2014 | Namiquipa Project Update |
| 30/04/2014 | Quarterly Activities and Cashflow Report - 31 March 2014 |
| 7/03/2014 | Half Yearly Report and Accounts |
| 18/02/2014 | Change in substantial holding |
| 30/01/2014 | Quarterly Activities and Cashflow Report - December 2013 |
| 30/01/2014 | Espiritu Santo, Jalisco Mexico Update |
| 22/01/2014 | Change in substantial holding |
| 6/01/2014 | Espiritu Santo Project Update |
| 2013 | |
| 9/12/2013 | MDS: Midas takes 100% ownership of Kalman Deposit |
| 28/11/2013 | Results of Meeting |
| 28/11/2013 | AGM Presentation to Shareholders |
| 26/11/2013 | Becoming a substantial holder for MDS |
| 25/11/2013 | Sale of Mt Isa Project Interest Completed |

| | |
|------------|---|
| 25/11/2013 | SMI: Sale of Mt Isa Project Interest Completed |
| 7/11/2013 | MDS: Proposed Exploration Strategy for Mt Isa Region |
| 29/10/2013 | Investor Presentation - QEC Explorers' Investor Forum |
| 29/10/2013 | Quarterly Activities and Cashflow Report |
| 29/10/2013 | Appendix 3B |
| 16/10/2013 | Notice of Annual General Meeting/Proxy Form |
| 26/09/2013 | Annual Report to Shareholders |

Alternatively, these documents may be viewed at ASX website at www.asx.com.au using the Company's ASX Code "SMI".

3.3 Transaction Specific Prospectus

This Prospectus is issued in reliance on section 713 of the Corporations Act. Section 713 of the Corporations Act enables a company to issue a transaction specific prospectus if the prospectus is for an offer of securities of a class of securities that have been continuously quoted on ASX for at least 12 months before the date of issue of the prospectus. The New Shares offered under this Prospectus are of a class of securities that are continuously quoted securities.

SECTION 4 – EFFECT OF THE OFFER ON THE COMPANY

4.1 Purpose of the Offer and Use of the Funds Raised

Under the Offer, up to 48,862,900 New Shares at an Offer Price of \$0.04 are available for issue. In addition, up to 24,431,450 New Options are available for issue (see section 5 below).

After expenses of the Offer, the maximum proceeds from the issue of New Shares will be approximately \$1,920,000.

Funds raised will be applied to:

- continued exploration, in particular to drilling activities, at the Namiquipa project in Chihuahua Mexico, to test the northern vein extension potential;
- to initiate exploration, primarily through drilling, and appraisal activities at the Cuitaboca project in Sinaloa, Mexico; and
- Santana's working capital requirements, to the extent they exceed the cash presently held.

If less than the full subscription is raised, the funds will be applied firstly to the costs of the Offer and then to other specific activities.

4.2 Effect of the Offer

Assuming all New Shares offered under this Prospectus are issued, and assuming that none of the Existing Options are exercised on or prior to the Record Date, the principal effect of the Offer will be to:

- (a) increase cash reserves by approximately \$1,920,000 after deducting estimated expenses of the Offer and assuming all New Shares offered under this Prospectus are issued; and
- (b) increase the number of Existing Shares on issue from 97,725,799 to up to 146,588,699 and the number of Existing Options on issue from 3,900,000 to 28,331,450.

Upon completion of the Offer (assuming it is fully subscribed and excluding any Shares that may be issued as a result of the exercise of any Existing Options before the Record Date), the issued capital of the Company will comprise:

| Shares & Options | Number |
|--|---------------|
| Existing Shares at the date of this Prospectus | 97,725,799 |
| Existing Options at the date of this Prospectus | 3,900,000 |
| New Shares offered pursuant to this Prospectus | 48,862,900 |
| New Options offered pursuant to this Prospectus | 24,431,450 |
| Total number of Shares if all New Shares are allotted | 146,588,699 |
| Total number of Existing Options and New Options if all New Options are allotted | 28,331,450 |

4.3 Potential Dilutionary Effect

If all Shareholders take up their Entitlements in full, then the Rights Issue will have no effect on the control of the Company.

The equity of existing Shareholders who do not participate in the Rights Issue will be diluted if some existing Shareholders participate in the Rights Issue.

The equity of existing Shareholders who only take up part of their Entitlement could also be diluted, depending upon the number of Shortfall allotted and would be diluted if such Shortfall is issued to other Shareholders or other investors as contemplated by this Prospectus.

4.4 Shareholder confirmations to participate

As at the date of the Prospectus, the Company's two largest shareholders are Primero Mining Corp, holding 19.99% of the Shares, and Mr Norman Seckold (via his related entities), holding 19.88% of the Shares. The next largest shareholder holds 9.74%.

Primero Mining Corp and companies associated with Mr Norman Seckold, have provided written confirmation to the Company that they intend to subscribe for their full Entitlement under the Offer provided such subscription does not contravene the takeovers provisions contained within the Corporations Act. If both parties subscribe for their Entitlement and the remainder of the Offer is not fully subscribed, they will both increase their percentage holding of Shares. The extent to which their holding of Shares increases will depend on the extent to which other shareholders participate in the Offer.

4.5 Potential control effects of the Offer

If both Primero Mining Corp and Mr Norman Seckold (via associated entities) participate for the maximum amount of their respective Entitlements permitted without contravening the takeovers provisions under the Corporations Act, and assuming no other Shareholders participate in the Offer, the respective percentage holding of Shares of each party following the Offer would be:

- Primero Mining Corp – 22.99%
- Mr Norman Seckold's associated entities – 22.88%

The extent to which the voting power of Primero Mining Corp and Mr Norman Seckold (via associated entities) increases will depend on the extent to which other shareholders participate in the Offer.

4.6 Effect of the Offer on Santana's financial position

The pro-forma unaudited statement of financial position as at 31 December 2013 shown in the table below has been prepared on the basis of the accounting policies normally adopted by the Company.

The unaudited pro-forma statement of financial position as at 31 December 2013 has been prepared on two bases:

- the Offer is subscribed to 50% (Pro-forma 1); and
- the Offer is fully subscribed (Pro-forma 2).

The unaudited pro-forma statement of financial position as at 31 December 2013 has been prepared to provide investors with information on the assets and liabilities of the Company as noted in the table below. The historical and pro forma statements of financial position are presented in an abbreviated form, insofar as they do not include all of the disclosures and notes required by Australian Accounting Standards applicable to annual financial statements.

SANTANA MINERALS LIMITED AND ITS CONTROLLED ENTITIES

Pro-forma Unaudited Statement of Financial Position As at 31 December 2013

| | NOTES | ACTUAL \$ | PRO-FORMA 1 (If 50% subscribed) \$ | PRO-FORMA 2 (If fully subscribed) \$ |
|---|-------|-------------------|---|---|
| ASSETS | | | | |
| Current Assets | | | | |
| Cash and cash equivalents | 1 | 2,546,561 | 3,489,061 | 4,466,561 |
| Trade and other receivables | | 18,195 | 18,195 | 18,195 |
| Prepayments | | 21,586 | 21,586 | 21,586 |
| Total Current Assets | | 2,586,342 | 3,528,842 | 4,506,342 |
| Non-Current Assets | | | | |
| Trade and other receivables | | 412,998 | 412,998 | 412,998 |
| Property, plant and equipment | | 307,812 | 307,812 | 307,812 |
| Investments | 2 | 4,080,000 | 4,080,000 | 4,080,000 |
| Exploration and evaluation expenditure | | 11,704,490 | 11,704,490 | 11,704,490 |
| Total Non-Current Assets | | 16,505,300 | 16,505,300 | 16,505,300 |
| Total Assets | | 19,091,642 | 20,034,142 | 21,011,642 |
| LIABILITIES | | | | |
| Current Liabilities | | | | |
| Trade and other payables | | 448,933 | 448,933 | 448,933 |
| Employee entitlements | | 3,294 | 3,294 | 3,294 |
| Total Current Liabilities | | 452,227 | 452,227 | 452,227 |
| Non-Current Liabilities | | | | |
| Deferred tax liability | | 312,000 | 312,000 | 312,000 |
| Total Non-Current Liabilities | | 312,000 | 312,000 | 312,000 |
| Total Liabilities | | 764,227 | 764,227 | 764,227 |
| Net Assets | | 18,327,415 | 19,269,915 | 20,247,415 |
| EQUITY | | | | |
| Share capital | | 20,010,005 | 20,952,505 | 21,930,005 |
| Reserves | | 1,420,542 | 1,420,542 | 1,420,542 |
| Accumulated losses | | (3,103,132) | (3,103,132) | (3,103,132) |
| Total Equity | | 18,327,415 | 19,269,915 | 20,247,415 |

1. As at 31 December 2013 the consolidated entity had approximately \$2,546,000 in cash and cash equivalents. The consolidated entity currently has no source of operating cash inflows, other than interest income, and has incurred net cash outflows since 31 December 2013. As a result, as at 30 June 2014, the consolidated entity's cash and cash equivalents had reduced to approximately \$1,180,000.

Pro-forma 1 and Pro-forma 2 balances have been determined based on 31 December 2013 cash and cash equivalent balances. If these pro-forma balances were reflected using 30 June 2014 cash and cash equivalent balances the pro-forma positions would be as follows: Pro-forma 1 \$2,122,500, as opposed to \$3,489,061; and Pro-form 2 \$3,100,000, as opposed to \$4,466,561.

2. All of the consolidated entity's equity investments are listed securities on the Australian Securities Exchange reflected at fair value. As at 31 December 2013 the fair value of those investments was approximately \$4,080,000. The fair value of those investments had reduced to approximately \$2,040,000 as at 30 June 2014.

Pro-forma 1 and Pro-forma 2 balances have been determined based on 31 December 2013 fair values. If these pro-forma balances were reflected using 30 June 2014 fair values the pro-forma positions for investments would be as follows: Pro-forma 1 \$2,040,000, as opposed to \$4,080,000; and Pro-form 2 \$2,040,000, as opposed to \$4,080,000.

If all Shareholders do not take up their Entitlements, the following could occur:

- (a) the Directors may place any Shortfall either with Shareholders that apply for Additional New Shares in excess of their Entitlement or with other investors;
- (b) it is possible that some Shareholders or other investors may acquire Additional New Shares by taking up part of the Shortfall. This may result in a person or a Shareholder:
 - being issued New Shares in excess of their Entitlement; and
 - increasing their proportional interest in the Company.

The effect that placement of any Shortfall may have on control will depend entirely on the demand for any Rights and the demand for any Shortfall.

For full financial statements refer to the Financial Report for the half year ended 31 December 2013 (available on the company's website www.santanaminerals.com or the via the company announcements section of the ASX website www.asx.com.au - company code SMI).

SECTION 5 – RIGHTS ATTACHING TO SHARES & NEW OPTIONS

Rights Attaching to Shares

There is only one class of Share in the Company, fully paid ordinary shares.

The rights attaching to Shares in the Company are:

- set out in the constitution of the Company, a copy of which is available to inspect during business hours at the Registered Office of the Company; and
- in certain circumstances, regulated by the Corporations Act, the Listing Rules, the ASTC Settlement Rules and the general law.

The following is a summary of the principal rights of the holders of Shares in the Company.

Voting

Every holder of Shares present in person or by proxy, attorney or representative at a meeting of Shareholders has one vote on a vote taken by a show of hands, and, on a poll every holder of Shares who is present in person or by proxy, attorney or representative has one vote for every fully paid Share held by him or her, and a proportionate vote for every partly paid Share, registered in such Shareholder's name on the Company's Share Register.

A poll may be demanded by:

- (a) the chairperson of the meeting;
- (b) by any 5 Shareholders present in person or by proxy, attorney or representative; or
- (c) by any one or more Shareholders who are together entitled to not less than 5% of the total voting rights of, or paid up value of the Shares of all those Shareholders having the right to vote at that meeting.

Dividends

Dividends are payable out of the Company's profits and are declared or determined to be payable by the Directors. Dividends declared will be payable on the Shares in proportion to the amount for the time being paid or credited as paid in respect of each Share.

Transfer of Shares

A Shareholder may transfer Shares by a market transfer in accordance with any computerised or electronic system established or recognised by ASX or the Corporations Act for the purpose of facilitating transfers in Shares or by an instrument in writing in a form approved by ASX or in any other usual form or in any form approved by the Directors.

The Directors of the Company may refuse to register any transfer of Shares unless a proper instrument of transfer is delivered to the Company, other than a proper ASTC transfer .

Meetings and notice

Each Shareholder is entitled to receive notice of and to attend general meetings of the Company and to receive all notices, accounts and other documents required to be sent to Shareholders under the constitution of the Company, the Corporations Act or the Listing Rules.

Rights on winding up

Subject to any restricted securities, if the Company is wound up the liquidator may, with the sanction of a special resolution, divide among the Members in kind the whole or any part of the property of the Company, and may for that purpose set such value as the liquidator considers fair upon any property to be so divided, and determine how the division is to be carried out as between the Members or different classes of Members.

Alteration of constitution

The constitution of the Company can only be amended by a special resolution passed by at least three quarters of Shareholders present and voting at the general meeting.

Future increases in capital

The allotment or issue of any Shares of the Company is under the control of the Directors who may, subject to the Corporations Act and the Listing Rules, allot or otherwise dispose of them on such conditions as they see fit.

Variation of rights

The rights and privileges attaching to Shares can be altered by special resolution of the Shareholders. A special resolution is a resolution passed by a majority of not less than 75% of those present and voting.

Rights Attaching to New Options

The rights attaching to the New Options are as follows:

1. Each New Option entitles the holder to subscribe for one Share.
2. The New Options will expire at 5pm (Brisbane time) on the earlier of the day that is: a) 18 months from the date of issue; or b) 60 days from Santana issuing a Notice to the New Option holders (the **Expiry Date**).

A Notice can be provided at any time, provided:

- Shares are not issued pursuant to the exercise of New Options earlier than six (6) months from the date of issue of the New Options; and
 - The Santana Shares have a daily VWAP of 12 cents or greater on any 15 business days (not necessarily consecutively).
3. Each New Option is exercisable at an exercise price of \$0.08 per Share at any time before the Expiry Date.
 4. Any New Option which has not been exercised before the Expiry Date automatically lapses.
 5. Some or all of the New Options may be exercised at any one time or times prior to the Expiry Date provided that if the number of New Options held is less than 50,000 then all the New Options must be exercised at one time and if more than 50,000 New Options are held they must be exercised in parcels of at least 50,000.
 6. New Options will be fully transferable in accordance with the constitution of the Company.
 7. No certificates will be issued for the New Options, but holding statements will be issued to holders for New Options issued.
 8. Shares issued pursuant to the exercise of any New Option will rank in all respects on equal terms with the Existing Shares.
 9. Shares issued pursuant to the exercise of a New Option will be issued on a date which will not be more than 10 business days after the receipt of a properly executed notice of exercise of option and the application moneys in respect of the exercise of the New Option.
 10. Application will be made by the Company to the ASX for permission for quotation to be granted in respect of Shares issued upon exercise of any of the New Options in the manner required by the Listing Rules.
 11. Holders can exercise New Options by completing and submitting a notice of exercise of options (set out on the holding statement for the New Options or, if none, such form as the Directors may accept) to the Company's Registry together with the required exercise price.
 12. A New Option will not entitle the holder to participate in any new issue of Shares by the Company, unless the New Option has been duly exercised prior to the relevant record date.
 13. If there is a reconstruction or reorganisation (including consolidation, sub-division, reduction or return) of the capital of the Company, the rights of the holder will be changed to the extent necessary to comply with the applicable Listing Rules at the time of the restructure or reorganisation. Any changes to the terms of the New Options will not result in any benefit being conferred on the holder which is not conferred on the Shareholders of the Company.
 14. If there is a reorganization of the Company's Share capital, the exercise price of each New Option will be adjusted in accordance with the relevant provisions of the ASX Listing Rules.
 15. If there is a bonus issue to the holders of Shares, the number of Shares over which the New Options are exercisable will be adjusted in accordance with the relevant provisions of the ASX Listing Rules.

16. In the event of a winding up of the Company unexercised New Options will have no right to a distribution of surplus assets of the Company.
17. The Listing Rules prevail to the extent of any inconsistency with these terms.
18. The New Option terms are governed by the laws of Queensland Australia and the holder submits to the non-exclusive jurisdiction of Queensland Australia courts and courts of appeal from them.

SECTION 6 – INVESTMENT RISKS

6.1 General

An investment in the Company is subject to risk. The existence of risk means that the performance of the Company could be adversely affected.

The Directors have identified what they believe to be the major risks that may affect the Company. While the Company has endeavoured to disclose all material risks, you should be aware that the risks contained in this Section are not exhaustive. This Section should be treated as a general guide only.

Due to the existence of risk, it is recommended that before deciding whether or not to invest you:

- read the Prospectus in its entirety;
- consider the nature, probability and materiality of the risks described in this Section; and
- seek independent advice from an Australian financial services licensee, in light of your particular needs, objectives, financial circumstances and investment preferences.

While the Company may be able to minimise the impact of some risks through various risk management techniques, many of the risks we have identified in this section are beyond our control and as such cannot be eliminated or their impact minimised.

You may personally be able to manage the impact of risk by obtaining independent professional advice tailored to your own investment objectives, financial situation and particular needs. You should:

- consider carefully whether an investment in the New Shares and New Options is an appropriate investment for you;
- appreciate that the price of shares listed on ASX can fall as well as rise; and
- regard an investment in the New Shares and New Options as a speculative investment.

6.2 Exploration Risk

The successful exploration and development of mineral properties is speculative. There is no assurance that exploration of the Company's tenement portfolio will result in the discovery of a mineral deposit that can be economically mined.

The exploration costs of the Company are based on certain assumptions with respect to the method and timing of exploration. By their nature, these estimates and assumptions are subject to significant uncertainties and, accordingly, the actual costs may differ materially from these estimates and assumptions.

6.3 Resource Estimates

Resource estimates are expressions of judgement based on knowledge, experience and industry practice. Estimates which were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate.

As further information becomes available through additional fieldwork and analysis, the estimates are likely to change. This may result in alterations to development and mining plans which may, in turn, adversely affect the Company's operations.

6.4 Land Access

From time to time, the Company's tenements may be subject to claims or other access restrictions. In those circumstances, Santana may have to resolve access arrangements under the relevant regime prior to entering upon the land to carry out activities. Access arrangements may be subject to provision of monetary compensation, compensation for damage to land, restoration of the land.

There can be no guarantee that applications or access arrangements will be resolved in a timely fashion, in Santana's favour, or in manner which is commercially viable for Santana. The Managing Director closely monitors the potential effect of claims involving tenements in which the Company has or may have an interest.

6.5 Tenure

Interests in a project's tenements are governed by legislation and are evidenced by the granting of licenses or leases. Each license or lease is for a specific term and carries with it expenditure and reporting commitments, as well as other conditions requiring compliance.

In addition, an interest (or a right to earn an interest) in a project may be governed by agreements with parties which require compliance with certain conditions, commitments and obligations.

Consequently, the Company could lose title to or its interest in tenements or a project if these conditions, commitments and obligations are not met as and when they arise.

6.6 Sovereign and Political Risk

The Company has operations located in Mexico. As a result the Company is subject to political, economic and other uncertainties, including but not limited to changes in mining and exploration policies or the personnel administering them, nationalisation or expropriation of property, cancellation or modification of contractual rights, foreign exchange restrictions, currency fluctuation, royalty and tax increase and other risks arising out of foreign government sovereignty over the areas in which the Company's operations are conducted.

The Company's operations in Mexico may be affected by changing political conditions and changes to laws and mining policies. The effects of these factors cannot be accurately predicted and developments may impede the operation or development of a project and even render it uneconomic.

6.7 Development Risk

There is a risk that the Company will not be able to economically mine any mineral reserves discovered in its tenement portfolio in order to produce a satisfactory commercial return. There are significant risks associated with the development of an operating mine. Before the Company can build a mine, the Company will need to obtain various regulatory approvals and licences, including environmental licences. There is no guarantee that the Company will be able to obtain the required approvals and licences or that it will be able to comply with any conditions imposed on those approvals and licences in a cost effective manner.

There are also many operational and technical risks associated with developing and operating a mine. These risks may adversely impact the economic viability of any future mining activities.

6.8 Future Capital Needs

The Directors consider that the Company will have sufficient working capital for the Company's objectives stated in this Prospectus, following the close of the Offer if all the Shareholders take up their full Entitlements, or if Shareholders or other investors subscribe for all the Shortfall. However, the Company will require additional funding to progress its projects beyond the work programs identified in this Prospectus. There is no assurance that the Company will be able to access this funding on favourable terms or at all.

6.9 Environmental Risk

Mineral exploration and development carries some level of environmental risk. The Company may require statutory approval from relevant environmental authorities before it can undertake certain activities that may impact on the environment. Development of identified mineral resources will be dependent on the project meeting environmental guidelines and gaining the required approvals from government departments.

It is the Company's intention to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws.

6.10 Market Volatility

Share market conditions may affect listed securities regardless of the operating performance of a particular company. Market conditions are affected by many factors including investor confidence, general national and global economic outlook, changes in or outlook on interest rates, changes in or outlook on inflation, commodity prices and supply of capital.

The Shares of the Company may rise or fall in price depending on market conditions and investor attitude.

6.11 Commodity Prices and Exchange Rate Risk

The Company's Share price, future revenues and cash flows may be impacted by changes in the prices of minerals commodities. Commodity prices are influenced by physical and investment demand and may rise or fall. Fluctuations in commodity prices, specifically gold, silver, copper, lead and zinc, may influence individual projects in which the Company is involved.

The international prices of most commodities are denominated in United States dollars. Changes in the Australian/United States dollar exchange rate may impact the value of the Company and its Shares. Exchange rates are influenced by numerous macro economic factors beyond the Company's control.

6.12 Financial Performance

Santana is a mineral exploration company. The Company has no immediate source of revenue. The Company will not generate any revenue until such time as it is able to commercially mine any mineral deposit that the Company discovers or it enters into commercial agreements with other parties for the mining of those deposits.

Consequently, until Santana is able to realise value from its projects, Santana will incur ongoing operating losses.

6.13 Reliance on Key Personnel

As an exploration company, Santana is dependent on its senior management and key personnel for the day-to-day operations and strategic management of the Company. The value of the Shares and the operations of the Company could be adversely affected by the departure of any of these employees.

SECTION 7 – ADDITIONAL INFORMATION

7.1 Interests of Directors and Experts of the Company

Except as set out in this Prospectus no:

- Director or proposed Director; or
- promoter of the Company,

holds or held at any time in the last two years any interest in:

- the formation or promotion of Santana;
- property acquired or proposed to be acquired by Santana in connection with its formation or promotion of the Offer; or
- the Offer.

The table below shows the relevant interests of each Director (held directly and indirectly) in securities of Santana as at the date of this Prospectus:

| Director | No. of Existing Shares | No. of Unlisted Existing Options |
|--------------------|------------------------|----------------------------------|
| Norman A Seckold | 19,432,293 | Nil |
| Anthony J McDonald | 4,510,735 | 1,800,000 |
| Richard E Keevers | 301,067 | Nil |
| Joseph F Conway | Nil | Nil |

7.2 Payments or benefits to Directors and Promoters

Except as set out in this Prospectus, no one has paid or agreed to pay any amount or provided or agreed to provide any benefit to:

- any Director or proposed Director to induce them to become or to qualify as a Director; or
- a Director or proposed Director or promoter, for services provided by that person in connection with:
 - the formation or promotion of Santana; or
 - the Offer.

7.3 Interests of, and payment or benefits to advisers and experts

Except as set out in this Prospectus, no person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus holds or has at any time during the last two years held, any interest in:

- the formation or promotion of Santana;
- property acquired or proposed to be acquired by Santana in connection with its formation or promotion or in connection with the Offer; or
- the Offer.

Except as set out in this Prospectus, no person has paid or agreed to pay any amount or provided or agreed to provide any benefit to a person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus for services provided by such person in connection with:

- the formation or promotion of the Company; or
- the Offer.

GRT Lawyers

GRT Lawyers will receive approximately \$25,000 (excluding GST and disbursements) from the Company for the provision of legal services to the Company in relation to the Offer.

7.4 Costs of the Offer

The total expenses of the Offer are estimated to be approximately \$35,000, including (without limitation) ASIC fees, Registry fees, legal costs, ASX Fees and printing and other administrative expenses.

7.5 Consents

The following parties have given their written consent and each have not withdrawn that consent before the date of this Prospectus:

- to be named in this Prospectus in the form and context in which they appear; and
- to the inclusion in this Prospectus of the statements and reports attributed to them, in the form and context in which they appear;

GRT Lawyers has consented to being named in this Prospectus as Solicitors to the Company.

Link Market Services Limited has consented to being named in this Prospectus as Registry to the Company.

7.6 Liability of Persons Named in this Prospectus

For the purposes of the Corporations Act, and notwithstanding that reference may be made to parties listed elsewhere in this Prospectus, each person named in Section 7.5:

- has not authorised or caused the issue of this Prospectus;
- does not make, or purport to make, any statement in this Prospectus (except any statement specified in Section 7.5); and
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus, (other than any statement specified in Section 7.5),

other than consenting to the inclusion of information as detailed in Section 7.5.

7.7 Brokerage & handling fees

No brokerage or stamp duty will be payable by Applicants subscribing for New Shares.

7.8 Electronic Prospectus

An electronic version of this Prospectus is available from Santana at the internet address www.santanaminerals.com. If you download an electronic version, make sure that you have received both a complete Prospectus and Entitlement and Acceptance Form.

Santana will not accept a completed Entitlement and Acceptance Form if it has reason to believe that the Applicant has not received a complete paper copy or electronic copy of the Prospectus or if it has reason to believe that the Entitlement and Acceptance Form or electronic copy of the Prospectus has been altered or tampered with in any way.

Santana has taken reasonable steps to ensure that the electronic version of the Prospectus will not be tampered with or altered in any way and believes it to be extremely unlikely that this will occur during the period of the Offer, however, Santana cannot give any absolute assurance that this will not occur. Any Applicant or investor in doubt concerning the validity or integrity of an electronic copy of the Prospectus ought to immediately request a paper copy of the Prospectus (free of charge) directly from the Company on (07) 3221 7501.

7.9 Authority Of Directors

This Prospectus is issued by the Company and in accordance with Section 720 of the Corporations Act, each Director has consented and has not withdrawn that consent to the lodgement of this Prospectus with ASIC.

Dated the 14th day of August 2014.



**Signed for and on behalf of
SANTANA MINERALS LIMITED**
By Anthony John McDonald

SECTION 8 – DEFINITIONS

Additional New Shares means New Shares a Shareholder may apply for in excess of their Entitlement.

AEST means Australian Eastern Standard Time, Brisbane, Queensland, Australia.

Applicant means a person who submits an Application.

Application means a validly completed Acceptance Form to subscribe for New Shares.

Application Monies means monies paid by Eligible Shareholders in respect of New Shares applied for.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited ACN 008 624 691, and where the context permits, the Australian Securities Exchange operated by ASX Limited.

Board means the board of Directors unless the context indicates otherwise.

Business Day means a day other than a Saturday or Sunday on which banks are open for business in Brisbane, Queensland, Australia.

CHES means ASX Clearing House Electronic Subregistry System.

Closing Date means the date on which the Offer closes, being 5.00pm on Thursday 11 September 2014.

Company or Santana means Santana Minerals ACN 161 946 989.

Corporations Act means the *Corporations Act 2001 (Cth)* of Australia.

Directors mean the directors of the Company from time to time.

Dollars or \$ means Australian dollars unless otherwise stated.

Eligible Shareholder means all Shareholders holding Shares other than Non-Eligible Foreign Shareholders, as at the Record Date.

Entitlement means the entitlement of a Shareholder who is eligible to participate in the Offer, determined as at the Record Date.

Entitlement and Acceptance Form means the entitlement and acceptance form enclosed with this Prospectus.

Existing Options means the options to acquire Shares in the Company that the Company has on issue as at the date of this Prospectus.

Existing Shares means Shares of the Company on issue as at the Record Date.

Listing Rules or ASX Listing Rules means the official Listing Rules of ASX.

New Share means a Share offered and issued under this Prospectus, the terms and conditions of which are set out at Section 5 of this Prospectus.

New Option means an Option offered and issued under this Prospectus, the terms and conditions of which are set out at Section 5 of this Prospectus.

Non-Eligible Foreign Shareholder means a Shareholder with an address in the Company register of Shareholders outside Australia or New Zealand unless the Company is satisfied that it is not precluded from lawfully issuing New Shares to that Shareholder either unconditionally or after compliance with conditions which the Board in its sole discretion regards as acceptable and not unduly onerous.

Offer means a pro-rata non-renounceable entitlement issue to Shareholders who are registered at 7.00pm (AEST) on the Record Date, of up to 48,862,900 Shares on the basis of 1 New Share for every 2 Existing Shares held by Shareholders on the Record Date.

Offer Period means the period commencing on the Opening Date and ending on the Closing Date.

Offer Price means \$0.04 per New Share.

Official List means the Official List of ASX.

Opening Date means the date on which the Offer opens, being Thursday 21 August 2014.

Prospectus means this Prospectus.

Quotation and Official Quotation means official quotation on ASX.

Record Date means 7.00pm on Wednesday 20 August 2014.

Registry means the Company's share registry, Link Market Services Limited.

Right or Rights means the right to subscribe for New Shares under this Offer.

Rights Issue means the entitlement to New Shares available for issue under this Prospectus.

Share means a fully paid ordinary share in the Company.

Share Register means the register of Shareholders maintained by the Registry.

Shareholder means a holder of Shares.

Shortfall means the number of New Shares comprising the difference between the New Shares the subject of this Offer, being 48,862,900 (assuming no Existing Options are exercised prior to the Record Date), and the number of New Shares for which Applications have been received and accepted by the Company by the Closing Date.



ABN 37 161 946 989

All Registry communications to:
Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia
Telephone: +61 1300 554 474
ASX Code: SMI

Website: www.linkmarketservices.com.au

SRN/HIN:

Entitlement Number:

Number of Eligible Shares held as
at the Record Date, 7:00pm (AEST)
on 20 August 2014:

Entitlement to New Shares
(on a 1 New Share for 2 basis):

Amount payable on full acceptance
at A\$0.04 per Share:

Offer Closes
5:00pm (AEST): 11 September 2014

ENTITLEMENT AND ACCEPTANCE FORM

As an Eligible Shareholder you are entitled to acquire 1 New Share for every 2 Existing Shares that you hold on the Record Date, at an Offer Price of A\$0.04 per New Share. You may also apply for Additional New Shares in excess of your Entitlement, at the Offer Price. For each 2 New Shares issued the holder there of will be entitled to 1 New Option at A\$0.08 per Share. This is an important document and requires your immediate attention. If you do not understand it or you are in doubt as how to deal with it, you should contact your accountant, stockbroker, solicitor or other professional adviser.

IMPORTANT: The Offer is being made under the Prospectus dated 14 August 2014. The Prospectus contains information about investing in the New Shares. Before applying for New Shares, you should carefully read the Prospectus. This Entitlement and Acceptance Form should be read in conjunction with the Prospectus.

If you do not have a paper copy of the Prospectus, you can obtain a paper copy at no charge, by calling the Santana Minerals Limited on 07 3221 7501 (within Australia) or +61 7 3221 7501 (from outside Australia).

PAYMENT OPTIONS

If you wish to take up all or part of your Entitlement (as shown above), or take up all of your Entitlement and apply for additional New Shares, you have two payment options detailed below.

OPTION 1: PAYING BY BPAY®

If paying by BPAY®, refer to the instructions overleaf. **You do NOT need to return the acceptance slip below if you elect to make payment by BPAY®.** Payment must be received via BPAY® before 5:00pm (AEST) on 11 September 2014. You should check the processing cut off-time for BPAY® transactions with your bank, credit union or building society to ensure your payment will be received by the Registry in time. By paying by BPAY® you will be deemed to have completed an Application Form for the number of Shares subject of your application payment.

OPTION 2: PAYING BY CHEQUE, BANK DRAFT OR MONEY ORDER

If paying by cheque, bank draft or money order, complete and return the acceptance slip below with your Application Monies. No signature is required on the acceptance slip. The acceptance slip with your Application Monies must be received by the Registry before 5:00pm (AEST) on 11 September 2014.



Biller Code: [XXXXXXX]
Ref:

Telephone & Internet Banking – BPAY®

Contact your bank or financial institution to make this payment from your cheque, savings, debit or transaction account. More info: www.bpay.com.au

© Registered to BPAY Pty Ltd ABN 69 079 137 518

See overleaf for details and further instructions on how to complete and lodge this Entitlement and Acceptance Form.

THIS IS A PERSONALISED FORM FOR THE SOLE USE OF THE SHAREHOLDER AND HOLDING RECORDED ABOVE.

Please detach and enclose with payment



SRN/HIN:

Entitlement Number:

| | | |
|---|--|--|
| A Number of New Shares accepted (being not more than your Entitlement shown above) | B Number of additional New Shares | C Total number of New Shares accepted (add Boxes A and B) |
| <input type="text"/> | + <input type="text"/> | = <input type="text"/> |

D PLEASE INSERT CHEQUE, BANK DRAFT OR MONEY ORDER DETAILS – Cheques, bank drafts or money orders must be drawn on an Australian branch of a financial institution in Australian currency, made payable to “Santana Minerals Limited Share Offer” and crossed “Not Negotiable”.

| | | | | |
|----------------------|----------------------|----------------------|----------------------|--------------------------|
| Drawer | Cheque Number | BSB Number | Account Number | Amount of Cheque |
| <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> | A\$ <input type="text"/> |

| | | |
|---|--------------------------------|----------------------|
| E CONTACT DETAILS – Telephone Number | Telephone Number – After Hours | Contact Name |
| <input type="text"/> | <input type="text"/> | <input type="text"/> |

SANTANA MINERALS LIMITED

The Entitlement Offer to which this Entitlement and Acceptance Form relates is not being made to investors located or resident outside of Australia and New Zealand. In particular the Entitlement Offer is not being made to any person in the U.S. or to a U.S. person. The Prospectus and Entitlement and Acceptance Form do not constitute an offer or invitation to acquire Shares in any place in which, or to any person to whom, it would be unlawful to make such an offer or invitation.

ACCEPTANCE OF ENTITLEMENT OFFER

By either returning the Entitlement and Acceptance Form with payment to the Registry, or making payment received by BPAY®:

- you represent and warrant that you have read and understood the Prospectus and that you acknowledge the matters, and make the warranties and representations;
- you provide authorisation to be registered as the holder of New Shares and New Options acquired by you and agree to be bound by the Constitution of Santana Minerals Limited.

HOW TO APPLY FOR NEW SHARES

1. IF PAYING BY BPAY® (AVAILABLE TO SHAREHOLDERS WITH AN AUSTRALIAN BANK ACCOUNT ONLY)

If you elect to make payment using BPAY® you must contact your bank or financial institution to make this payment from your cheque, savings, debit or transaction account. For more information on paying by BPAY®: www.bpay.com.au

Work out the total amount payable by you. To calculate the total amount, multiply the number of New Shares you wish to apply for by A\$0.04.

Refer overleaf for the Biller Code and Reference Number. The Reference Number is used to identify your holding. If you have multiple holdings you will have multiple Reference Numbers. You must use the Reference Number shown on each personalised Entitlement and Acceptance Form when paying for any New Shares that you wish to apply for in respect of that holding.

If paying by BPAY® you do not need to complete or return the Entitlement and Acceptance Form.

2. IF PAYING BY CHEQUE, BANK DRAFT OR MONEY ORDER

Complete all relevant sections of the Entitlement and Acceptance Form USING BLOCK LETTERS. These instructions are cross referenced to each section of the Entitlement and Acceptance Form.

A. Acceptance of New Shares

Enter into section A the number of New Shares you wish to apply for. The number of New Shares must be equal to or less than your Entitlement, which is set out overleaf.

B. Application for Additional New Shares

You can apply for more New Shares than your Entitlement. Please enter the number of **additional** New Shares above your Entitlement for which you wish to apply into Box B. Your Application for additional New Shares may not be successful (wholly or partially). The decision of Santana Minerals Limited on the number of New Shares to be allocated to you will be final. No interest will be paid on any Application Monies received or returned.

C. Total Number of New Shares Subscribed for

To calculate total number of New Shares subscribed for, add Box A and Box B and enter this in Box C.

D. Cheque, bank draft or money order details

Enter your cheque, bank draft or money order details in section D. Cheques, bank drafts or money orders must be drawn on an Australian branch of a financial institution in Australian currency, made payable to "Santana Minerals Limited Share Offer" and crossed "Not Negotiable". Please ensure sufficient cleared funds are held in your account, as your cheque will be banked as soon as it is received. If you provide a cheque or money order for the incorrect amount, Santana Minerals Limited may treat you as applying for as many New Shares and Additional New Shares as your cheque, bank draft or money order will pay for.

E. Contact details

Enter your contact telephone number where we may contact you regarding your acceptance of New Shares, if necessary.

3. HOW TO LODGE YOUR ENTITLEMENT AND ACCEPTANCE FORM

A reply paid envelope is enclosed for your use. No postage stamp is required if it is posted in Australia. Alternatively, if you have lost the reply paid envelope, or you have obtained the Prospectus electronically, your completed Entitlement and Acceptance Form with the payment for New Shares may be mailed to the postal address, or delivered by hand to the delivery address, set out below. **If paying by BPAY® you do not need to complete or return the Entitlement and Acceptance Form.** You should check the processing cut-off time for BPAY® transactions with your bank, credit union or building society to ensure your payment will be received by the Registry by the close of the offer.

Mailing Address

Santana Minerals Limited
C/- Link Market Services Limited
Locked Bag 3415
Brisbane QLD 4001

Hand Delivery

Santana Minerals Limited
C/- Link Market Services Limited
1A Homebush Bay Drive
Rhodes NSW 2138 **(Please do not use this address for mailing purposes)**

Make sure you send your Acceptance Slip and application payment allowing enough time for mail delivery, so Link Market Services Limited receives them no later than 5:00pm (AEST) on 11 September 2014. Please ensure sufficient cleared funds are held in your account, as your cheque will be banked as soon as it is received. Santana Minerals Limited reserves the right not to process any Acceptance Slips and cheques received after the Closing Date.

If you require further information on how to complete this Entitlement and Acceptance Form, please contact the Santana Minerals Limited on 07 3221 7501 (within Australia) or +61 7 3221 7501 (from outside Australia) between 9:00am and 5:00pm (AEST) Monday to Friday.