



SHAW RIVER MANGANESE LIMITED
ACN 121 511 886

NOTICE OF GENERAL MEETING

A General Meeting of the Company will be held at the offices of BDO (WA) Pty Ltd, 38 Station Street, Subiaco, WA 6008, Australia on 14 November 2014 at 10am (WST)

This Notice should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser.

Should you wish to discuss any matter please do not hesitate to contact the Company Secretary by telephone on (08) 9226 4455

SHAW RIVER MANGANESE LIMITED

ACN 121 511 886

NOTICE OF GENERAL MEETING

Notice is hereby given that a general meeting of the shareholders of Shaw River Manganese Limited ACN 121 511 886 (**Company**) will be held at the offices of BDO (WA) Pty Ltd, 38 Station Street, Subiaco, WA 6008, Australia on 14 November 2014 at 10am (WST) (**Meeting**).

The Explanatory Memorandum provides additional information on matters to be considered at the Meeting. The Explanatory Memorandum and the Proxy Form form part of this Notice.

The Directors have determined pursuant to regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Meeting are those who are registered as Shareholders on 12 November 2014 at 5:00pm (WST).

Terms and abbreviations used in this Notice and the Explanatory Memorandum are defined in Schedule 1.

AGENDA

1. Resolution 1 – Approval of the Grant and Exercise of the Option

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

"That pursuant to and in accordance with item 7 of section 611 of the Corporations Act and for all other purposes, Shareholders approve the grant and exercise of the Option by Bryve (or its nominee) in accordance with the terms and conditions of the Share Sale Agreement and otherwise on the terms and conditions in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast on this Resolution by AGO and Bryve (and any of their associates) and any person who might obtain a benefit (except a benefit solely in their capacity as holders of ordinary securities) if the Resolution is passed, or an associate of that person.

However, the Company will not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- (b) it is cast by the Chairperson as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

2. Resolution 2 – Approval of the Issue of the Conversion Shares

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

"That pursuant to and in accordance with section 208 of the Corporations Act, item 7 of section 611 of the Corporations Act and for all other purposes, Shareholders approve the issue of the Conversion Shares to Bryve (or its nominees) in accordance with the terms and conditions of the Bryve Facility Agreement and otherwise on the terms and conditions in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast on this Resolution by Bryve (and any of its associates) and any person who might obtain a benefit (except a benefit solely in their capacity as holders of ordinary securities) if the Resolution is passed, or an associate of that person.

However, the Company will not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- (b) it is cast by the Chairperson as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

3. Resolution 3 – Approval of the Issue of the Interest Shares

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

"That pursuant to and in accordance with section 208 of the Corporations Act and item 7 of section 611 of the Corporations Act and for all other purposes, Shareholders approve the issue of the Interest Shares to Bryve (or its nominees) in accordance with the terms and conditions of the Bryve Facility Agreement and otherwise on the terms and conditions in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast on this Resolution by Bryve (and any of its associates) and any person who might obtain a benefit (except a benefit solely in their capacity as holders of ordinary securities) if the Resolution is passed, or an associate of that person.

However, the Company will not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- (b) it is cast by the Chairperson as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

4. Resolution 4 – Issue of Performance Rights to Mr Peter Cunningham

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

"That for the purposes of Listing Rule 10.11 and for all other purposes, Shareholders approve the issue of up to 30,000,000 Performance Rights to Mr Peter Cunningham (and/or his nominee) on the terms and conditions in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast on this resolution by Mr Cunningham and any of his associates.

However, the Company will not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- (b) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

In accordance with section 250BD of the Corporations Act, a vote on this Resolution must not be cast by a person appointed as a proxy, where that person is either a member of the Key Management Personnel or a Closely Related Party of such member.

However, a vote may be cast by such person if the vote is not cast on behalf of a person who is excluded from voting on this Resolution, and:

- (a) the person is appointed as proxy by writing that specifies the way the proxy is to vote on the Resolution; or
- (b) the person is the Chairman and the appointment of the Chairman as proxy does not specify the way the proxy is to vote on this Resolution, but expressly authorises the Chairman to exercise the proxy even if this Resolution is connected with the remuneration of a member of the Key Management Personnel.

5. Resolution 5 – Issue of the Director Options to Mr Peter Cunningham

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

"That for the purposes of Listing Rule 10.11 and for all other purposes, Shareholders approve the issue of up to 10,000,000 Director Options to Mr Peter Cunningham (and/or his nominee) on the terms and conditions in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast on this resolution by Mr Cunningham and any of his associates.

However, the Company will not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- (b) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

In accordance with section 250BD of the Corporations Act, a vote on this Resolution must not be cast by a person appointed as a proxy, where that person is either a member of the Key Management Personnel or a Closely Related Party of such member.

A vote may be cast by such person if the vote is not cast on behalf of a person who is excluded from voting on this Resolution, and:

- (a) the person is appointed as proxy by writing that specifies the way the proxy is to vote on the Resolution; or
- (b) the person is the Chairman and the appointment of the Chairman as proxy does not specify the way the proxy is to vote on this Resolution, but expressly authorises the Chairman to exercise the proxy even if this Resolution is connected with the remuneration of a member of the Key Management Personnel.

Dated 13 October 2014

BY ORDER OF THE BOARD

Pierre Malherbe
Company Secretary

SHAW RIVER MANGANESE LIMITED

EXPLANATORY MEMORANDUM

1. Introduction

This Explanatory Memorandum has been prepared for the information of the Shareholders in connection with the business to be conducted at the Meeting to be held at the offices of BDO (WA) Pty Ltd, 38 Station Street, Subiaco, WA 6008, Australia on 14 November 2014 at 10am (WST).

This Explanatory Memorandum should be read in conjunction with and forms part of the Notice. The purpose of this Explanatory Memorandum is to provide information to Shareholders in deciding whether or not to pass the Resolutions.

This Explanatory Memorandum includes the following information to assist Shareholders in deciding how to vote on the Resolutions:

Section 2	Action to be taken by Shareholders
Section 3	Transaction Summary
Section 3	Overview of the Share Sale Agreement
Section 5	Overview of Bryve Facility Agreement
Section 6	Overview of Bryve
Section 7	Resolution 1 – Approval of the Grant and Exercise of the Option
Section 8	Resolution 2 – Approval of the Conversion Shares
Section 9	Resolution 3 – Approval to issue the Interest Shares
Section 10	Resolution 4 – Issue of Performance Rights to Mr Peter Cunningham
Section 11	Resolution 5 – Issue of the Director Options to Mr Peter Cunningham
Schedule 1	Definitions
Schedule 2	Summary of terms Bryve Facility Agreement
Schedule 3	Independent Expert's Report
Schedule 4	Principal terms of the Performance Rights
Schedule 5	Principal terms of the Director Options

A Proxy Form is located at the end of the Explanatory Memorandum.

1.1 ASIC and ASX involvement

A copy of the Notice and this Explanatory Memorandum have been lodged on 13 October 2014 with ASIC pursuant to ASIC Regulatory Guide 74 and on 3 October 2014 with ASX pursuant to the Listing Rules. Neither ASIC, ASX nor any of their officers take any responsibility for the contents of the Notice and Explanatory Memorandum.

1.2 Forward looking statements

Certain statements in this Explanatory Memorandum relate to the future. These statements reflect views only as of the date of this Explanatory Memorandum. While the Company believes that the expectations reflected in the forward looking statements are reasonable, neither the Company nor any other person gives any representation, assurance or guarantee that the occurrence of an event expressed or implied in any forward looking statements in this Explanatory Memorandum will actually occur.

2. Action to be taken by Shareholders

Shareholders should read the Notice and this Explanatory Memorandum carefully before deciding how to vote on the Resolutions.

A Proxy Form is attached to the Notice. This is to be used by Shareholders if they wish to appoint a representative (a "proxy") to vote in their place. All Shareholders are invited and encouraged to attend the Meeting or, if they are unable to attend in person, sign and return the Proxy Form to the Company in accordance with the instructions thereon. Lodgement of a Proxy Form will not preclude a Shareholder from attending and voting at the Meeting in person.

3. Transaction Summary

On 13 August 2014 the Company announced that:

- (a) Atlas Iron Limited (**AGO**) and Bryve had entered into a share sale agreement (**Share Sale Agreement**). See Section 4 for further details;
- (b) the Company and Bryve had entered into a secured facility agreement, pursuant to which Bryve agreed to make funds in an amount up to \$8,000,000 (**Funds**) available to the Company (**Bryve Facility Agreement**). See Section 5 for further details; and
- (c) the Company and AGO had entered into a deed of amendment, amending the terms of the Atlas Facility Agreement (**Deed of Amendment**).

On the same date the Company also entered into a deed poll pursuant to which the Company undertook to convene the Meeting and appoint Mr Peter Cunningham as Managing Director of the Company (**Deed Poll**).

Prior to entering into the Bryve Facility Agreement, the Company conducted a thorough process to evaluate funding options available and believe the Facility Agreement is the best possible outcome for Shareholders.

In the past 12 months the Company has successfully consolidated 100% ownership of the Otjozondou Project and continued to seek out capital alternatives to bring the Otjozondou Project to production as efficiently as possible. It has resolved a number of issues to ensure that the Otjozondou Project is now free of all encumbrances. The Otjozondou Project has a clear operating strategy to realise its full potential and following a thorough review process, a suitable cornerstone investor (Bryve) has been secured to fund the development of the Otjozondou Project.

Once available, the new funding will provide working capital to enable the Company to rapidly progress the development of the Otjozondou Project and bring it into production

as quickly as possible. Up to 40% of the free cash flow generated from the Otjozondou Project will be used to repay the Company's debt.

The Otjozondou Project presents logistical challenges to the Company and Bryve intends to bring its experience, together with additional funding for drilling, development and metallurgical test work, to move the Otjozondou Project closer to production. The Company has also agreed to work with Bryve to consider the utilisation of Bryve's expertise in mining and haulage equipment and services for the Otjozondou Project.

4. Overview of Share Sale Agreement

4.1 General

Pursuant to the Share Sale Agreement, AGO agreed:

- (a) to transfer 87,500,000 Shares to Bryve, representing 9.69% of the Company's issued share capital (**Sale Shares**); and
- (b) subject to prior Shareholder approval, to grant Bryve a 6 month option to acquire 395,308,183 Shares representing a further 43.76% of the Company's issued share capital (**Option**).

The Sale Shares were transferred to Bryve on 13 August 2014.

4.2 Conditions precedent

The grant and exercise of the Option by Bryve are both subject to Shareholder approval.

If Shareholder approval is obtained in respect of the Option and Bryve delivers an Option exercise notice to AGO, the completion of the transfer of the underlying Shares is also subject to approval being obtained under the *Competition Act, 2003 (Namibia)* (**Competition Act Condition**). Such approval relates to the indirect change of control of Otjozondou Holdings (Pty) Ltd (**OH**) and Otjozondou Mining (Pty) Ltd (**OM**), being Namibian subsidiaries of the Company. If the Competition Act Condition becomes incapable of being satisfied within 6 months after the Option is exercised or such other date as may be agreed, AGO or Bryve may terminate the Share Sale Agreement.

4.3 Terms of Option

The key terms of the Option are as follows:

- (a) at any time during the 6 month period commencing on 13 August 2014 (**Option Exercise Period**) Bryve has the right to exercise the Option by providing an Option exercise notice to AGO in relation to all (but not some) of the underlying Shares to the Option; and
- (b) the purchase price is \$0.0035 per Share.

4.4 Effect of the exercise of the Option

If the Option is exercised by Bryve and the Competition Act Condition is satisfied, it will result in Bryve acquiring an additional 395,308,183 Shares in the Company. Assuming that no other Shares are issued by the Company, this will result in Bryve's shareholding increasing to 53.67% of the Company's total issued capital.

5. Overview of Bryve Facility Agreement

5.1 General

Pursuant to the terms of the Bryve Facility Agreement the Funds are to be provided in two separate tranches:

- (c) **Facility 1:** an amount up to \$2,000,000, being a convertible loan facility; and
- (d) **Facility 2:** an amount up to \$6,000,000, being a contingent working capital facility.

Up to 40% of the free cash flow generated from the Otjozondou Manganese Project in Namibia (**Otjozondou Project**) will be used to repay Facility 1 and Facility 2, with the \$4,950,000 owed to AGO under the Atlas Facility Agreement to be repaid as a priority and ahead of any repayments of the Funds under the Bryve Facility Agreement.

Facility 1 and Facility 2 are both subject to a number of conditions precedent. The key terms and conditions of the Bryve Facility Agreement are contained in Schedule 2.

In relation to Facility 1, the Company must seek consent from Bryve to drawdown on funds above \$1,400,000, such consent to be given or refused in the absolute discretion of Bryve.

5.2 Conversion Shares

Subject to Shareholder approval and drawdown of Facility 1, Facility 1 (including interest), at the election of Bryve (the **Conversion Option**), is capable of being converted into Shares at a price of \$0.01 per Share (**Conversion Shares**).

The Pricing Formula is $S = FP \div CP$, where

- S** = the number of Conversion Shares to be issued to Bryve
- FP** = the relevant amount owing to Bryve under Facility 1 plus all interest accrued on such amount up to and including the date the Conversion Shares are issued to Bryve
- CP** = A\$0.01

5.3 Interest Shares

The Company may also, with the consent of Bryve, elect to satisfy any accrued interest in respect of Facility 2 by issuing Shares to Bryve (**Interest Shares**).

If Bryve consents to being issued the Interest Shares, the Company must issue to Bryve (or its nominee) the number of Shares equal in value to the interest due based on the volume weighted average price of Shares on the ASX over the 30 trading days immediately preceding the interest payment date.

5.4 Purpose of the Funds

The Funds will be used to enable the Company to undertake an in-fill drill programme, conduct further metallurgical test work and develop a bulk sample for jig test trials over the coming months for the 100% owned Otjozondou Project.

The Funds will provide working capital to enable the Company to rapidly progress the development of the Otjozondu Project.

5.5 Implications of the Conversion Shares and issue of the Interest Shares

If Resolution 2 is passed by Shareholders Bryve may elect to be issued the Conversion Shares.

Assuming that:

- (a) Bryve exercises the Option and acquires the additional 395,308,183 Shares from AGO under the Share Sale Agreement;
- (b) all of Facility 1 is drawn down by the Company; and
- (c) Bryve chooses to convert all of Facility 1 (including all interest accrued) to Shares,

the indicative capital structure of the Company could be as follows:

Shares on issue	Number / Amount
Total Shares currently on issue	903,315, 606 ¹
Number of Shares currently held by Bryve (and its associates)	89,472,500
Bryve's current voting power	9.90%
Number of Shares to be transferred to Bryve upon exercise of the Option	395,308,183
Bryve's voting power post exercise of the Option	53.67%
Number of Shares to be issued to Bryve upon issue of the Conversion Shares (and applicable interest)	329,902,344
Total Shares on issue post issue of Conversion Shares	1,233,217,950
Number of Shares held by Bryve (and its associates) post issue of Conversion Shares	814,683,027
Bryve's maximum voting power post issue of Conversion Shares	66.06%

These numbers assume no additional Shares are issued by the Company.

¹ This is the number of Shares on issues as at the date of this Notice

In the event that Bryve elects to exercise the Conversion Option, its exact shareholding in the Company will ultimately depend on:

- (a) whether Bryve exercises its rights under the Option;
- (b) the extent to which the Company has drawn down under Facility 1;
- (c) the amount of interest outstanding on the amount that is drawn down under Facility 1 at the time of conversion;
- (d) the number of Shares on issue at the time the Conversion Shares are issued; and
- (e) the number of Shares held by Bryve at the time the Conversion Shares are issued.

The impact of the issue of Interest Shares on the control of the Company is more difficult to demonstrate as the issue price of the Interest Shares is to be calculated in the future, based on the volume weighted average price (**VWAP**) of Shares on the ASX over the 30 trading days immediately preceding the interest payment date. Accordingly, the table below has been included, which shows 2 scenarios.

- (a) Scenario 1 – issue price of \$0.013, being the 30 day VWAP of Shares on ASX on the date that is prior to the date of the Notice.
- (b) Scenario 2 – issue price of \$0.0065, being a 50% discount to the 30 day VWAP of Shares on ASX on the date that is prior to the date of the Notice.

The table assumes that:

- (a) Bryve exercises the Option and acquires the additional 395,308,183 Shares from AGO under the Share Sale Agreement;
- (b) all of Facility 1 is drawn down by the Company;
- (c) Bryve chooses to convert all of Facility 1 to Shares;
- (d) all of Facility 2 is drawn down by the Company; and
- (e) Bryve consents to convert all accrued interest under Facility 2 into Shares,

the indicative capital structure of the Company could be as follows:

	Scenario 1	Scenario 2
Number of Shares held Bryve (and its associates)	1,024,985,166	1,324,759,804
Total number of Shares on issue	629,676,983	929,451,621
Bryve's maximum voting power	72.70%	77.16%

As the number of Shares to be acquired by Bryve, and therefore the voting power to be acquired by Bryve and its associates, cannot be conclusively calculated at this time given the variables described above, the table has been included to give an indication

of the voting power that Bryve may acquire based on the set of assumptions. In practice, these assumptions and the variables described above are likely to change, so the table above should be treated as an example only.

6. Overview of Bryve

6.1 Background

Bryve is a private company which is wholly owned by Mr Brent Stanton. Bryve was specifically established to make and manage resource based investments. The principal Brent Stanton has a long and successful history of business establishment and operation within the mining and resource sector specializing in the transport and logistics area.

Bryve is attracted to the Company as an investment opportunity and believes it can make a contribution to the Company's business particularly in the area of logistics. It anticipates the Company's assets are capable of being successfully developed within the current economic environment. Subject to Resolution 1 being passed, Bryve may exercise the Option to acquire a controlling interest in the Company's equity and, subject to the satisfaction of the drawdown conditions summarised in Schedule 1, including (in respect of Facility 2), satisfactory due diligence, Bryve intends to support the Company with loans to enable the Namibian Project to be brought into commercial production.

6.2 Key Management Personnel

The Key Management Personnel of Bryve is Brent Stanton (sole director) and Yvette Fernandez (company secretary). Short biographies of Mr Stanton and Ms Fernandez are set out below:

Brent Stanton

Mr Stanton, until recently, owned and operated two private companies that specialized in bulk haulage of manganese ore within the Pilbara region of Western Australia. He purchased one of the companies in 2006 and developed it from a small haulage company contracting to move 8% of Consolidated Minerals manganese ore to port at Port Hedland to managing 100% of their export material. The second company was established to better control issues involving contracts and asset management.

Prior to entering the Australian business Mr Stanton was contracting to the largest agricultural development in southern Africa at that time. The project in Zambia, was sponsored by the British Government and involved applying heavy earthmoving equipment and modern methods to successfully establish large scale agricultural enterprises. The contract ran for 4 years and at its conclusion Mr Stanton utilized that fleet, added haulage component and established a mine haulage and earth moving business in Zambia.

Yvette Fernandez

Ms Fernandez has worked within Mr Stanton's haulage businesses for over 8 years and as company secretary as well as finance director for Mr Stanton's companies. She is a member of the Institute of Public Accountants as well as a member of the Australian Institute of Company Directors

6.3 Associates

The associates of Bryve are Stanton (WA) Pty Ltd and Brent Stanton. Stanton (WA) Pty Ltd is the sole shareholder of Bryve. As noted above, Mr Stanton is the sole Director of Bryve.

6.4 Intentions of Bryve

Details of Bryve's intentions with respect to the Company is set out in Section 7.4(j).

7. Resolution 1 – Approval of Grant and Exercise of the Option

7.1 General

Resolution 1 seeks Shareholder approval pursuant to and in accordance with item 7 of section 611 of the Corporations Act to grant and exercise the Option, in accordance with the terms of the Share Sale Agreement and otherwise on the terms and conditions in this Explanatory Memorandum.

Resolution 1 is an ordinary resolution.

The Chairperson will cast all available proxies in favour of Resolution 1.

7.2 Independent Expert Report

In order to assist Shareholders to assess the Option and consider whether to vote in favour of Resolution 1, the Company appointed BDO Corporate Finance (WA) Pty Ltd (**Independent Expert**) as an independent expert and commissioned it to prepare a report (**Independent Expert's Report**) to provide an opinion as to whether or not the exercise of the Option is fair and reasonable to the existing Shareholders.

The Independent Expert's Report was prepared to satisfy the recommendations of the ASIC Regulatory Guide 74. Bryve will acquire a relevant interest in more than 20% in the Company if Resolution 1 is approved and the Option is exercised by Bryve.

The Independent Expert assessed the likely advantages to Shareholders if the proposal is approved and comparing them with the disadvantages to them if the proposal is not approved in order to determine whether the Option is reasonable.

The Independent Expert has concluded that the advantages of the grant and exercise of the Option outweigh the disadvantages.

The Directors recommend that you read the Independent Expert's Report in full, a copy of which is in Schedule 3.

7.3 Basis of the Independent Expert Report

In coming to this view, the Independent Expert considered the advantages and disadvantages of the grant and exercise of the Option, and other significant factors, which are set out in summary form only below.

The advantages identified by the Independent Expert are:

- The grant and exercise of the Option will result in AGO being replaced as the majority shareholder by Bryve. This is advantageous to Shareholders as AGO's core business is iron ore, which may currently be the focus of its operations and

future resources allocation. This sentiment is confirmed with AGO intending to sell shareholding and being no longer willing to invest in any future funds needed to continue the development of the Otjozondu Project.

- Bryve was only recently incorporated with its sole focus being the successful development of the Otjozondu Project. Bryve's commitment to the Otjozondu Project is evident with it entering into the Bryve Facility Agreement with the Company to provide the Company with a facility of up to \$8,000,000 to extinguish existing debt and to continue the development of the Otjozondu Project.
- Bryve's sole shareholder and director has experience and knowledge in transportation logistics, particularly mining and haulage equipment through previously owned and operated companies in Australia. This existing experience could benefit the Shareholders once the Otjozondu Project is in the development stage.

The disadvantage identified by the Independent Expert is that in addition to the granting and exercise of the Option, resulting in Bryve having an interest of 53.67% in the Company, Bryve may also increase its holding to 77.16% (based on certain assumptions) following the potential approval Resolutions 2 and 3 and the exercise of the Conversion Options and the election to issue the Interest Shares by the Company, with the consent of Bryve.

The Independent Expert's assessment of the grant to and exercise of the Option by Bryve is based on a number of assumptions.

Shareholders are strongly encouraged to read the Independent Expert's Report (a full copy of which is set out in Schedule 3).

7.4 Section 606 and section 611 item 7 of the Corporations Act

- (a) Section 606 of the Corporations Act prohibits a person acquiring a relevant interest in the issued voting shares of a company if, because of the acquisition, that person's or another person's voting power in the company increases from:
 - (i) 20% or below to more than 20%; or
 - (ii) a starting point that is above 20% and below 90%.
- (b) The voting power of a person in a company is determined by reference to section 610 of the Corporations Act. A person's voting power in a company is the total of the votes attaching to the shares in the company in which that person and that person's associates (within the meaning of the Corporations Act) have a relevant interest.
- (c) Under section 608 of the Corporations Act a person will have a relevant interest in shares if:
 - (i) the person is the registered holder of the shares;
 - (ii) the person has the power to exercise or control the exercise of votes or disposal of the shares; or
 - (iii) the person has over 20% of the voting power in a company that has a relevant interest in shares, then the person has a relevant interest in said shares.

- (d) For the purpose of determining who is an associate it is necessary to consider section 12 of the Corporations Act. Any reference in Chapters 6 to 6C of the Corporations Act to an associate is as that term is defined in section 12. The definition of 'associate' in section 12 is exclusive. If a person is an associate under section 11, 13 or 15 of the Corporations Act then it does not apply to chapters 6 to 6C. A person is only an associate for the purpose of chapter 6 to 6C if he is an associate under section 12.
- (e) Under section 12 of the Corporations Act, a person (**first person**) will be an associate of the other person (**second person**) if:
 - (i) the first person is a body corporate and the second person is:
 - (A) a body corporate the first person controls;
 - (B) a body corporate that controls the first person: or
 - (C) a body corporate that is controlled by an entity that controls the first person;
 - (ii) the second person has entered or proposes to enter into a relevant agreement with the first person for the purpose of controlling or influencing the composition of the board or the conduct of the affairs of the first person; and
 - (iii) the second person is a person with whom the first person is acting or proposes to act, in concert in relation to the affairs of the first person.
- (f) The Corporations Act defines 'control' and 'relevant agreement' very broadly as follows:
 - (i) under section 50AA of the Corporations Act "control" means the capacity to determine the outcome of decisions about the financial and operating policies of a company. In determining the capacity it is necessary to take into account the practical influence a person can exert and any practice or pattern of behaviour affecting the financial or operating policies of a company.
 - (ii) Under section 9 of the Corporations Act, "relevant agreement" means an agreement, arrangement or understanding:
 - (A) whether formal or informal or partly informal and partly informal;
 - (B) whether written or oral or partly written and partly oral; and
 - (C) whether or not having legal or equitable force and whether or not based on legal or equitable rights.
- (g) Associates are determined as a matter of fact. For example where a person controls or influences the board or the conduct of a company's business affairs, or acts in concert with a person in relation to the company's business affairs.
- (h) Section 611 of the Corporations Act has exceptions to the prohibition in section 606 of the Corporations Act. Item 7 of section 611 of the Corporations Act provides a mechanism by which shareholders of a company may approve

an issue of shares to a person which results in that person's or another person's voting power in the company increasing from:

- (i) 20% or below to more than 20%; or
 - (ii) a starting point that is above 20% and below 90%.
- (i) Assuming that no other Shares are issued by the Company, upon exercise of the Option, Bryve will hold 53.67% of the issued share capital of the Company.
 - (j) The Directors recommend that Shareholders vote in favour of Resolution 2.

7.5 Information required by item 7 of section 611 of the Corporations Act and ASIC Regulatory Guide 74

The information that Shareholders require under item 7 of section 611 of the Corporations Act and ASIC Regulatory Guide 74 is as follows:

- (a) **The identity of the person proposing to make the acquisition and their associates.**

The acquisition will be made by Bryve. Bryve's associates are Stanton (WA) Pty Ltd and Brent Stanton (**Bryve Associates**).

For further information on Bryve see Section 6.

- (b) **The maximum extent of the increase in that person's voting power in the company.**

If Resolution 1 is passed, the Competition Act Condition is satisfied and the Option is exercised, the maximum extent of the increase in Bryve's voting power is 43.77%.

- (c) **The voting power the person would have as a result of the acquisition.**

The exercise of the Option would result in Bryve's voting power in the Company increasing to 53.67%.

- (d) **The maximum extent of the increase in the voting power of each of the acquirer's associates that would result from the acquisition.**

The maximum extent of the increase in the Bryve Associates voting power will be equivalent to the increase in voting power of Bryve.

- (e) **The voting power that each of the acquirer's associates would have as a result of the acquisition.**

The voting power that the Bryve Associates would acquire will be equivalent to the voting power that Bryve would acquire.

- (f) **An explanation of the reasons for the proposed acquisition.**

AGO, a major shareholder of the Company agreed to sell its shareholding in the Company to Bryve in accordance with the terms and conditions of the Share Sale Agreement.

- (g) **When the proposed acquisition is to occur.**

If Resolution 1 is passed and the Option is exercised within the Option Exercise Period, the acquisition of 395,308,183 Shares from AGO will be completed following satisfaction of the Competition Act Condition.

(h) **The material terms of the proposed acquisition.**

See Section 3 for a summary of the terms of the Share Sale Agreement.

(i) **Details of any other relevant agreement between the acquirer and the target entity or vendor (or any of their associates) that is conditional on (or directly or indirectly depends on) members' approval of the proposed acquisition.**

N/A

(j) **A statement of the acquirer's intentions regarding the future of the target entity if members approve the acquisition and, in particular**

(i) **Any intention to change the business of the entity**

Bryve has advised the Company that Bryve has no current intention to make any significant change to the existing business of the Company.

(ii) **Any intention to inject further capital into the entity**

Bryve has advised the Company that it has no current intention to inject further capital into the Company other than under the terms of the Bryve Facility Agreement. The provision of funds under the Bryve Facility Agreement is subject to the satisfaction of the drawdown conditions summarised in Schedule 1, including, in respect of Facility 2, satisfactory due diligence.

(iii) **The future employment of present employees of the entity**

Bryve has advised the Company that it has no current intentions to vary the employment arrangements of the current employees of the Company. However, Bryve has noted to the Company that, if it acquires control of the Company, it intends to undertake a review of the Company group's operations, including in relation to its employees. It is possible that following this review, some job losses may occur, however, the incidence, extent and timing of such job losses cannot be predicted in advance.

(iv) **Any proposal where assets will be transferred between the entity and the acquirer or vendor or their associates**

Bryve has advised the Company that it has no current intentions for any property be transferred between the Company and Bryve or any person associated with Bryve.

(v) **Any intention to otherwise redeploy the fixed assets of the entity**

Bryve has advised the Company that it has no current intentions to redeploy the fixed assets of the Company.

The primary intention of Bryve is to maximise the value of the Company for all Shareholders over the long term.

- (k) **Any intention of the acquirer to significantly change the financial or dividend distribution policies of the entity.**

Bryve has advised the Company that Bryve has no current intention to change the financial or dividend policies of the Company.

- (l) **The interests that any director has in the acquisition or any relevant agreement disclosed under paragraph (i) above.**

N/A

- (m) **The following details about any person who is intended to become a director if members approve the acquisition:**

- (i) **Name**

N/A

- (ii) **Qualifications and relevant professional or commercial experience**

N/A

- (iii) **Any associations that the proposed director has with the acquirer, vendor or any of their associates**

N/A

- (iv) **Any interest that the proposed director has in the acquisition or any relevant agreement disclosed in paragraph (i) above.**

N/A

7.6 Directors' recommendations

The Board supports the grant and exercise of the Option and recommends that Shareholders vote in favour of Resolution 1.

The Directors make this recommendation as they believe that it will assist the Company with the development of the Otjozundu Project.

7.7 Voting prohibition statement

In accordance section 611 of the Corporations Act, none of Bryve or AGO and their associates are permitted to vote in favour of Resolution 1.

8. Resolution 2 – Approval of the Conversion Shares

8.1 Regulatory requirements for Resolution 2

Resolution 2 seeks Shareholder approval pursuant to and in accordance with section 208 of the Corporations Act and item 7 of section 611 of the Corporations Act for the Conversion Shares, in accordance with the terms of the Bryve Facility Agreement and otherwise on the terms and conditions in this Explanatory Memorandum.

Resolution 2 is an ordinary resolution.

The Chairperson will cast all available proxies in favour of Resolution 2.

8.2 Independent Expert's Report

In order to assist Shareholders to assess the Conversion Shares and consider whether to vote in favour of Resolution 2, the Company appointed the Independent Expert to prepare the Independent Expert's Report to provide an opinion as to whether the Conversion Shares are fair and reasonable to existing Shareholders.

The Independent Expert's Report was prepared to satisfy the recommendations of ASIC in the ASIC Regulatory Guide 74. See Section 7.2 for further details in this regard.

What is fair and reasonable must be judged by the Independent Expert in all the circumstances of the proposal. This requires taking into account the likely advantages to Shareholders if the proposal is approved and comparing them with the disadvantages to them if the proposal is not approved.

The Independent Expert has concluded that the issue of the Conversion Shares is fair and reasonable to Shareholders.

The Independent Expert has concluded that the issue of the Conversion Shares is fair because the value of the Shares following the issue of the Conversion Shares on a minority basis is higher than the value of the Shares prior to the issue of the Conversion Shares on a control basis. In accordance with ASIC Regulatory Guide 111, as the issue of the Conversion Shares is fair it is also reasonable.

The Directors recommend that you read the Independent Expert's Report in full, a copy of which is in Schedule 3.

8.3 Basis of the Independent Expert's opinion

In coming to this view, the Independent Expert considered the advantages and disadvantages of the Conversion Shares, and other significant factors, which are set out in summary form only below.

The advantages identified by the Independent Expert are:

- The issue of the Conversion Shares is fair because the value of the Shares following the issue of the Conversion Shares on a minority basis is higher than the value of the Shares prior to the issue of the Conversion Shares on a control basis.
- Upon conversion, Facility 1 will be deemed to be repaid. Accordingly the Company will not have to repay the whole of Facility 1 in cash, which puts the Company under less cash flow strain.
- If Resolution 2 is approved and Bryve elects to be issued the Conversion Shares, the level of the Company's borrowings will fall. The reduced level of gearing and strengthening of the Company's net asset balance may increase the Company's ability to raise additional funds that may be required to fund the Company's long term development strategy.
- The Funds offered under the Bryve Facility Agreement will allow the Company to continue in the advancement of the Otjondou Project.

The disadvantage identified by the Independent Expert is:

- If Bryve elects to be issued the Conversion Shares then Bryve's voting power in the Company may increase up to 66.06% (based on certain assumptions). This

would give Bryve the power to block and pass general resolutions and block special resolutions and will reduce Shareholders' collective influence on the operations of the Company.

The Independent Expert's assessment of the Conversion Shares is based on a number of assumptions.

Shareholders are strongly encouraged to read the Independent Expert's Report (set out in Schedule 3 in full).

8.4 Section 208 of the of the Corporations Act

In accordance with section 208 of the Corporations Act, to give a financial benefit to a related party the Company must obtain Shareholder approval, unless the giving of the financial benefit falls within an exception in sections 210 to 216 of the Corporations Act.

Bryve is a related party of the Company as, pursuant to section 228(6), the Company has reasonable grounds to believe that Bryve will become a related party in the future.

8.5 Section 219 of the Corporations Act

Section 219 of the Corporations Act requires that the following information is provided to Shareholders for the purposes of obtaining Shareholder approval:

- (a) the Conversion Shares are the financial benefit;
- (b) the related party to whom the Conversion Shares will be issued is Bryve. See Section 5 for further information on the Conversion Shares;
- (c) the Directors recommend that Shareholders approve Resolution 2. The Directors make this recommendation as they believe that it will assist the Company with the development of the Otjozondu Project;
- (d) none of the Directors have an interest in the outcome of the Resolution;
- (e) the valuation of the Conversion Shares is set out in the Independent Expert's Report in Schedule 3; and
- (f) other than the information provided in this Explanatory Memorandum, the Company believes that there is no other information that would be reasonably required by the Shareholders to pass Resolution 2.

8.6 Section 606 and section 611 item 7 of the Corporations Act

- (a) See Section 7.4 for further details of section 606 and section 611 item 7 of the Corporations Act.
- (b) Based on the assumptions listed and table in Section 5.5, the maximum voting rights that Bryve could acquire upon exercise of the Conversion Shares is 66.06% of the issued share capital of the Company.
- (c) The Directors recommend that Shareholders vote in favour of Resolution 2.

8.7 Information required by item 7 of section 611 of the Corporations Act and ASIC Regulatory Guide 74

The information that Shareholders require under item 7 of section 611 of the Corporations Act and ASIC Regulatory Guide 74 is as follows:

- (a) **The identity of the person proposing to make the acquisition and their associates.**
- The acquisition will be made by Bryve. The associate of Bryve are the Bryve Associates.
- See Section 6 for further details in relation to Bryve.
- (b) **The maximum extent of the increase in that person's voting power in the company.**
- On the assumption that Bryve exercises the Option, if Resolution 2 is passed and the Conversion Shares are issued, the maximum extent of the increase in Bryve's voting power is 12.39%.
- (c) **The voting power the person would have as a result of the acquisition.**
- Based on the assumption in (b) above, the issue of the Conversion Shares could result in Bryve's voting power in the Company increasing to 66.06%.
- (d) **The maximum extent of the increase in the voting power of each of the acquirer's associates that would result from the acquisition.**
- The maximum extent of the increase in the voting power of each of the Bryve Associates that would result will be equivalent to the increase in voting power held by Bryve.
- (e) **The voting power that each of the acquirer's associates would have as a result of the acquisition.**
- The voting power that each of the Bryve Associates could have as a result, will be equivalent to the increase in voting power held by Bryve.
- (f) **An explanation of the reasons for the proposed acquisition.**
- The purpose of the Bryve Facility Agreement is described in Section 5.4.
- (g) **When the proposed acquisition is to occur.**
- Subject to the passing of Resolution 2, at any time prior to the repayment of Facility 1.
- (h) **The material terms of the proposed acquisition.**
- See Section 5 and Schedule 2 for a summary of the terms and conditions of the Bryve Facility Agreement, pursuant to which the Conversion Shares may be issued.
- (i) **Details of any other relevant agreement between the acquirer and the target entity or vendor (or any of their associates) that is conditional on (or directly or indirectly depends on) members' approval of the proposed acquisition.**
- See Section 7.5(i).
- (j) **A statement of the acquirer's intentions regarding the future of the target entity if members approve the acquisition and, in particular**
- (i) **Any intention to change the business of the entity**

See Section 7.5(j)(i).

(ii) Any intention to inject further capital into the entity

See Section 7.5(j)(ii).

(iii) The future employment of present employees of the entity

See Section 7.5(j)(iii).

(iv) Any proposal where assets will be transferred between the entity and the acquirer or vendor or their associates

See Section 7.5(j)(iv).

(v) Any intention to otherwise redeploy the fixed assets of the entity

See Section 7.5(j)(v).

(k) Any intention of the acquirer to significantly change the financial or dividend distribution policies of the entity.

See Section 7.5(k).

(l) The interests that any director has in the acquisition or any relevant agreement disclosed under paragraph (i) above.

See Section 7.5(l).

(m) The following details about any person who is intended to become a director if members approve the acquisition:

(i) Name

N/A

(ii) Qualifications and relevant professional or commercial experience

N/A

(iii) Any associations that the proposed director has with the acquirer, vendor or any of their associates

N/A

(iv) Any interest that the proposed director has in the acquisition or any relevant agreement disclosed in paragraph (i) above.

N/A

8.8 Application of Listing Rule 7.1

Listing Rule 7.1 provides that the Company must not, subject to specified exceptions, issue or agree to issue more securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

Listing Rule 7.2, exception 16 states that Listing Rule 7.1 does not apply to an issue of securities approved by Shareholders for the purposes of item 7 of section 611 of the Corporations Act. Accordingly, if Resolution 2 is passed, approval to issue of Shares upon conversion of the Conversion Option will fall within Listing Rule 7.2 exception 16.

8.9 Directors' recommendations

The Board supports the Conversion Shares and recommends that Shareholders vote in favour of Resolutions 2.

8.10 Voting prohibition statement

In accordance section 611 of the Corporations Act, Bryve nor its associates are permitted to vote in favour of Resolution 2.

9. Resolution 3 – Approval to issue the Interest Shares to Bryve

9.1 Regulatory requirements for Resolution 3

Resolution 3 seeks Shareholder approval pursuant to and in accordance with section 208 of the Corporations Act and item 7 of section 611 of the Corporations Act for the issue of the Interest Shares to Bryve, in accordance with the terms of the Bryve Facility Agreement and otherwise on the terms and conditions in this Explanatory Memorandum.

Resolution 3 is an ordinary resolution.

The Chairperson will cast all available proxies in favour of Resolution 3.

9.2 Independent Expert's Report

In order to assist Shareholders to assess the issue of the Interest Shares and consider whether to vote in favour of Resolution 3, the Company appointed the Independent Expert to prepare the Independent Expert's Report to provide an opinion as to whether or not the issue of the Interest Shares is fair and reasonable to the existing Shareholders.

The Independent Expert's Report was prepared to satisfy the recommendations of ASIC contained in ASIC Regulatory Guide 74. See Section 7.2 for further details in this regard.

What is fair and reasonable must be judged by the Independent Expert in all the circumstances of the proposal. This requires taking into account the likely advantages to Shareholders if the proposal is approved and comparing them with the disadvantages to them if the proposal is not approved.

The Independent Expert has concluded that the issue of the Interest Shares is fair and reasonable to Shareholders.

The Independent Expert has concluded that the issue of the Interest Shares is fair because the value of the Shares following the issue of the Interest Shares on a minority basis is higher than the value of the Shares prior to the issue of the Conversation Shares on a control basis. In accordance with ASIC Regulatory Guide 111, as the issue of the Interest Shares is fair it is also reasonable.

The Directors recommend that you read the Independent Expert's Report in full, a copy of which is in Schedule 3.

9.3 Basis of the Independent Expert's opinion

In coming to this view, the Independent Expert considered the advantages and disadvantages of the issue of the Interest Shares, and other significant factors, which are set out in summary form only below.

The advantages identified by the Independent Expert are:

- The issue of the Interest Shares is fair because the value of the Shares following the issue of the Interest Shares on a minority basis is higher than the value of the Shares prior to the issue of the Conversation Shares on a control basis.
- Upon conversion, the interest owing under Facility 2 will be deemed to be repaid. Accordingly the Company will not have to repay the whole of Facility 2 in cash, which puts the Company under less cash flow strain.
- If Resolution 3 is approved and the Company elects to issue the Interest Shares, with the consent of Bryve, the level of the Company's borrowings will fall. The reduced level of gearing and strengthening of the Company's net asset balance may increase the Company's ability to raise additional funds that may be required to fund the Company's long term development strategy.
- The Funds offered under the Bryve Facility Agreement will allow the Company to continue in the advancement of the Otjozondu Project.

The disadvantage identified by the Independent Expert is:

- If the Company elects to issue the Interest Shares, with the consent of Bryve, then Bryve's voting power in the Company may increase up to 77.16% (based on certain assumptions). This would give Bryve the power to block and pass general resolutions and block and pass special resolutions and will reduce Shareholders' collective influence on the operations of the Company.

The Independent Expert's assessment of the issue of the Interest Shares is based on a number of assumptions.

Shareholders are strongly encouraged to read the Independent Expert's Report (set out in Schedule 3 in full).

9.4 Section 208 of the of the Corporations Act

See Section 8.4 for further information on Section 208 of the Corporations Act.

9.5 Section 219 of the Corporations Act

Section 219 of the Corporations Act requires that the following information is provided to Shareholders for the purposes of obtaining Shareholder approval:

- (a) the Interest Shares are the financial benefit;
- (b) the related party to whom the Interest Shares will be issued is Bryve. See Section 5 for further information on the Interest Shares;

- (c) the Directors recommend that Shareholders approve Resolution 3. The Directors make this recommendation as they believe that it will assist the Company with the development of the Otjozondu Project;
- (d) none of the Directors have an interest in the outcome of the Resolution;
- (e) the valuation of the Interest Shares is set out in the Independent Expert's Report in Schedule 3; and
- (f) Other than the information provided in this Explanatory Memorandum, the Company believes that there is no other information that would be reasonably required by the Shareholders to pass Resolution 3.

9.6 Section 606 and section 611 item 7 of the Corporations Act

- (a) See Section 7.4 for further details in relation to section 606 and section 611 item 7 of the Corporations Act.
- (b) Based on the assumptions, examples and scenarios set out in Section 5.5, if the Company elects and Bryve consents to the issue of the Interest Shares upon completion of the issuance Bryve would hold 77.16% of the issued share capital of the Company.
- (c) The Directors recommend that the Shareholders vote in favour of Resolution 3.

9.7 Information required by item 7 of section 611 of the Corporations Act and ASIC Regulatory Guide 74

The information that Shareholders require under item 7 of section 611 of the Corporations Act and ASIC Regulatory Guide 74 is as follows:

- (a) **The identity of the person proposing to make the acquisition and their associates.**

The acquisition will be made by Bryve. The associate of Bryve are the Bryve Associates.

See Section 6 for further details in relation to Bryve.

- (b) **The maximum extent of the increase in that person's voting power in the company.**

The maximum extent of the increase in voting power upon issue of the Interest Shares will be determined by the issue price of those shares, which is calculated on the 30 day VWAP of the Shares on ASX immediately preceding the relevant interest payment date.

By way of example, based on the assumptions set out in Section 5.5 and an issue price of \$0.0065 (being a 50% discount to the 30 day VWAP of the Shares on ASX prior to the date of the Notice), the maximum extent of the increase in Bryve's voting power is 11.1%, if Bryve consents to the issue of the Interest Shares.

- (c) **The voting power the person would have as a result of the acquisition.**

Bryve's maximum voting power upon issue of the Interest Shares will be determined by the issue price of those shares, which is calculated on the 30

day VWAP of the Shares on ASX immediately preceding the relevant interest payment date.

Based on the assumptions and example provided in paragraph (b) above, the issue of the Interest Shares would result in Bryve's voting power increasing to 77.16%, if Bryve consents to the issue of the Interest Shares.

- (d) **The maximum extent of the increase in the voting power of each of the acquirer's associates that would result from the acquisition.**

The maximum extent of the increase in the voting power of each of the Bryve Associates that could result, will be equivalent to the increase in voting power held by Bryve.

- (e) **The voting power that each of the acquirer's associates would have as a result of the acquisition.**

The voting power that each of the Bryve Associates could have as a result, will be equivalent to the voting power held by Bryve.

- (f) **An explanation of the reasons for the proposed acquisition.**

The purpose of the Bryve Facility Agreement is described in Section 5.4.

- (g) **When the proposed acquisition is to occur.**

Subject to the passing of Resolution 3, at any time during the term of the Bryve Facility Agreement following the draw down of Facility 2.

- (h) **The material terms of the proposed acquisition.**

See Section 5 and Schedule 2 for a summary of the terms and conditions of the Bryve Facility Agreement, pursuant to which the Interest Shares may be issued.

- (i) **Details of any other relevant agreement between the acquirer and the target entity or vendor (or any of their associates) that is conditional on (or directly or indirectly depends on) members' approval of the proposed acquisition.**

See Section 7.5(i).

- (j) **A statement of the acquirer's intentions regarding the future of the target entity if members approve the acquisition and, in particular**

- (i) **Any intention to change the business of the entity**

See Section 7.5(j)(i).

- (ii) **Any intention to inject further capital into the entity**

See Section 7.5(j)(ii).

- (iii) **The future employment of present employees of the entity**

See Section 7.5(j)(iii).

- (iv) **Any proposal where assets will be transferred between the entity and the acquirer or vendor or their associates**

See Section 7.5(j)(iv).

(v) Any intention to otherwise redeploy the fixed assets of the entity

See Section 7.5(j)(v).

(k) Any intention of the acquirer to significantly change the financial or dividend distribution policies of the entity.

See Section 7.5(k).

(l) The interests that any director has in the acquisition or any relevant agreement disclosed under paragraph (i) above.

See Section 7.5(l).

(m) The following details about any person who is intended to become a director if members approve the acquisition:

(i) Name

N/A

(ii) Qualifications and relevant professional or commercial experience

N/A

(iii) Any associations that the proposed director has with the acquirer, vendor or any of their associates

N/A

(iv) Any interest that the proposed director has in the acquisition or any relevant agreement disclosed in paragraph (i) above.

N/A

9.8 Application of Listing Rule 7.1

Listing Rule 7.1 provides that the Company must not, subject to specified exceptions, issue or agree to issue more securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

Listing Rule 7.2, exception 16 states that Listing Rule 7.1 does not apply to an issue of securities approved by Shareholders for the purposes of item 7 of section 611 of the Corporations Act. Accordingly, if Resolution 3 is passed, approval for issue of the Interest Shares upon election by the Company and consent of Bryve will fall within Listing Rule 7.2 exception 16.

9.9 Directors' recommendations

The Board supports the issue of the Interest Shares and recommends that Shareholders vote in favour of Resolutions 3.

9.10 Voting prohibition statement

In accordance section 611 of the Corporations Act, none of Bryve and its associates are permitted to vote in favour of Resolution 3.

10. Resolution 4 – Issue of Performance Rights to Mr Peter Cunningham

10.1 General

Resolution 4 seeks Shareholder approval, pursuant to Listing Rule 10.11, for the grant of a total of up to 30,000,000 Performance Rights (3.32% of the Company's issued and outstanding Shares at the date of this Explanatory Memorandum) to Mr Cunningham (and/or his nominee), as part of the long term incentive component of his remuneration as Director of the Company.

Mr Peter Cunningham was appointed Director on 13 August 2014. Mr Cunningham plays a key role in the Company's current operations and the identification of new business opportunities.

Mr Cunningham is a mining engineer with more than 30 years' experience in mine development and operations. He was an executive director of Hill 50 Gold NL and Abelle Limited, Managing Director of Bluestone Tin Limited and chairperson of Exterra Resources Limited until 2013.

Mr Cunningham is currently president and chief executive officer of TSX listed mining company, Cadan Resources Corporation, and managing director of Auvex Manganese Limited, an unlisted private company. Mr Cunningham intends to retire from his current directorships to focus on the development of the Company and the Otjozondu Project.

In the Company's present circumstances, the Board considers that the grant of these Performance Rights to Mr Cunningham is a cost effective and efficient reward for the Company to make, to appropriately incentivise the continued performance of Mr Cunningham and is consistent with the strategic goals and targets of the Company.

The Board has reviewed Mr Cunningham's remuneration arrangements and has decided to offer Mr Cunningham the Performance Rights as part of his remuneration package.

The Company has set milestones for the Performance Rights to ensure that they vest only upon achievement of fundamental milestones that will drive the long term value of the Company's securities.

Resolution 4 is an ordinary resolution.

The Chairperson will vote all available proxies in favour of Resolution 4.

10.2 Section 208 of the Corporations Act

See Section 8.4 for further information on section 208 of the Corporations Act.

Mr Cunningham is a related party for the purposes of section 208 of the Corporations Act as he is a Director.

The Directors, other than Mr Cunningham, have formed the view that Shareholder approval under section 208 of the Corporations Act is not required for the granting of the Performance Rights to Mr Cunningham as the exception in section 211 of the

Corporations Act applies. The Directors, other than Mr Cunningham have determined that the Performance Rights are reasonable remuneration for Mr Cunningham's responsibilities in the Company.

10.3 Listing Rule 10.11

In accordance with Listing Rule 10.11, the Company must not issue securities to a related party of the Company unless it obtains Shareholder approval.

Resolution 4 seeks Shareholder approval, pursuant to Listing Rule 10.11, for the proposed grant of the Performance Rights to Mr Cunningham (and/or his nominee), because Mr Cunningham is a Director.

As Shareholder approval is sought under Listing Rule 10.11, approval under Listing Rule 7.1 is not required in accordance with Exception 14 of Listing Rule 7.2.

Accordingly, the grant of Performance Rights to Mr Cunningham, pursuant to Resolution 4, will not reduce the Company's 15% capacity for the purposes of Listing Rule 7.1.

10.4 Specific information required by Listing Rule 10.13

Listing Rule 10.13 requires that the following information be provided to Shareholders for the purposes of obtaining Shareholder approval pursuant to Listing Rule 10.11:

- (a) The Performance Rights will be issued to Mr Cunningham (or his nominee), a Director of the Company.
- (b) The maximum number of securities to be issued pursuant to Resolution 4 is 30,000,000 Performance Rights.
- (c) The table below sets out the milestones which apply to the Performance Rights:

Number of Shares	Milestones	Expiry Date
10,000,000	First commercial ore shipment from the Otjondundu Project	3 years after date of issue
10,000,000	Market capitalisation of the Company being above \$25,000,000 in any consecutive 30 day period	3 years after date of issue
10,000,000	Market capitalisation of the Company being above \$50,000,000 in any consecutive 30 day period	3 years after date of issue

- (d) The Company will issue the Performance Rights no later than 1 month after the date of the Meeting (or such longer period of time as ASX may in its discretion allow).
- (e) Each Performance Right will have an issue price of nil.
- (f) Each Performance Right entitles the holder to subscribe for one Share. The principal terms of the Performance Rights to be granted to Mr Cunningham are summarised in Schedule 4.

- (g) No funds will be raised from the Performance Rights.
- (h) The Directors believe that the grant of Performance Rights provides cost effective consideration to Mr Cunningham for his ongoing commitment and contribution to the Company.
- (i) A voting exclusion statement is included in the Notice for Resolution 4.
- (j) Mr Cunningham has an interest in Resolution 4 and therefore believes that it is inappropriate to make a recommendation. The other Directors are unanimously in favour of the grant of the Performance Rights to Mr Cunningham and recommend that Shareholders vote in favour of this Resolution 4.

11. Resolution 5 – Issue of the Director Options to Mr Peter Cunningham

11.1 General

Resolution 5 seeks Shareholder approval, pursuant to Listing Rule 10.11, for the issue of up to 10,000,000 options (**Director Options**) with an expiry of 3 years from 13 August 2014 (**Director Option Expiry Date**) as part of the long term incentive component of his remuneration as Director of the Company.

See Section 10.1 for details of Mr Cunningham.

The Board has reviewed Mr Cunningham's remuneration arrangements and has decided to offer Mr Cunningham the Directors Options as part of his remuneration package.

The Chairperson will cast all available proxies in favour of Resolution 5.

Resolution 5 is an ordinary resolution.

11.2 Section 208 of the Corporations Act

See Section 8.4 for further information on section 208 of the Corporations Act.

Mr Cunningham is a related party for the purposes of section 208 of the Corporations Act as he is a Director.

The Directors, other than Mr Cunningham, have formed the view that Shareholder approval under section 208 of the Corporations Act is not required for issuing the Director Options to Mr Cunningham as the exception in section 211 of the Corporations Act applies. The Directors, other than Mr Cunningham have determined that the Director Options are reasonable remuneration for Mr Cunningham's responsibilities in the Company.

11.3 Listing Rule 10.11

In accordance with Listing Rule 10.11, the Company must not issue securities to a related party of the Company unless it obtains Shareholder approval.

Resolution 4 seeks Shareholder approval, pursuant to Listing Rule 10.11, for the proposed grant of the Performance Rights to Mr Cunningham (and/or his nominee), because Mr Cunningham is a Director.

As Shareholder approval is sought under Listing Rule 10.11, approval under Listing Rule 7.1 is not required in accordance with Exception 14 of Listing Rule 7.2.

Accordingly, the issue of the Director Options to Mr Cunningham, pursuant to Resolution 4, will not reduce the Company's 15% capacity for the purposes of Listing Rule 7.1.

11.4 Specific information required by Listing Rule 10.13

Listing Rule 10.13 requires that the following information be provided to Shareholders for the purposes of obtaining Shareholder approval pursuant to Listing Rule 10.11:

- (a) The Director Options will be issued to Mr Cunningham (or his nominee), a Director of the Company.
- (b) The maximum number of securities to be issued pursuant to Resolution 5 is 10,000,000 Director Options.
- (c) The Company will issue the Director Options no later than 12 months after the date of the Meeting (or such longer period of time as ASX may in its discretion allow).
- (d) Each Director Option will have an issue price of \$0.01. Each Director Option entitles the holder to subscribe for one Share. The principal terms of the Director Options to be issued to Mr Cunningham are summarised in Schedule 5.
- (e) The Director Options are to be issued as part of the remuneration package to be provided to Mr Cunningham.
- (f) The funds raised will be used for general working capital requirements of the Company.
- (g) A voting exclusion statement is included in the Notice for Resolution 5.
- (h) Mr Cunningham has an interest in Resolution 5 and therefore believes that it is inappropriate to make a recommendation. The other Directors are unanimously in favour of the issue of the Director Options to Mr Cunningham and recommend that Shareholders vote in favour of this Resolution 5.

Schedule 1 – Definitions

In this Explanatory Memorandum and the Notice, the following terms have the following meanings unless the content otherwise requires:

\$ means Australian Dollars.

AGO means Atlas Iron Limited ABN 63 110 396 168.

ASIC means Australian Securities and Investments Commission.

ASX means the Australian Securities Exchange.

Atlas Facility Agreement means the unsecured facility agreement between the Company and AGO dated 5 July 2013, as amended.

Board means the board of Directors.

Bryve means Bryve Resources Pty Ltd ACN 601 177 726.

Bryve Associates means Stanton (WA) Pty Ltd ACN 601 177 726 and Brent Stanton

Bryve Facility Agreement has the meaning in Section 3.

Chairperson means the person appointed to chair the Meeting convened by the Notice.

Closely Related Party means:

- (a) a spouse or child of the member; or
- (b) has the meaning given in section 9 of the Corporations Act.

Company means Shaw River Manganese Limited ACN 121 511 886.

Company Secretary means the company secretary of the Company.

Competition Act Condition has the meaning in Section 4.2.

Conversion Option has the meaning in Section 5.2.

Conversion Shares has the meaning in Section 5.2.

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

Deed of Amendment means the deed of amendment between AGO and the Company, dated 13 August 2014, amending the Atlas Facility Agreement.

Deed of Undertaking means the deed of undertaking between AGO and the Company dated 13 August 2014.

Deed Poll means the deed poll entered into by the Company in favour of AGO and Bryve dated 13 August 2014.

Director means a director of the Company.

Director Options has the meaning in Section 11.1.

Director Option Exercise Price has the meaning in Schedule 5.

Director Option Expiry Date has the meaning in Section 11.1.

Explanatory Memorandum means this explanatory memorandum attached to the Notice.

Facility 1 has the meaning in Section 5.1.

Facility 2 has the meaning in Section 5.1.

Funds has the meaning in Section 3.

General Security Deed means the security deed entered into between the Company and Bryve dated 13 August 2014 further to the terms of the Facility Agreement.

Group has the meaning in Schedule 2.

Independent Expert has the meaning in Section 7.2.

Independent Expert's Report has the meaning given in Section 7.2.

Interest Shares has the meaning in Section 5.1.

Key Management Personnel means persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

Listing Rules means the official listing rules of ASX as amended from time to time.

Meeting has the meaning in the introductory paragraph of the Notice.

Milestone has the meaning in Section 10.1.

Notice means the notice of meeting.

OH means Otjozondou Holdings (Pty) Ltd (Company No. 2007/0493), a company incorporated in Namibia.

OM means Otjozondou Mining (Pty) Ltd (Company No. 2005/490), a company incorporated in Namibia.

Option has the meaning in Section 4.1.

Option Exercise Period has the meaning in Section 4.3.

Otjozondou Project has the meaning in Section 5.1.

Performance Right means a right granted to the holder to be issued or transferred one Share upon satisfaction of certain Milestones.

Pricing Formula has the meaning in Section 5.2.

Proxy Form means the proxy form attached to the Notice.

Resolution means a resolution in the Notice.

Sale Shares has the meaning in Section 4.1.

Schedule means a schedule to this Explanatory Memorandum.

Section means a section in this Explanatory Memorandum.

Secured Moneys means all debts and monetary liabilities of the Company to Bryve under or in relation to any Transaction Document and in any capacity, irrespective of whether the debts or liabilities:

- (a) are present or future;
- (b) are actual, prospective, contingent or otherwise;
- (c) are at any time ascertained or unascertained;
- (d) are owed or incurred by or on account of the Company alone, or severally or jointly with any other person;
- (e) are owed to or incurred for the account of Bryve alone, or severally or jointly with any other person;
- (f) are owed to any other person as agent (whether disclosed or not) for or on behalf of Bryve;
- (g) are owed or incurred as principal, interest, fees, charges, taxes, damages (whether for breach of contract or tort or incurred on any other ground), losses, costs or expenses, or on any other account;
- (h) are owed to, or incurred for the account of, Bryve directly or as a result of:
 - (i) the assignment or transfer to Bryve of any debt or liability of the Company (whether by way of assignment, transfer or otherwise); or
 - (ii) any other dealing with any such debt or liability;
- (i) are owed to, or incurred for the account of, Bryve before the date of this Agreement or before the date of any assignment of the Bryve Facility Agreement to Bryve by any other person or otherwise; or
- (j) comprise any combination of the above.

Secured Property means all assets subject to a security.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of a Share.

Share Sale Agreement has the meaning in Section 3.

SRM means Shaw River Mauritius (Company No 100570) a company incorporated in Mauritius.

SRN means Shaw River Namibia (ACN 147 527 857).

Transaction Documents means the Bryve Facility Agreement, the Deed of Amendment, the Deed Poll, a deed of undertaking entered into between the Company and AGO dated 13 August 2014 and a consent letter provided by AGO to the Company, dated 13 August 2014.

TSX means the Toronto Stock Exchange.

VWAP has the meaning in Section 5.5.

WST means Western Standard Time, being the time in Perth, Western Australia.

Schedule 2 – Key Terms of the Bryve Facility Agreement

The following are the key terms and conditions of the Facility Agreement:

1. Drawdown of Facility 1 and Facility 2 are subject to a number of conditions precedent.

Facility 1: If the Company provides a funding notice to Bryve upon which satisfaction of such notice would result in the amounts owing under Facility 1 increasing from below to above \$1,400,000, Bryve must, within 14 days of receipt of the funding notice, confirm to the Company whether or not it consents to the increase from below to above \$1,400,000 (such consent to be given or refused in the absolute discretion of Bryve).

Facility 2: Facility 2 is conditional upon, *inter alia*:

- (a) Shareholder approval of Resolutions 1, 2 and 3.
- (b) Additional security being granted by:
 - (i) SRN, a wholly owned subsidiary of the Company, over 100% of the shares of SRM;
 - (ii) SRM over 100% of the shares of OH;
 - (iii) OH over 100% of the shares of OM; and
 - (iv) OM over all of its present and future assets.
- (c) Completion of legal, accounting and financial due diligence of the Company certain companies within the Company group to the satisfaction of Bryve.

2. The final repayment date of any drawn Funds is the expiry of 5 years from 13 August 2014.
3. Interest accrues daily on any amount drawn down at the interest rate of 10% per annum.
4. The repayments of any drawn down amount, plus interest, are to be made on 30 June and 31 December each year until the expiry of 5 years from 13 August 2014.
5. The repayment amount is calculated in accordance with the following formula:

$$(A-B) \times 0.4$$

Where:

A equals the revenue of the Group (meaning SRN, SRM, OH and OM and all subsidiaries of such entities) for the repayment period calculated by reference to the most recent quarterly consolidated accounts of the Group in respect of the repayment period; and

B equals the operating costs of the Group for the repayment period, including:

- (i) capital expenditure incurred within 12 months after the date of the Bryve Facility Agreement but excluding capital expenditure incurred more than 12 months after the date of the Facility Agreement); and
- (ii) exploration expenditure that is not capitalised in accordance with accounting standards approved under the Corporations Act and generally accepted and consistent with principles and practices accepted in Australia.

6. Subject to Shareholder approval, Bryve may elect to exercise the Conversion Shares.
7. Customary warranties to loan facility agreements have been provided by the Company to Bryve.

8. The Company must not, and must ensure that each other member of the Group does not, sell, assign, transfer, surrender, convey, lease, licence, farm out or otherwise dispose of any of its assets except, inter alia,
- (a) disposals or sales in the ordinary course of day-to-day trading on arm's length terms;
 - (b) a disposal of assets in exchange for other assets of comparable value and utility (other than factoring in recourse terms or a sale and lease back or similar transaction);
 - (c) any asset which is obsolete or surplus or otherwise no longer required for the purpose of the Company's business or operations and sold on normal commercial terms;
 - (d) any other asset other than any interest in real property (including any licence) that is not material to the Otjozundu Project and which is sold in the ordinary course of ordinary business and at a market value and provided that the total assets disposed of do not exceed \$200,000 (or its equivalent in another currency) in any calendar year;
 - (e) the expenditure of cash in and only in the ordinary course of the Company's ordinary business; or
 - (f) with the prior written consent of Bryve.
9. The Company must not, and must ensure that each member of the Group does not, subscribe for capital in an entity, or provide any financial accommodation, other than prescribed permitted financial accommodation, being certain intercompany loans of the Company, provided that, in respect of each intercompany loan set out in the Facility Agreement, the Company must not, and must procure that each other member of the Group specified in the Bryve Facility Agreement does not, without Bryve's prior written consent:
- (a) provide any additional financial accommodation in respect of each intercompany loan to which they are a party including by way of additional amounts advanced or drawn down or a forbearance of an obligation to pay amounts other than when due in respect of such intercompany loan, other than as a result of interest (other than default or overdue interest, however described);
 - (i) give any guarantee in respect of any financial accommodation, to or for the benefit of any person;
 - (ii) amend or vary the terms of any intercompany loan to which they are a party;
 - (iii) waive any of its rights under any intercompany loan to which they are a party as lender (however described), including any relevant right to demand payment or otherwise enforce the intercompany loan from time to time; or
- accept any encumbrance or guarantee in connection with such intercompany loan from any other member of the Group.
10. The Company must not, and must ensure that each other member of the Group does not:
- (a) enter into an agreement;
 - (i) acquire an asset;
 - (ii) obtain or provide a service;
 - (iii) obtain a right or incur an obligation; or
 - (iv) implement any other transaction,

with any person unless it is in the ordinary course of its ordinary business and it does so on terms which are no less favourable to it than arm's length terms.

11. If an event of default occurs Bryve may at any time while it is continuing by notice to the Company declare that:

- (a) the Secured Moneys are immediately due and payable; and/or
- (b) Facility 1 and Facility 2 are cancelled,

The Company must immediately repay the Secured Moneys on receipt of a notice under this paragraph.

12. Events of default: The Bryve Facility Agreement contains the following events of default:

(a) **failure to pay:** the Company fails to pay or repay any part of the Secured Moneys when due except where its failure to pay any Secured Money is caused by an administrative or technical error beyond the control of the Company and payment is made within 2 business days of the date that part of the Secured Moneys becomes due and payable by it;

(b) **other failure:** the Company fails to perform any other undertaking or obligation of it under the Transaction Documents other than an obligation referred to in paragraph (a) above, and if that failure is remediable, the Company does not remedy the failure within 14 days after the earlier of the Company having knowledge of such failure and receipt by the Company of a notice from Bryve specifying the failure;

(i) **misrepresentation:**

- (A) any representation or warranty or statement made or deemed to be made or repeated by the Company under a Transaction Document or any other certificate or document delivered by or on behalf of the Company under or in connection with any Transaction Document is or proves to have been incorrect or misleading in any material respect when made or deemed to be made or repeated; and
- (B) if the circumstances giving rise to that incorrect or misleading representation or warranty or statement are capable of remedy, they are not remedied within 14 days after the earlier of the Company having knowledge of the incorrect or misleading representation or warranty or statement and receipt by the Company of a notice from Bryve specifying the incorrect or misleading representation or warranty or statement;

(ii) **Cross Default:**

- (A) other than in respect of the defaults referred to in paragraph (H) of the definition of "event of default" or caused by a breach of clause 6.2(n) of the Atlas Facility Agreement, an event of default (however described) under the Atlas Facility Agreement occurs, or amounts owing under the Atlas Facility Agreement become immediately due and payable or are otherwise accelerated; or
- (B) Financial Indebtedness of the Company or another member of the Group in an amount exceeding \$100,000 (or its equivalent in another currency):
 - (1) becomes due and payable, or capable of being declared due and payable, before its stated maturity, expiry or repayment

date (other than at the option of the Company or the relevant member of the Group); or

(2) is not paid when due or within any applicable grace period;

- (iii) **financial accommodation:** any financial accommodation provided by the Company or another member of the Group to another person:
 - (A) becomes due and payable, or capable of being declared due and payable, before its stated maturity, expiry or repayment date;
 - (B) is not paid when due or within any applicable grace period; or
 - (C) the requirement for it be repaid is waived by the Company without Bryve's prior written consent;
- (iv) **encumbrance:** any encumbrance is enforced, or becomes capable of being enforced, against an asset or assets of the Company or another member of the Group for an amount exceeding \$100,000 (or its equivalent in another currency);
- (v) **guarantee:** any guarantee is enforced, or becomes capable of being enforced, against the Company or another member of the group for an amount exceeding \$100,000 (or its equivalent in another currency);
- (vi) **judgment:** a judgment or an order in an amount exceeding \$100,000 (or its equivalent in another currency) is obtained against the Company or another member of the Group;
- (vii) **execution:** a distress, attachment, execution or other process of a government agency is issued against, levied or entered upon an asset of the Company or another member of the Group in an amount exceeding \$100,000 (or its equivalent in another currency);
- (viii) **Secured Property:**
 - (A) the Company for any reason ceases to be the legal and, subject to any trust specified in the relevant Security, beneficial owner of any part of its Secured Property, other than Secured Property:
 - (1) disposed of as permitted under clause 9.11 of the Bryve Facility Agreement;
 - (2) in respect of which the Company has an interest as buyer or lessee or which the Company receives as a commercial consignment (as defined in the *Personal Property Securities Act 2009* (Cth)); or
 - (3) subject to a permitted encumbrance, if the Company ceases to be the legal and beneficial owner of that Secured Property solely as a consequence of the existence of that permitted encumbrance; or
 - (B) a third party asserts a claim to any part of its Secured Property (other than under or pursuant to a permitted encumbrance or where Bryve determines that such assertion is frivolous or vexatious);
- (ix) **priority of security** a security ceases for any reason to have the priority ranking contemplated in it, except where solely due to the fraud, gross negligence or wilful default of Bryve;

- (x) **material authorisation:** any material authorisation is not obtained or maintained on terms acceptable to Bryve or is repealed, revoked, cancelled, suspended, terminated or expires or is varied or becomes subject to conditions in a manner unacceptable to Bryve, and is not replaced by another Authorisation, or alternative arrangements are not otherwise determined and which are, acceptable to Bryve within 10 business days;
- (xi) **government agency action or breach of law or authorisation:**
 - (A) any government agency takes any action;
 - (B) there is any claim or requirement of substantial expenditure or alteration of activity under, or breach of, any law; or
 - (C) there is any breach or threatened breach of any authorisation,which would have or be likely to have a material adverse effect;
- (xii) **appropriation:** a government agency compulsorily acquires all or part (other than an immaterial part) of the Company's or another member of the Group's assets or any Secured Property, orders the sale or divestiture of those assets or Secured Property or takes a step for the purpose of doing, or proposes to do, any of those things;
- (xiii) **enforcement proceedings:** execution or distress takes place or is attempted or an order to execute a judgment (however described) is made against the Company or any of its assets and is not stayed or withdrawn within 10 business days;
- (xiv) **controller:** any of the following occur:
 - (A) a controller is appointed, or any steps are taken to appoint a controller; or
 - (B) a resolution to appoint a controller is passed, or any steps are taken to pass a resolution to appoint a controller,to the Company or another member of the Group or over an asset of the Company or another member of the Group;
- (xv) **winding up:** any of the following occur:
 - (A) an application is made and not withdrawn, stayed or discharged within 14 days;
 - (B) an order is made; or
 - (C) a resolution is passed or any steps are taken to pass a resolution,for the winding up of the Company or another member of the group;
- (xvi) **administration, liquidation, etc:** any of the following occur:
 - (A) an administrator, liquidator, provisional liquidator, receiver, receiver and manager, trustee, controller or similar official is appointed, or any steps are taken to appoint an insolvency official including without limitation any application for, or consent to, the appointment; or
 - (B) a resolution to appoint an insolvency official is passed, or any steps are taken to pass a resolution to make that appointment,

to the Company or another member of the Group;

- (xvii) **deregistration:** the Company or another member of the Group is deregistered, or any steps are taken to deregister the Company or another member of the Group under the Corporations Act or any other applicable law;
- (xviii) **de-listing on ASX:** the Company ceases to have its ordinary shares listed for trading on the ASX or its ordinary shares are suspended from trading on the ASX for a period of 20 consecutive trading days;
- (xix) **suspends payment:** the Company or another member of the Group suspends payment of its debts generally;
- (xx) **insolvency:** the Company or another member of the Group:
 - (A) is unable to pay its debts when they are due;
 - (B) is presumed to be insolvent under the Corporations Act; or
 - (C) is taken to have failed to comply with a statutory demand under section 459F(1) of the Corporations Act or is the subject of a circumstance specified in section 461(h) of the Corporations Act (whether or not an application to court has been made under that section) or a court has made an order in respect of one of the other circumstances specified in section 461 of the Corporations Act or, if the person is a Part 5.7 body, is taken to be unable to pay its debts under section 585 of the Corporations Act;
 - (D) seeks to have an order for relief entered with respect to it or takes advantage of any insolvency law or proceeding for the relief of debtors;
- (xxi) **arrangements:** the Company or another member of the Group enters into or resolves to enter into any arrangement, composition or compromise with, or assignment for the benefit of, its creditors generally;
- (xxii) **reorganisation:** the Company or another member of the Group implements a merger, demerger or scheme or plan of arrangement with any person;
- (xxiii) **ceasing business:** the Company or another member of the Group ceases to carry on its business or a material part of it or substantially changes the nature of its business without Bryve's consent;
- (xxiv) **unenforceability:** in respect of a Transaction Document:
 - (A) a material provision of that Transaction Document is illegal, void, ineffective, voidable or unenforceable;
 - (B) the Company repudiates a Transaction Document or evidences in writing an intention to repudiate a Transaction Document; or
 - (C) the execution, delivery or performance of that Transaction Document by the Company breaches or results in a contravention of any law;
- (xxv) **ownership of the Company:**
 - (A) the Company ceases to own 100% of the shares of SRN;
 - (B) SRN ceases to own 100% of the shares of SRM;
 - (C) SRM ceases to own 100% of the shares of OH; or

(D) OH ceases to own 100% of the share of OM;

(xxvi) **ownership of the Otjozondu Project:** except to the extent otherwise permitted under the Bryve Facility Agreement and any other Transaction Document, OM sells, assigns, transfers or otherwise disposes of any interest in the Otjozondu Project (or agrees to do so) without the consent of Bryve;

(xxvii) **material adverse effect:** any event or series of events, whether related or not, occurs which has or is likely to have a material adverse effect;

(xxviii) **Review Event:** the Company fails to comply with any of its obligations under clause 11.2.

A "Review Event" is:

(A) a **change of control:** a person who does not have a voting power of 20% or more in the Company at the date of the Bryve Facility Agreement acquires voting power of 20% or more in the Company (other than Bryve);

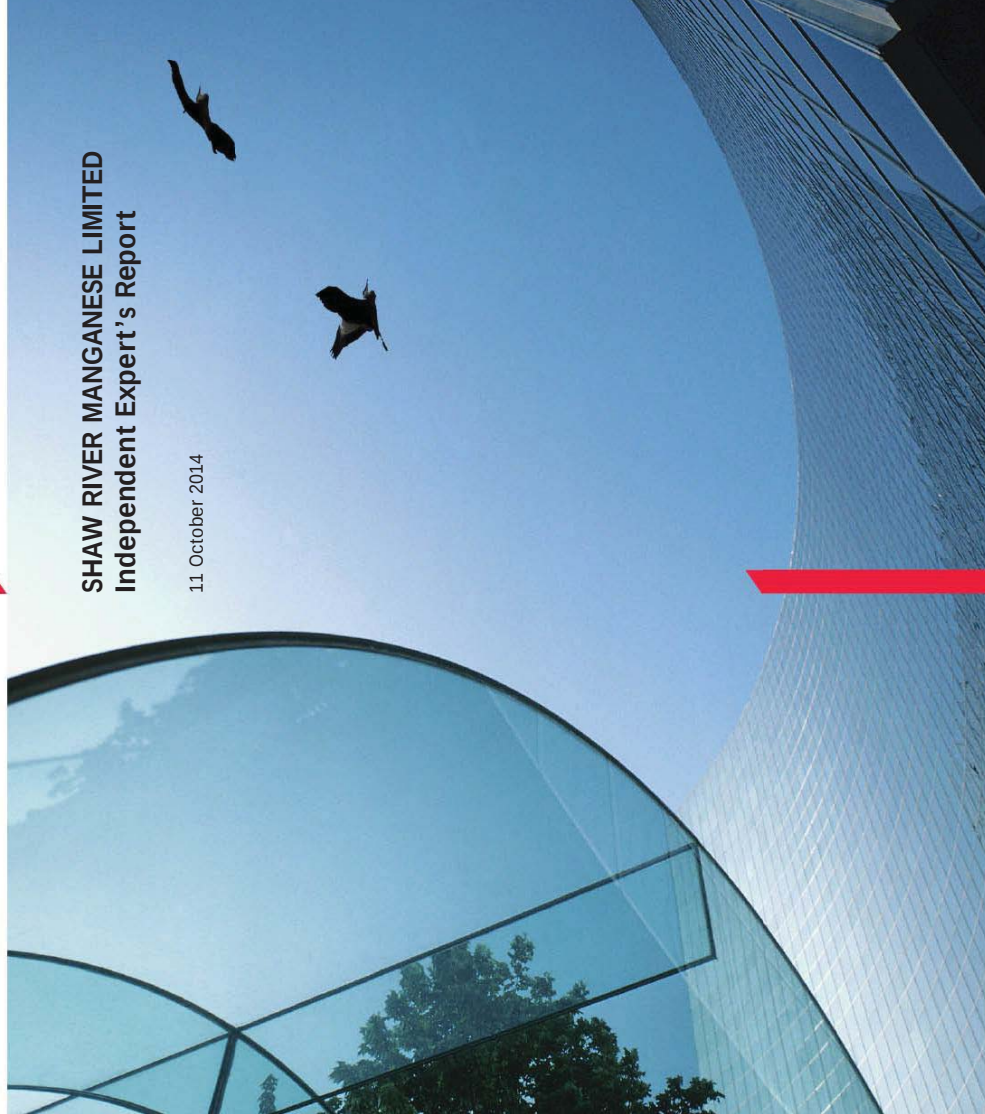
(B) **material agreement:** a party to a material agreement:

(1) is or becomes entitled to terminate or rescind the material agreement; or

(2) fails to comply with any material obligation under it or a default (however described) occurs under it; or

(C) **investigation:** a person is appointed under any applicable law to investigate any part of the affairs of the Company or any other member of the Group and the investigation has, or is likely to have, a material adverse effect.

(xxix) **analogous events:** anything analogous to any of the events described in paragraphs (l) – (s) and (v) – (x) happens under the laws of any other applicable jurisdiction.



SHAW RIVER MANGANEZE LIMITED Independent Expert's Report

11 October 2014

Financial Services Guide

11 October 2014

BDO Corporate Finance (WA) Pty Ltd ABN 27 124 031 045 ('we' or 'us' or 'ours' as appropriate) has been engaged by Shaw River Manganeze Limited ('SRR') to provide an independent expert's report on the proposal to issue shares to Bryve Resources Pty Ltd ('Bryve') under two separate secured loan facilities with SRR (collectively, the **Bryve Facilities**). Additionally, our report will address the sale of SRR securities currently held by Atlas Iron Limited ('AGO') to Bryve ('**Sale of Securities**'). You will be provided with a copy of our report because you are a shareholder of SRR.

Financial Services Guide

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

This FSG includes information about:

- ◆ Who we are and how we can be contacted;
- ◆ The services we are authorised to provide under our Australian Financial Services Licence, Licence No. 316158;
- ◆ Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- ◆ Any relevant associations or relationships we have; and
- ◆ Our internal and external complaints handling procedures and how you may access them.

Information about us

BDO Corporate Finance (WA) Pty Ltd is a member firm of the BDO network in Australia, a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International). The financial product advice in our report is provided by BDO Corporate Finance (WA) Pty Ltd and not by BDO or its related entities. BDO and its related entities provide services primarily in the areas of audit, tax, consulting and financial advisory services.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business.

Financial services we are licensed to provide

We hold an Australian Financial Services Licence that authorises us to provide general financial product advice for securities to retail and wholesale SRRs.

When we provide the authorised financial services we are engaged to provide expert reports in connection with the financial product of another person. Our reports indicate who has engaged us and the nature of the report we have been engaged to provide. When we provide the authorised services we are not acting for you.

General Financial Product Advice

We only provide general financial product advice, not personal financial product advice. Our report does not take into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice.

Fees, commissions and other benefits that we may receive

We charge fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees are agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. The fee payable to BDO Corporate Finance (WA) Pty Ltd for this engagement is approximately \$30,000.

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

Remuneration or other benefits received by our employees

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report. We have received a fee from SRR for our professional services in providing this report. That fee is not linked in any way with our opinion as expressed in this report.

Referrals

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

Complaints resolution*Internal complaints resolution process*

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing addressed to The Complaints Officer, BDO Corporate Finance (WA) Pty Ltd, PO Box 700 West Perth WA 6872.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than **45 days** after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service ('FOS'). FOS is an independent organisation that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial service industry. FOS will be able to advise you as to whether or not they can be of assistance in this matter. Our FOS Membership Number is 12561. Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly via the details set out below.

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001
Toll free: 1300 78 08 08
Facsimile: (03) 9613 6399
Email: info@fos.org.au

Contact details

You may contact us using the details set out on page 1 of the accompanying report.

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Appendix 1 – Glossary

Appendix 2 – Valuation Methodologies

Appendix 3 - Independent Valuation Report prepared by Agrícola Mining Consultants Pty Ltd

11 October 2014

The Directors
Shaw River Manganese Limited
205 Hay Street, WEST PERTH,
WA, AUSTRALIA, 6005

Dear Directors

INDEPENDENT EXPERT'S REPORT

1. Introduction

On 13 August 2014, Shaw River Manganese Limited ('SRR' or 'the Company') announced that it had entered into two separate loan facilities with Bryve Resources Pty Ltd ('Bryve'). The first is a \$2 million convertible loan facility ('Facility One') with the second being a working capital facility with draw down capacity of up to \$6 million and accrued interest convertible into shares ('Facility Two'). Facility One and Facility Two are collectively referred to as ('the Bryve Facilities').

A condition precedent to draw down under the Bryve Facilities is the execution of a share sale agreement ('SSA'), pursuant to which, subject to shareholder approval, Atlas Iron Limited ('AGO') granted Bryve an option to acquire approximately 395.3 million SRR shares ('Sale of Securities'). The issue of shares under the Bryve Facilities and the grant and exercise of the option under the SSA are collectively referred to as ('the Proposal').

The proposed transfer and issue of shares to Bryve under the Proposal will result in Bryve holding in excess of 20% of the issued capital of SRR. The Proposal is subject to shareholders' approval which is to be sought under item 7 of section 611 of the Corporations Act 2001(Cth) ('the Act').

2. Summary and Opinion

2.1 Purpose of the report

The directors of SRR have requested that BDO Corporate Finance (WA) Pty Ltd ('BDO') prepare an independent expert's report ('our Report') to express an opinion as to whether or not the issue of shares under the Bryve Facilities is fair and reasonable to non associated SRR shareholders ('Shareholders').

BDO has also been requested to provide a separate opinion as to whether the advantages of the grant and exercise of the option to Bryve under the Sale of Securities outweigh the disadvantages to Shareholders.

Our Report is prepared pursuant to Item 7 of section 611 of the Act and is to be included in the Notice of Meeting for SRR in order to assist the Shareholders in their decision whether to approve the Proposal.

2.2 Approach

Our Report has been prepared having regard to Australian Securities and Investments Commission ('ASIC') Regulatory Guide 74 'Acquisitions Approved by Members' ('RG 74'), Regulatory Guide 111 'Content of Expert's Reports' ('RG 111') and Regulatory Guide 112 'Independence of Experts' ('RG 112').

In arriving at our opinion, we have assessed the terms of the Proposal as outlined in the body of this report.

Issue of shares under the Bryve Facilities

For the issue of shares under the Bryve Facilities we have considered:

- How the value of an SRR share prior to the issue of shares under the Bryve Facilities on a control basis compares to the value of a SRR share following the issue of shares under the Bryve Facilities on a minority basis;
- The likelihood of a superior alternative offer being available to SRR;
- Other factors which we consider to be relevant to the Shareholders in their assessment of the issue of shares under the Bryve Facilities; and
- The position of Shareholders should the issue of shares under the Bryve Facilities not proceed.

Grant and Exercise of the Option under the Sale of Securities

For the grant and exercise of the option under the Sale of Securities we have considered:

- Whether a premium for control is being offered in relation to the transfer of SRR shares and whether this is appropriate;
- How the advantages of the grant and exercise of the option under the Sale of Securities compare to the disadvantages; and
- Other factors which we consider to be relevant to the Shareholders in their assessment.

2.3 Opinion

Issue of shares under the Bryve Facilities

We have considered the terms of the proposed issue of shares under the Bryve Facilities as outlined in the body of this report and have concluded that, in the absence of a superior offer, the issue of shares under the Bryve Facilities is fair and reasonable to Shareholders.

We have assessed the issue of shares under the Bryve Facilities as being fair because the value of an SRR share on a minority interest basis following the issue of shares under the Bryve Facilities is higher than the value of an SRR share on a control basis prior to the issue of shares under the Bryve Facilities.

Grant and Exercise of the Option under the Sale of Securities

We have considered the terms of the proposed grant and exercise of the option under the Sale of Securities as outlined in Section 13 of this report and have concluded that, in the absence of a superior offer the advantages outweigh the disadvantages to Shareholders. Our key consideration in this respect is that if the issue of shares under the Bryve Facilities are approved, then Bryve are offering superior future funding and increased opportunity to develop the Otjozondu Project.

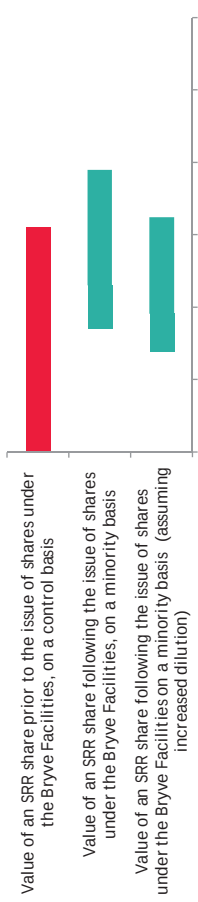
2.4 Fairness

The assessment of fairness only applies to the issue of shares under the Bryve Facilities. In section 12 we determined that the value of an SRR share on a minority basis following the issue of shares under the Bryve Facilities is greater than the value of an SRR share on a controlling basis prior to the issue of shares under the Bryve Facilities. This is set out below

Ref	Low Cents	Preferred Cents	High Cents
10.3	0.00	0.00	0.31
11.1	0.17	0.23	0.39
11.2	0.14	0.19	0.32

source: BDO analysis

The above valuation ranges are graphically presented below:



We note from the table above that the value of an SRR share on a minority interest following the issue of shares under the Bryve Facilities is greater than the value of an SRR share prior the issue of shares under the Bryve Facilities on a controlling basis. Therefore, we consider that the issue of shares under the Bryve Facilities is fair.

2.5 Reasonableness

We have considered the analysis in section 13 of this report, in terms of both:

- advantages and disadvantages of the Proposal; and
- other considerations, including the position of Shareholders if the Proposal does not proceed and the consequences of not approving the Proposal.

In our opinion, the position of Shareholders if the Proposal is approved is more advantageous than the position if the Proposal is not approved. Accordingly, in the absence of any other relevant information, we believe that the issue of shares under the Bryve Facilities is reasonable for Shareholders. Additionally,

in the absence of any other relevant information, we believe that the grant and exercise of the Option under the Sale of Securities is reasonable for Shareholders.

The respective advantages and disadvantages considered are summarised below:

ADVANTAGES AND DISADVANTAGES			
Issue of shares under the Bryve Facilities			
13.3	The issue of shares under the Bryve Facilities is fair	13.4	Dilution of existing shareholders' interests
13.3	Conversion will put the Company under less cash flow strain		
13.3	The ability of SRR to raise additional funds may increase		
13.3	Access to Funds		
Grant and exercise of the Option under the Sale of Securities			
13.5	Benefits of Bryve as a major shareholder ahead of AGO	13.6	Dilution of existing shareholders' interests

Other key matters we have considered include:

Section	Description
13.1	Alternative Proposals
13.2	Consequences of not approving the Proposal
13.7	A premium for control is being paid to AGO
13.8	Opportunity of receiving future takeover bid

3. Scope of the Report

3.1 Purpose of the Report

Issue of shares under the Bryve Facilities

Section 606 of the Act expressly prohibits the acquisition of shares by a party if that acquisition will result in that person (or someone else) holding an interest in 20% or more of the issued shares of a public company, unless a full takeover offer is made to all shareholders.

Section 61.1 permits such an acquisition if the shareholders of that entity have agreed to the issue of such shares. This agreement must be by resolution passed at a general meeting at which no votes are cast in favour of the resolution by any party who is associated with the party acquiring the shares, or by the party acquiring the shares. Section 61.1 states that shareholders of the company must be given all information that is material to the decision on how to vote at the meeting.

RG 74 states that the obligation to supply shareholders with all information that is material can be satisfied by the non-associated directors of SRR, by either:

- undertaking a detailed examination of the Proposal themselves, if they consider that they have sufficient expertise; or
- by commissioning an Independent Expert's Report.

The directors of SRR have commissioned this Independent Expert's Report to satisfy this obligation.

Grant and Exercise of the Option under the Sale of Securities

Item 7 Section 61.1 envisages under a sale of securities that Shareholders need to assess whether they are foregoing:

- the opportunity of receiving a takeover bid; and
- share in any premium for control.

RG 111.41 states that the expert should identify the advantages and disadvantages of the proposal to Shareholders. In contrast with the analysis for an issue of shares approved under item 7 s61.1, the expert should provide an opinion on whether the advantages outweigh the disadvantages to Shareholders.

3.2 Regulatory guidance

Issue of shares under the Bryve Facilities

Neither the Listing Rules nor the Act defines the meaning of 'fair and reasonable'. In determining whether the issue of shares under the Bryve Facilities is fair and reasonable, we have had regard to the views expressed by ASIC in RG 111. This regulatory guide provides guidance as to what matters an independent expert should consider to assist security holders to make informed decisions about transactions.

This regulatory guide suggests that where the transaction is a control transaction, the expert should focus on the substance of the control transaction rather than the legal mechanism to affect it. RG 111 suggests that where a transaction is a control transaction, it should be analysed on a basis consistent with a takeover bid.

In our opinion, the issue of shares under the Bryve Facilities is a control transaction as defined by RG 111 and we have therefore assessed the issue of shares under the Bryve Facilities as a control transaction to consider whether, in our opinion, it is fair and reasonable to Shareholders.

Grant and Exercise of the Option under the Sale of Securities

In determining whether the advantages of the grant and exercise of the Option under the Sale of Securities outweigh the disadvantages, we have had regard to the views expressed by ASIC in RG 111. This Regulatory Guide suggests that an opinion as to whether the advantages of a transaction outweigh the disadvantages should focus on the purpose and outcome of the transaction, that is, the substance of the transaction rather than the legal mechanism to affect it.

RG 111 suggests that an expert should assess whether a premium for control will be provided to the vendor of any shares. The greater any premium for control then the greater the advantages of undertaking the transaction must be to non-associated shareholders.

RG 111 sets out that the expert should inquire whether further transactions are planned between the entity, the vendor or their associates and if any are contemplated determine if these are at arm's length. RG 111 also suggests that an expert should consider whether the transaction will deter the making of a takeover bid.

3.3 Adopted basis of evaluation

Issue of shares under the Bryve Facilities

RG 111 states that a transaction is fair if the value of the offer price or consideration is greater than the value of the securities subject of the offer. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length. When considering the value of the securities subject of the offer in a control transaction the expert should consider this value inclusive of a control premium. Further to this, RG 111 states that a transaction is reasonable if it is fair. It might also be reasonable if despite being 'not fair' the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid.

Having regard to the above, BDO has completed this comparison in two parts:

- A comparison between value of a SRR share on a control basis prior to the issue of shares under the Bryve Facilities and the value of a SRR share on a minority basis following the issue of shares under the Bryve Facilities (fairness – see Section 12 'Is the issue of shares under the Bryve Facilities Fair?'); and
- An investigation into other significant factors to which Shareholders might give consideration, prior to approving the resolution, after reference to the value derived above (reasonableness – see Section 13 'Is the Proposal Reasonable?').

Grant and Exercise of the Option under the Sale of Securities

RG 111 suggests that the main purpose of an independent expert's report is to adequately deal with the concerns that could reasonably be anticipated of those persons affected by the transaction.

Having regard to RG 111, we have completed our Report as follows:

- An investigation into the advantages and disadvantages of the Grant and Exercise of the Option (Sections 13);
- An analysis of any premium for control received by AGO for the Grant and Exercise of the Option (Section 13); and
- An analysis of any other issues that could be reasonably anticipated to concern Shareholders as a result of the Proposal (Section 13).

We note the proposed grant and exercise of the Option under the Sale of Securities does not require an assessment of fairness to be undertaken.

This assignment is a Valuation Engagement as defined by Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services' ('APES 225').

A Valuation Engagement is defined by APES 225 as follows:

'an Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.'

This Valuation Engagement has been undertaken in accordance with the requirements set out in APES 225.

4. Outline of the Proposal

On 13 August 2014 the Company announced the following, which collectively make up the Proposal:

- As part of the Sale of Securities AGO and Bryve entered into the SSA under which, subject to shareholder approval Bryve is granted an option to acquire AGO's existing SRR shares (Resolution 1 per the Notice of Meeting ('**NOM**'));
- the Company and Bryve also entered into the Bryve Facilities. The issue of shares under the Bryve Facilities is the subject of Resolution 2 and 3 per the NOM; and
- the Company and AGO entered into a deed of amendment, which amended the existing terms of the AGO facility ('**Deed of Amendment**').

4.1 The Grant and Exercise of the Option under the Sale of Securities

Pursuant to the Sale of Securities, AGO agreed:

- to transfer 87,500,000 shares to Bryve, representing 9.69% of the Company's issued share capital ('**Sale Shares**'); and
- to grant Bryve a six month option to acquire 395,308,183 shares representing a further 43.76% of the Company's issued share capital ('**Option**').

The Sale Shares were transferred to Bryve on 13 August 2014 and as such approval is required only for the additional Option shares to be transferred to Bryve if the Option is granted and exercised.

The key terms of the Option are as follows:

- at any time during the six month period commencing on 13 August 2014 ('**Option Exercise Period**') Bryve has the right to exercise the Option by providing an Option exercise notice to AGO in relation to all (but not some) of the underlying shares to the Option; and
- the purchase price is 0.35¢ per share.

4.2 Issue of shares under the Bryve Facilities

Pursuant to the terms of the Bryve Facilities, the funds are to be provided in two separate tranches:

- **Facility One:** an amount up to \$2,000,000, being a convertible loan facility; and
- **Facility Two:** an amount up to \$6,000,000, being a contingent working capital facility, with only accrued interest convertible. The total \$8,000,000 cash receivable under the Bryve Facilities is referred to as the ('**Funds**').

Drawdown of Facility One and Facility Two are subject to a number of conditions precedent:

- Facility One: requires consent from Bryve when amounts owed increase from below to above \$1.4 million, such consent can be given or refused at the complete discretion of Bryve.
- Facility Two: is conditional upon:
 - Shareholder approval of Resolutions 1,2 and 3 of the NOM;
 - Additional security being granted over certain SRR assets; and
 - Completion of accounting, legal and financial due diligence of the Company to the satisfaction of Bryve.

For further details regarding conditions precedent under the Bryve Facilities refer to the NOM.

Up to 40% of the free cash flow generated from the Otjozondou Manganese Project in Namibia ('**Otjozondou Project**') will be used to repay Facility One and Facility Two, with the \$4,950,000 currently owed to AGO to be repaid as a priority ahead of any repayments of the Funds.

Term of the Bryve Facilities

The expiry of the Bryve Facilities is five years from 13 August 2014.

Conversion Rights

Subject to Shareholder approval, the \$2 million principal amount and any accrued interest associated with Facility One, at the election of Bryve, is capable of being converted into shares at a price of 1¢ per share ('**Conversion Rights**').

Interest Shares

The Company may also, with the consent of Bryve, elect to satisfy any accrued interest in respect of Facility Two by issuing Shares to Bryve ('**Interest Shares**').

If Bryve consents to being issued the Interest Shares, the Company must issue to Bryve (or its nominee) the number of shares equal in value to the interest due based on the volume weighted average price ('**VWAP**') of shares on the ASX over the 30 trading days immediately preceding the interest payment date.

Purpose of the Funds

The Funds will be used to enable the Company to undertake an in-fill drill programme, conduct further metallurgical test work and develop a bulk sample for jig test trials over the coming months for the 100% owned Otjozondou Project.

The Funds will provide working capital to enable the Company to rapidly progress the development of the Otjozondou Project.

We have considered potential dilution scenarios in Section 4.3, assuming Shareholder approval is obtained.

4.3 Shareholding of SRR following the Proposal

Scenario 1

The following table shows the maximum number of shares that may be issued to Bryve following the approval of the Proposal. If the Proposal is approved and Bryve elects to convert the \$2 million principal amount and accrued interest under Facility One at 1¢, draw down the full \$6 million under Facility Two and convert all accrued interest payable into shares, assuming the current 30 day VWAP of 1.3¢, Bryve's voting power in the Company may increase from 9.9% up to 72.7% while existing Shareholders' interests may be diluted from 46.33% down to 27.30%.

Scenario 1				
	AGO	Bryve	Other Shareholders	Total
Existing shareholding				
Issued shares as at the date of our Report	395,308,183	89,472,500	418,534,923	903,315,606
% holdings as at the date of our Report	43.76%	9.90%	46.33%	100.00%
Additional shares issued the Proposal				
<u>Sale of Securities</u>				
Transfer of SRR shares held by AGO to Bryve	(395,308,183)	395,308,183	-	-
<u>Bryve Facilities</u>				
Shares issued in lieu of principal on Facility One	-	200,000,000	-	200,000,000
Shares issued in lieu of interest Facility One	-	129,902,344	-	129,902,344
Shares issued in lieu of interest Facility Two	-	299,774,639	-	299,774,639
Total shares issued under the Bryve Facilities	(395,308,183)	1,024,985,166	-	629,676,983
Maximum number of new shares issued and transferred following the Proposal	(395,308,183)	1,024,985,166	-	629,676,983
Total number of shares outstanding following the Proposal	-	1,114,457,666	418,534,923	1,532,992,589
% holdings following the Proposal	0.00%	72.70%	27.30%	100.00%

Scenario 2

The conversion assumptions are the same as Scenario 1, except we assume the conversion price of accrued interest under Facility Two is 0.65¢, being a 50% discount to the current 30 day VWAP. Bryve's voting power in the Company may increase from 9.9% up to 77.16% while existing Shareholders' interests may be diluted from 46.33% down to 22.84%.

Scenario 2				
	AGO	Bryve	Other Shareholders	Total
Existing shareholding				
Issued shares as at the date of our Report	395,308,183	89,472,500	418,534,923	903,315,606
% holdings as at the date of our Report	43.76%	9.90%	46.33%	100.00%
Additional shares issued the Proposal				
<u>Sale of Securities</u>				
Transfer of SRR shares held by AGO to Bryve	(395,308,183)	395,308,183	-	-
<u>Bryve Facilities</u>				
Shares issued in lieu of principal on Facility One	-	200,000,000	-	200,000,000
Shares issued in lieu of interest Facility One	-	129,902,344	-	129,902,344
Shares issued in lieu of interest Facility Two	-	599,549,277	-	599,549,277
Total shares issued under the Bryve Facilities	(395,308,183)	1,324,759,804	-	929,451,621
Maximum number of new shares issued and transferred following the Proposal	(395,308,183)	1,324,759,804	-	929,451,621
Total number of shares outstanding following the Proposal	-	1,414,232,304	418,534,923	1,832,767,227
% holdings following the Proposal	0.00%	77.16%	22.84%	100.00%

5. Profile of SRR

5.1 History

SRR, formerly known as Shaw River Resources Limited was incorporated on 8 September 2006 and listed on the ASX on 22 December 2006. The Company is focused on the exploration for manganese in Namibia and Ghana. The current directors and senior management of SRR comprise of:

- Mr Michael Walters, Chairman;
- Mr Peter Cunningham, Managing Director;
- Mr Jeremy Sinclair, Non executive Director; and
- Mr Pierre Malherbe, Company Secretary.

On 15 May 2014, the Company announced the completion of a share sale and settlement agreement to purchase the remaining 12.8% of Otjozondou Mining Pty Limited ('OM') from Oreport Holdings Limited ('Oreport'), resulting in the Company holding a 100% interest in the Otjozondou Project. Under the terms of the share sale and settlement agreement, the Company paid Oreport approximately \$0.95 million and were transferred loans totalling approximately \$3.1 million.

Set out below is a brief description of the Company's current projects:

Otjozondou Project

The Otjozondou Project is located 150 km north-east of the Namibian capital city of Windhoek. The project area covers over 1,367km² and lies in a historical manganese field with production totalling approximately 550,000 tonnes of manganese since the 1950's. Recent production at the Otjozondou Project was by way of shallow, free dig and drill and blast surface mining methods. The Otjozondou Project has access to public road and rail infrastructure from the mine to the Port of Walvis which is located 550 km to the west.

During 2012, the Company completed a 12,000m drilling program covering eleven existing and new resources areas. Following the drilling program, the Company announced an increase in the Inferred and Indicated resource from 10.7Mt to 17.0Mt, representing an increase of 59% in tonnage.

During 2013, SRR commenced the Otjozondou Project Start-up Production Plan ('SPP') with the aim to identify a low capital, staged, development option to commence operations.

Baramine Project (70% interest)

The Baramine project consists of two tenements located 280km east of the port of Port Hedland. In the Company's financial report for the year ended 30 June 2014 it was disclosed the SRR relinquished its Baramine tenements, in line with its divestment plans.

Butre Project (90% Interest)

The Butre project is located 200km west of the capital of Accra, Republic of Ghana and is strategically placed 30km on sealed roads from bulk port of Takoradi. The Company has completed a 24 hole, 943m aircore drilling program which identified manganese mineralisation at Jimra Bepo over an initial strike length of approximately 400m.

In the Company's financial report for the year ended 30 June 2014 it was stated that minimal expenditure was incurred in the period to progress the project with the focus being on the Otjozondou Project.

Full details of the Company's projects may be found in Appendix 3.

5.2 Historical Balance Sheet

Statement of Financial Position	Audited as at 30-Jun-14 \$'000	Audited as at 30-Jun-13 \$'000	Audited as at 30-Jun-12 \$'000
CURRENT ASSETS			
Cash and cash equivalents	331	922	1,171
Other financial assets	55	2,196	2,449
Receivables	158	1,165	1,191
Prepayments	22	19	24
Assets held for sale	173	176	-
TOTAL CURRENT ASSETS	739	4,478	4,835
NON-CURRENT ASSETS			
Property, plant and equipment	259	648	1,428
Exploration and evaluation assets	12,993	27,724	30,921
Equity accounted investee	384	666	-
TOTAL NON-CURRENT ASSETS	13,636	29,038	32,349
TOTAL ASSETS	14,375	33,516	37,184
CURRENT LIABILITIES			
Income tax payable	-	-	114
Trade payables and accruals	364	561	2,095
Bank overdraft	-	2,707	2,545
Provisions	173	1,076	173
Borrowings	5,235	2,594	3,063
Other financial liabilities	-	-	168
TOTAL CURRENT LIABILITIES	5,772	6,938	8,158
NON-CURRENT LIABILITIES			
Provisions	570	600	665
Borrowings	-	1,373	1,138
Deferred tax liabilities	4,872	10,035	10,950
TOTAL NON-CURRENT LIABILITIES	5,442	12,008	12,753
TOTAL LIABILITIES	11,214	18,946	20,911
NET ASSETS	3,161	14,570	16,273
EQUITY			
Issued capital	70,398	70,398	62,717
Reserves	643	1,209	4,417
Accumulated losses	(67,848)	(55,984)	(49,764)
Total parent entity interest	3,193	15,623	17,370
Non-controlling interest	(32)	(1,053)	(1,097)
TOTAL EQUITY	3,161	14,570	16,273

Source: Audited financial statements of SRR for years ended 30 June 2014 and 30 June 2013

The audit report accompanying the audited financial statements for the year ended 30 June 2014 included an emphasis of matter in relation to the Company's ability to continue as a going concern.

Key movements in the statement of financial position are noted below:

- From 30 June 2013 to 30 June 2014 the exploration assets fell from \$27.7 million to \$12.9 million. The fall was due to a \$12.6 million impairment which was based on the deemed recovery through exploitation and or sale of the asset. AGO's recent sale of a 9.69% interest in SRR at 0.35¢ per share provided an indicative net asset value of \$3.16 million, which the Company used to determine the carrying value of the Company's exploration asset.
- The bank overdraft facility provided to Otjozondou Mining (Pty) Ltd by Bank Windhoek Limited in Namibia expired in March 2014 and was not renewed. The overdraft facility was supported by guarantees provided by SRR and Oreport Holdings (Pty) Ltd.
- The current provisions amount fell from \$1.1 million as at 30 June 2013 to \$0.17 million as at 30 June 2014. On 4 September 2013 SRR concluded the settlement of a claim by Eramet S.A. The terms of the settlement resulted in a provision and indemnification asset of \$0.86 million being recognised in the financial statements as at 30 June 2013.
- The deferred tax liability fell from \$10 million to \$4.9 million, in line with the impairment on the exploration assets.
- The \$0.66 million equity accounted investment was acquired in the 2013 financial year and related to a 25.1% stake in Kalamazoo Resources Pty Ltd.

5.3 Historical Statement of Comprehensive Income

Statement of Comprehensive Income	Audited for the year ended 30-Jun-14	Audited for the year ended 30-Jun-13	Audited for the year ended 30-Jun-12
	\$'000	\$'000	\$'000
Revenue			
Other income	1,276	1,445	545
Finance income	82	224	513
Expenses			
Exploration and evaluation expense	(2,250)	(4,994)	(9,425)
Administration expenses	(1,158)	(1,164)	(1,985)
Depreciation expense	(318)	(538)	(1,085)
Employee, Directors and Contractor expense	(933)	(2,329)	(2,994)
Finance expense	(654)	(540)	(703)
Impairment of Goodwill	(12,606)	-	(10,880)
Share of profit/(loss) of equity accounted investee	(282)	(150)	-
Other expenses	(89)	(550)	(647)
Loss before income tax	(16,932)	(8,596)	(26,661)
Income tax benefit/(expense)	4,398	(2)	171
Other comprehensive income	(12,534)	(8,598)	(26,490)
Foreign currency translation differences- Foreign Operations	(1,070)	(1,133)	(4,029)
Total comprehensive loss for the year	(13,604)	(9,731)	(30,519)

Source: Audited financial statements of SRR for years ended 30 June 2014 and 30 June 2013

Key movements in the statement of comprehensive income are noted below:

- The increase in other income for the year ended 30 June 2013 related primarily to a \$0.53 million initial gain on the acquisition of the Kalamazoo Resources Pty Ltd shares in exchange for tenements.
- The impairment charge for the year ended 30 June 2014 related to previously capitalised costs on the Otjozondou Project. This impairment led to a reduction in the deferred tax liability, resulting in a \$4.39 million tax benefit being recorded in other comprehensive income.

5.4 Capital Structure

The share structure of SRR as at 29 August 2014 is outlined below:

	Number
Total ordinary shares on issue	903,315,606
Top 20 shareholders	536,529,405
Top 20 shareholders - % of shares on issue	59.40%

Source: Share Registry Statement

The range of shares held in SRR as at 29 August 2014 is as follows:

Range of Shares Held	Number of Ordinary Shareholders	Number of Ordinary Shares	Percentage of Issued Shares (%)
1 - 1,000	61	3,123	0.00%
1,001 - 5,000	155	543,910	0.06%
5,001 - 10,000	191	1,678,421	0.19%
10,001 - 100,000	719	32,251,321	3.57%
100,001 - and over	495	868,838,831	96.18%
TOTAL	1,621	903,315,606	100.00%

Source: Share Registry Statement

The ordinary shares held by the most significant shareholders as at 29 August 2014 are detailed below:

Name	Number of Ordinary Shares Held	Percentage of Issued Shares (%)
Atlas Iron Ltd	395,308,183	43.76%
Bryve Resources Pty Ltd	87,500,000	9.69%
OM Holdings Limited	36,236,816	4.01%
Raydale Holdings Pty Ltd	23,500,000	2.60%
Subtotal	542,544,999	60.06%
Others	360,770,607	39.94%
Total ordinary shares on issue	903,315,606	100.00%

Source: Share Registry Statement

Current Options on Issue			Number issued ('000)	Exercise price	Expiry
Issue of Employee, Director and Contractors Options			500	0.345	02-Dec-14
Issue of Employee, Director and Contractor's Options			500	0.203	30-Nov-15
Issue of Employee, Director and Contractor's Options			250	0.210	15-Dec-15
Issue of Employee, Director and Contractor's Options			45,000	0.200	10-Feb-16
Issue of Employee, Director and Contractor's Options			500	0.320	31-Mar-16
Issue of Employee, Director and Contractor's Options			500	0.320	13-Jun-16
Issue of Employee, Director and Contractor's Options			1,500	0.300	31-May-16
Issue of Employee, Director and Contractor's Options			1,500	0.100	31-Jan-17
Issue of Employee, Director and Contractor's Options			1,800	0.120	31-Jan-17
Issue of Employee, Director and Contractor's Options			1,500	0.130	31-Jan-17
Issue of Employee, Director and Contractor's Options			100	0.062	17-May-17
Issue of Employee, Director and Contractor's Options			5,583	0.020	14-Sep-17
Issue of Employee, Director and Contractor's Options			4,667	0.030	14-Sep-17
Issue of Employee, Director and Contractor's Options			14,666	0.024	26-Nov-17
Issue of Employee, Director and Contractor's Options			14,667	0.028	26-Nov-17
Issue of Employee, Director and Contractor's Options			14,667	0.032	26-Nov-17
Issue of Employee, Director and Contractor's Options			1,666	0.011	04-Jun-18
Issue of Employee, Director and Contractor's Options			1,667	0.013	04-Jun-18
Issue of Employee, Director and Contractor's Options			1,667	0.014	04-Jun-18
Total Options on Issue			112,900		

We note that based on the pre announcement QMP analysis performed in section 10.2, none of the above options are considered to be in the money and have therefore not been included in any dilutionary scenarios.

6. Profile of Bryve

6.1 History

Bryve was incorporated on 11 August 2014 and is based in South Perth, Western Australia.

The current director and senior management of Bryve comprise of:

- Mr Brent Stanton, Director; and
- Ms Yvette Fernandez, Company secretary.

Bryve is a proprietary company limited by shares. Bryve has 1,000 fully paid ordinary shares on issue, with a face value of \$1 per share. Brent Stanton the sole shareholder has experience and knowledge in transportation logistics, particularly mining and haulage equipment.

Mr Stanton, until recently, owned and operated two private companies that specialised in bulk haulage of manganese ore within the Pilbara region of Western Australia. He purchased the first of those companies, Highrock Contracting Pty Ltd ('Highrock'), in 2006 and developed it from a small haulage company contracting to move 8% of Consolidated Minerals manganese ore to port at Port Hedland, to managing 100% of their export material. The second company, Oztran Australia Pty Ltd ('Oztran') was established to improve and control contracts and asset management.

Prior to entering the Australian business Mr Stanton was contracted to one of the largest agricultural development company in southern Africa. Mr Stanton was contracted on a Zambia project that was sponsored by the British Government and involved applying heavy earthmoving equipment and modern methods to establish large scale agricultural enterprises. The contract ran for four years and at its conclusion Mr Stanton utilised the existing fleet, added a haulage component and established a mine haulage and earth moving business in Zambia.

6.2 Financial Information

Bryve was only incorporated on 11 August 2014 hence there are currently no historical audited financial statements available. We sited a Bryve bank statement dated 12 August 2014 with a balance of \$1.6 million dollars. This provides some indication as to Bryve's ability to provide the required Funds. We understand that this has been provided to Bryve by way of a loan. We have not been provided with any other financial information and are unable to confirm whether any further liabilities exist within Bryve.

7. Economic analysis

Growth in the global economy is continuing at a moderate pace. China's growth remains generally in line with policymakers' objectives, with weakening property markets a challenge in the near term. Commodity prices in historical terms remain high, but some of those important to Australia have declined this year. Financial conditions overall remain very accommodative. Long-term interest rates and risk spreads remain very low. Volatility in many financial prices is currently unusually low. Markets appear to be attaching a very low probability to any rise in global interest rates or other adverse event over the period ahead.

In Australia, the most recent survey data indicate gradually improving business conditions and some recovery in household sentiment after a weaker period around midyear, suggesting moderate growth in the economy is occurring. Resources sector investment spending is starting to decline significantly. Investment intentions in some other sectors continue to improve, though these areas of capital spending are expected to see only moderate growth in the near term. Public spending is scheduled to be subdued. Overall, the Bank still expects growth to be a little below trend over the year ahead.

The recorded rate of unemployment has increased recently, despite some improvement in most other indicators for the labour market this year. The Bank's assessment remains that the labour market has a degree of spare capacity and that it will probably be some time yet before unemployment declines consistently. Growth in wages has declined noticeably and is expected to remain relatively modest over the period ahead, which should keep inflation consistent with the target even with lower levels of the exchange rate.

Monetary policy remains accommodative. Interest rates are very low and have continued to edge lower over recent months as competition to lend has increased. Investors continue to look for higher returns in response to low rates on safe instruments. Credit growth has picked up a little, including most recently to businesses. The increase in dwelling prices continues. The exchange rate, on the other hand, remains above most estimates of its fundamental value, particularly given the declines in key commodity prices. It is offering less assistance than would normally be expected in achieving balanced growth in the economy.

Looking ahead, continued accommodative monetary policy should provide support to demand and help growth to strengthen over time. Inflation is expected to be consistent with the 2-3 per cent target over the next two years.

Source: www.rba.gov.au Statement by Glenn Stevens, Governor: Monetary Policy Decision 2 September 2014.

8. Industry analysis

8.1 Overview

Manganese ore is the twelfth most abundant element in the Earth's crust and is mined through open-cut mining methods. It is the fourth most used metal in terms of tonnage after iron, aluminium and copper with 90% of all manganese used in iron smelting and steel manufacturing processes. The majority of the manganese ore used by the steel industry is processed into suitable metallic alloy forms.

There are three main categories of manganese alloy exports:

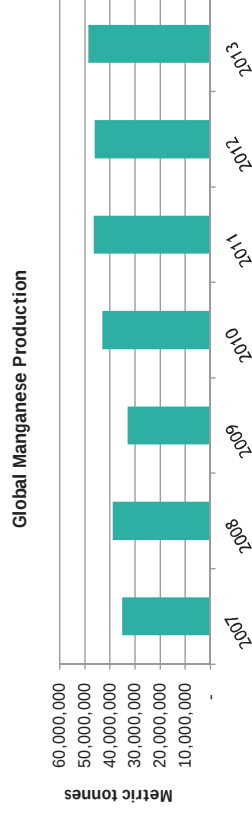
- Ferromanganese (FeMn HC): high carbon manganese consisting of 76-80% manganese, 12-15% iron, and up to 7% carbon.
- Silico-manganese (SiMn): a medium to low carbon manganese and consist of 65-68% manganese, 14-16% silicon and 1.5-2% carbon.
- Refined Ferromanganese (Fe Mn Ref): a low carbon ferromanganese consisting of 76-80%, and up to 0.5-1% carbon.

Due to its sulphur fixing, deoxidising and alloying properties, manganese is essential to iron and steel making. As a result, demand for manganese and its price are influenced by the steel market.

8.2 Reserves

Manganese ore is irregularly distributed, with the majority of manganese ore deposits located in the southern hemisphere. South Africa is the world's largest supplier of manganese ore, supplying over 90% of the international market. Following behind South Africa, are Australia, Brazil and Gabon. Historically, Ghana and India were both large suppliers; however were limited to low or medium grade manganese ore.

8.3 Production



Source: Bloomberg

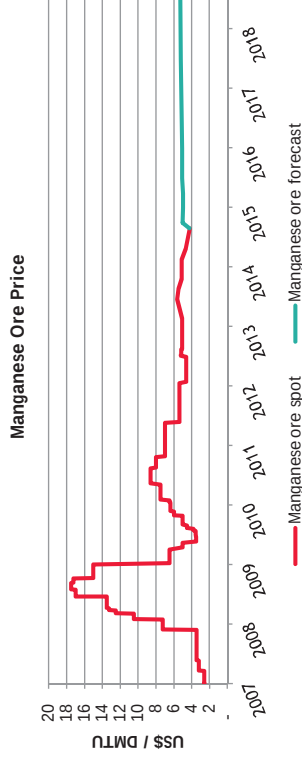
Around 90% of manganese production is used in manufacturing steel, and therefore manganese demand is strongly influenced by global steel production. This is evident in the above graph where production of manganese fell in 2009 due to weakened demand for steel in response to the global financial crisis.

In 2010, world production of manganese ore recovered, reaching 43 million tonnes. This was a result of improved global economic conditions, leading to rising global steel production along with increased lower grade ore production from China.

In the last three years, global manganese ore production has remained stable at around 46 million tonnes. In the five years through to 2013, it is estimated that the number of operating mine sites have increased at an annualised rate of 4%.

8.4 Prices

The price of manganese is established by negotiation between buyers and sellers, with the historical price based upon a benchmark ore of 48% to 50% manganese content. The following graph displays the historical manganese prices since 2007 and forecast prices:



Source: Bloomberg and Consensus Economics

As seen in the graph above, manganese ore prices remained high at the beginning of 2008, peaking at approximately \$US17 per metric tonne. The high prices experienced in the early part of 2008 were a result of contract prices being negotiated during periods of strong economic growth.

In 2009, weak economic conditions as a result of the global financial crisis combined with oversupply from Chinese mines saw the price of manganese ore drop to below US\$4 per metric tonne. Furthermore, in 2009, global production of crude steel fell by 8% to 1.2 billion metric tonnes representing the lowest level of output since 2005.

In 2010, the price of manganese recovered as a result of improved economic conditions leading to an increase in the consumption and production of steel globally.

Manganese prices fell between 2011 and 2013 as producers increased manganese output in response to previous years price improvements, combined with a fall in demand from steel producers. The slowdown in steel consumption in China was influenced by a number of drivers including a fall in GDP growth, a tightening of credit policy which resulted in increased borrowing costs for manganese buyers and a drop in China's Purchasing Managers' Index.

8.5 Outlook

The price of manganese fluctuates depending on demand and supply of steel which is impacted by the global economy, with Chinese steel output being the key driver. Manganese prices are expected to continue recovering with modest growth as demand from steel producers rise, and the supply and demand balance tightens.

9. Valuation approach adopted

9.1. Valuation methodology

There are a number of methodologies which can be used to value a business or the shares in a company. The principal methodologies which can be used are as follows:

- Capitalisation of future maintainable earnings ('FME')
- Discounted cash flow ('DCF')
- Quoted market price basis ('QMP')
- Net asset value ('NAV')
- Market based assessment

A summary of each of these methodologies is outlined in Appendix 2.

9.2. Pre issue of shares under the Bryve Facilities valuation methodology

Different methodologies are appropriate in valuing particular companies, based on the individual circumstances of that company and available information. In our assessment of the value of a SRR share we have chosen to employ the NAV and QMP methodologies.

We have chosen these methodologies for the following reasons:

- We do not have reasonable grounds for the use of forward looking financial information to enable the use of discounted cash flow methodology;
- The FME approach is not appropriate as the Company is still in the exploration phase and therefore does not have historical or forecast earnings;
- In the Company's Full Year Report for the twelve months ended 30 June 2014, the Company's auditor included an emphasis of matter regarding the Company's ability to continue operating as a going concern. On this basis we consider the NAV methodology to be an appropriate valuation approach to undertake and have adopted this as our primary valuation approach;
- However, it should be noted that asset based methods ignore the possibility that the entity's value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and internally generated goodwill. This is particularly significant if the growth potential of a company is substantial;
- Alternatively, if the company is making losses and earnings are deteriorating, asset based methods ignore the deteriorating financial performance of a company which may result in the entity's value trading below the realisable value of its assets; and
- The QMP methodology is relevant to consider as SRR's shares are listed on the ASX. This means there is a regulated and observable market where SRR's shares can be traded. However, in order for the QMP methodology to be considered appropriate, the Company's shares should be liquid and the market should be fully informed as to SRR's activities. We have considered these factors in section 10.2 of our Report.

9.3. Post issue of shares under the Bryve Facilities valuation methodology selected

We have considered the NAV of a SRR share following the issue of shares under the Bryve Facilities, whilst considering two dilutionary scenarios following the issue of shares under the Bryve Facilities. The value of a SRR share following the issue of shares under the Bryve Facilities will involve the following items:

- The value of SRR prior to the Proposal;
- Incorporate the effects of the issue of shares under the Bryve Facilities, in the context of SRR's other assets and liabilities on a NAV basis; and

The number of shares on issue will incorporate the shares to be issued upon conversion of the Bryve Facilities, including shares to be issued in lieu of cash for interest payments inclusive of any accrued interest amounts.

As outlined in section 4 of our Report, the conversion price of the principal and accrued interest associated with Facility One is 1¢. Therefore, the number of shares to be issued to satisfy the \$2 million loan principal amount is 200 million and an additional 130 million for accrued interest.

The interest component of Facility Two is convertible at the 30 day VWAP. Therefore, the number of shares issued will be dependent upon future share price movements.

Shareholder approval is being sought for the increased dilutionary scenario; therefore we have also assessed the value of a SRR share following the issue of share under the Bryve Facilities assuming conversion of interest at a 50% discount to the 30 day VWAP of the Company's shares, being 0.65¢ per share.

10. Valuation of SRR prior to the Proposal

10.1 Net Asset Valuation of SRR

The value of SRR's assets on a going concern basis is reflected in our valuation below:

	Note	Audited as at 30-Jun-14 \$('000)	Low value \$('000)	Preferred value \$('000)	High value \$('000)
CURRENT ASSETS					
Cash and cash equivalents		331	331	331	331
Other financial assets		55	55	55	55
Receivables		158	158	158	158
Prepayments		22	22	22	22
Assets held for sale	(a)	173	173	173	173
TOTAL CURRENT ASSETS		739	739	739	739
NON-CURRENT ASSETS					
Property, plant and equipment		259	259	259	259
Exploration and evaluation assets	(b)	12,993	5,900	7,700	12,300
Equity accounted investee		384	384	384	384
TOTAL NON-CURRENT ASSETS		13,636	6,543	8,343	12,943
TOTAL ASSETS		14,375	7,282	9,082	13,682
CURRENT LIABILITIES					
Trade payables and accruals		364	364	364	364
Provisions	(c)	173	72	72	72
Borrowings		5,235	5,235	5,235	5,235
TOTAL CURRENT LIABILITIES		5,772	5,671	5,671	5,671
NON-CURRENT LIABILITIES					
Provisions	(d)	570	570	570	570
Deferred tax liabilities	(b)	4,872	2,212	2,887	4,612
TOTAL NON-CURRENT LIABILITIES		5,442	2,782	3,457	5,182
TOTAL LIABILITIES		11,214	8,453	9,128	10,853
NET ASSETS					
Shares on issue (number)			(1,171)	(46)	2,829
Value per share (cents)			903,315,606	903,315,606	903,315,606
			0.00	0.00	0.31

Source: BDO analysis

We have been advised that there has not been a significant change in the net assets of SRR since 30 June 2014. The table above indicates the net asset value of an SRR share is between 0.00¢ and 0.31¢, with a preferred value of 0.00¢

The following adjustments were made to the net assets of SRR as at 30 June 2014 in arriving at our valuation.

Note a: Assets held for sale

The \$0.173 million carrying value of assets held for sale relates to the Butre Project in Ghana. The carrying value was previously capitalised exploration expenditure that has since been reclassified when SRR announced its intention to potentially divest the asset. We have not instructed Agricola to value the Butre Project as we do not consider it to be material and therefore the carrying value has not been adjusted.

Note b: Exploration expenditure

We instructed Agricola Mining Consultants Pty Ltd ('Agricola') to provide an independent market valuation of the exploration assets held by SRR in accordance with the Code of Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports ('the Valmin Code') and the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ('JORC Code').

Agricola considered a number of different valuation methods when valuing the exploration assets of SRR. The DCF method is not considered to be appropriate given there is no pre-feasibility or feasibility study available and no associated JORC compliant ore reserves. The Geoscientific Rating Method ('GRM') is generally used for exploration ground that is not advanced enough to estimate mineral resources and similarly has limited past expenditure and therefore was not used.

Agricola applied the comparable transaction method, specifically the Average Acquisition Cost ('AAC') method. The method requires allocating a dollar value to the mineral resource in the ground and applying appropriate discounts for JORC category, operating factors and average acquisition cost for mineral projects. This may also apply to well-established zones of mineralisation that have not formally been categorised under the JORC code in certain cases. An additional risk weighting may be appropriate in these circumstances.

The range of values for SRR's exploration asset as calculated by Agricola is set out below:

Note (a) - Exploration expenditure		Low value	Preferred value	High value
Shaw River Manganese Limited		\$m	\$m	\$m
Mineral Asset Valuation				
Otjozundu Deposit Market Value		5.9	7.7	12.3

Source: Agricola Mining Consultants Pty Ltd

Agricola has valued SRR's Otjozundu Project to be in the range from \$5.9 million to \$12.3 million with a preferred value of \$7.7 million.

The full version of Agricola's Technical Expert's Report is attached in Appendix 3.

Deferred tax liabilities

Deferred tax liabilities recognised on the balance sheet relate to future potential taxable profits estimated in relation to the Otjozundu Project based on the carrying value of the asset. Therefore, we have adjusted the deferred tax liability to move in line with value range determined by Agricola. The adjustments to deferred tax liabilities are based on the portion of deferred tax to the carrying value of the asset that was noted in the 30 June 2014 financial statements.

Note c: Provisions

Included in the \$0.173 million carrying value of current provisions is a \$0.101 million amount which relates to an onerous lease for unoccupied space within the SRR rental premise. We have adjusted this amount as we do not consider this liability to be relevant from a fair value point of view.

The carrying value of all other assets and liabilities noted as at 30 June 2014 are consistent with their fair market value.

Note d: Rehabilitation provision

The rehabilitation provision is the estimated present value of any future liability that would need to be incurred for decommissioning of property plant and equipment and site restoration in relation to the Otjozundu Project. We note that the Agricola value derived in note (b) above does not take into account any rehabilitation provision and therefore has remained in the balance sheet as a separate liability.

10.2 Quoted Market Prices for SRR Securities

To provide a comparison to the valuation of SRR in Section 10.1, we have also assessed the quoted market price for an SRR share. The quoted market value of a company's shares is reflective of a minority interest. A minority interest is an interest in a company that is not significant enough for the holder to have an individual influence in the operations and value of that company.

RG 111.11 suggests that when considering the value of a company's shares for the purposes of approval under Item 7 of s611 the expert should consider a premium for control. An acquirer could be expected to pay a premium for control due to the advantages they will receive should they obtain 100% control of another company. These advantages include the following:

- control over decision making and strategic direction;
- access to underlying cash flows;
- control over dividend policies; and
- access to potential tax losses.

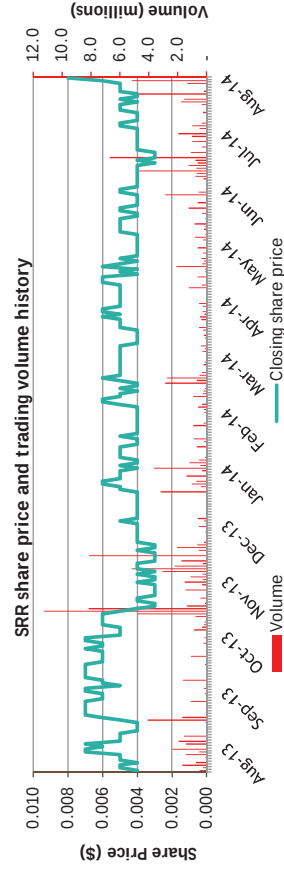
Whilst Bryce will not be obtaining 100% of SRR, RG 111 states that the expert should calculate the value of a target's shares as if 100% control were being obtained. RG 111.13 states that the expert can then consider an acquirer's practical level of control when considering reasonableness. Reasonableness has been considered in Section 13.

Therefore, our calculation of the quoted market price of a SRR share including a premium for control has been prepared in two parts. The first part is to calculate the quoted market price on a minority interest basis. The second part is to add a premium for control to the minority interest value to arrive at a quoted market price value that includes a premium for control.

Minority interest value

Our analysis of the quoted market price of a SRR share is based on the pricing prior to the announcement of the Proposal. This is because the value of an SRR share after the announcement may include the effects of any change in value as a result of the Proposal. However, we have considered the value of an SRR share following the announcement when we have considered reasonableness in Section 13.

Information on the Proposal was announced to the market on 13 August 2014; however SRR's shares had been in a trading halt from 8 August 2014. Therefore, the following chart provides a summary of the share price movement over the 12 months to 8 August 2014 which was the last trading day prior to the announcement.



Source: Bloomberg

The daily price of SRR shares for the twelve months to 8 August 2014 has ranged from a low of \$0.003 on 1 July 2014 to a high of \$0.009 on 8 August 2014. During this period the price of SRR shares have shown a high level of volatile movement. The most significant trading volumes were experienced in the three months between November 2013 and January 2014. The highest single day of trading was on 1 November 2013, where 11,279,042 shares were traded.

During this period a number of announcements were made to the market. The key announcements are set out below:

Date	Announcement	Closing Share Price Following Announcement \$ (movement)	Closing Share Price Three Days After Announcement \$ (movement)
31/07/2014	Quarterly Activities Report	0.004 ▶ 0.0%	0.005 ▶ 25.0%
31/07/2014	Quarterly Cashflow Report	0.004 ▶ 0.0%	0.005 ▶ 25.0%
15/05/2014	Shaw River Becomes 100% Owner of Otjozondou Manganese Project	0.004 ▶ 0.0%	0.005 ▶ 25.0%
1/05/2014	265,000 Tonnes Identified From Otjo Surface Sampling Program	0.006 ▶ 50.0%	0.005 ▶ 16.7%
29/04/2014	Quarterly Activities Report	0.005 ▶ 25.0%	0.005 ▶ 0.0%
29/04/2014	Quarterly Cashflow Report	0.005 ▶ 25.0%	0.005 ▶ 0.0%
4/04/2014	Three More Areas Successfully Tested at Otjo	0.006 ▶ 20.0%	0.006 ▶ 0.0%
31/03/2014	Shaw River to Become 100% Owner of Otjo Project	0.005 ▶ 25.0%	0.005 ▶ 0.0%
12/03/2014	Half Yearly Report and Accounts	0.005 ▶ 0.0%	0.005 ▶ 0.0%
11/03/2014	First Area Successfully Tested in Blasthole Program at Otjo	0.005 ▶ 0.0%	0.005 ▶ 0.0%
26/02/2014	Shaw River Increases Interest in the Otjo Manganese Project	0.005 ▶ 25.0%	0.005 ▶ 0.0%
31/01/2014	Quarterly Activities Report	0.005 ▶ 25%	0.004 ▶ 20%
31/01/2014	Quarterly Cashflow Report	0.005 ▶ 25%	0.004 ▶ 20%
17/12/2013	Namibian Ministry of Mines and Energy Notice Withdrawn	0.004 ▶ 0%	0.004 ▶ 0%
29/11/2013	Amended Announcement - Blast Hole Drilling at Otjozondou	0.003 ▶ 0%	0.003 ▶ 0%
28/11/2013	Blast Hole Drilling Commences at Otjozondou Project, Namibia	0.003 ▶ 0%	0.004 ▶ 33%
22/11/2013	Blast Hole Drilling to Commence at Otjozondou Project	0.004 ▶ 33%	0.003 ▶ 25%
31/10/2013	Quarterly Activities Report	0.005 ▶ 17%	0.003 ▶ 40%
31/10/2013	Quarterly Cashflow Report	0.005 ▶ 17%	0.003 ▶ 40%
30/10/2013	Notice Received from Namibian Ministry of Mines and Energy	0.006 ▶ 0%	0.003 ▶ 50%
28/10/2013	Shaw River Increases Interest in the Otjo Manganese Project	0.006 ▶ 0%	0.005 ▶ 17%
17/10/2013	Annual Report to shareholders	0.007 ▶ 0%	0.005 ▶ 29%
19/09/2013	Additional Manganese Zones Identified at Otjozondou Project	0.007 ▶ 17%	0.006 ▶ 14%
5/09/2013	Shaw River Resolves Eramet Claim	0.006 ▶ 20%	0.007 ▶ 17%

On 5 September 2013, the Company announced that it had reached a settlement in relation to the Eramet Claim. The Eramet claim relates to the SRR's owned subsidiary, OM, receiving a US\$5 million claim from Eramet S.A ('Eramet') in relation to a refund for pre-feasibility works carried out by Eramet pursuant to an option agreement between, among others, OM and Eramet. Work conducted by Eramet was prior to SRR controlling OM. SRR's contribution to the settlement was US\$0.425 million. On the day of the announcement, SRR shares increased by 20% to \$0.006 and continued to increase by 17% to \$0.007 in the three days subsequent.

On 19 September 2013, SRR announced that its exploration program had identified additional manganese zones at its Otjozundu Project. The drilling program identified up to six new target zones at the Waterloo prospect. On the day of the announcement, the Company's shares increased by 17% to \$0.007; however fell by 14% to \$0.006 in the following three days.

On 28 October 2013, the Company announced that OM, a wholly owned subsidiary of SRR, had increased its shareholding in the Otjozundu Project from 75.5% to 84.0%. On the day of the announcement, SRR shares remained unchanged however in the following three days; the share price fell by 17% to \$0.005. Given the seemingly positive nature of the news, we consider this an unexplained price movement.

On 30 October 2013, the Company announced that its subsidiary, OM, had received a notice from the Namibian Minister of Mines and Energy ('MME'). The notice stated that OM may be in breach of its mining license conditions as it has not conducted mining activities on its Mining License 145 for a period of time. On the day of the announcement, the Company's share price remained unchanged at \$0.006, however in the three days subsequent fell by 50% to \$0.003.

On 31 October 2013, the Company released its September Quarterly Activities and Cashflow Report. The Cashflow report outlined the Company's cash at the end of the September quarter had fallen from \$0.264 million to a deficit of \$0.407 million. On the day of the release, the Company's share price fell by 17% to \$0.005 and continued to fall by 40% to \$0.003 in the following three days.

On 22 November 2013, the Company announced the commencement of blast hole drilling and sampling at its Otjozundu Project. On the day of the announcement, the Company's share price increased by 33% to \$0.004, however in the three days subsequent fell by 25% to \$0.003.

On 26 February 2014, the Company announced that its subsidiary, OM, increased its shareholding in the Otjozundu Project from 84.0% to 87.2%. On the day of the announcement, the Company's share price increased by 25% to \$0.005, however remained unchanged in the three days subsequent.

On 31 March 2014, the Company announced that it had entered into a binding term sheet to acquire the remaining 12.8% of OM from its joint venture partner, Oreport, which would result in the Company becoming the 100% owner of the Otjozundu Project. On the day of the announcement, the Company's share price increased by 25% to \$0.005, however remained unchanged in the following three days.

On 4 April 2014, the Company announced that it completed further surface sampling at its Otjozundu Project resulting in the total tonnage of "at surface" manganese bulk sampling to approximately 157,000 tonnes. Furthermore, the Company announced three additional areas were successfully tested for surface sampling. On the day of the announcement, the Company's share price increased by 25% to \$0.005, however remained unchanged in the three days subsequent.

On 1 May 2014, the Company announced that the surface sampling program at its Otjozundu Project identified 265,000 tonnes of manganese. On the day of the announcement, the Company's share price increased by 50% to \$0.006 however fell by 16.7% to \$0.005 in the following three days.

On 15 May 2014, the Company announced the execution of the binding term sheet resulting in the Company owning 100% of the Otjozundu Project. On the day of the announcement, the Company's share price remained unchanged however in the three days subsequent increased by 16.7% to \$0.005.

To provide further analysis of the market prices for an SRR share, we have also considered the weighted average market price for 10, 30, 60 and 90 day periods to 8 August 2014.

Share Price per unit	08-Aug-14	10 Days	30 Days	60 Days	90 Days
Closing price	\$0.008				
Volume weighted average price (VWAP)		\$0.006	\$0.005	\$0.004	\$0.005

Source: Bloomberg, BDO analysis

The above weighted average prices are prior to the date of the announcement of the Proposal to avoid the influence of any increase in price of SRR shares that has occurred since the Proposal was announced.

An analysis of the volume of trading in SRR shares for the twelve months to 8 August 2014 is set out below:

Trading days	Share price low	Share price high	Cumulative volume traded	As a % of Issued capital
1 Day	\$0.006	\$0.009	5,179,443	0.57%
10 Days	\$0.004	\$0.009	15,500,685	1.72%
30 Days	\$0.003	\$0.009	29,764,764	3.30%
60 Days	\$0.003	\$0.009	47,570,860	5.27%
90 Days	\$0.003	\$0.009	55,800,797	6.18%
180 Days	\$0.003	\$0.009	97,521,418	10.80%
1 Year	\$0.003	\$0.009	166,920,564	18.48%

Source: Bloomberg, BDO analysis

This table indicates that SRR's shares display a moderate level of liquidity, with 10.8% of the Company's current issued capital being traded in a six month period. For the quoted market price methodology to be reliable there needs to be a 'deep' market in the shares. RG 111.69 indicates that a 'deep' market should reflect a liquid and active market. We consider the following characteristics to be representative of a deep market:

- Regular trading in a company's securities;
- Approximately 1% of a company's securities are traded on a weekly basis;
- The spread of a company's shares must not be so great that a single minority trade can significantly affect the market capitalisation of a company; and
- There are no significant but unexplained movements in share price.

A company's shares should meet all of the above criteria to be considered 'deep', however, failure of a company's securities to exhibit all of the above characteristics does not necessarily mean that the value of its shares cannot be considered relevant.

In the case of SRR, we do not consider there to be a deep market as there was only 18.48% of SRR's securities traded in the six month period. For the most part however, significant share price movements could be explained by company announcements.

Our assessment is that a range of values for SRR shares based on market pricing, after disregarding post announcement pricing, is between 0.4¢ and 0.8¢, with a midpoint of 0.6¢.

Control Premium

We have reviewed the control premiums paid by acquirers of both general mining and iron ore mining companies listed on the ASX. We have summarised our findings below:

General mining companies

Year	Number of Transactions	Average Deal Value (AU\$m)	Average Control Premium (%)
2014	1	60.31	32.29
2013	15	52.64	59.55
2012	19	135.78	42.67
2011	20	634.68	31.40
2010	22	789.90	46.09
2009	29	86.80	39.23
2008	8	553.76	38.87
	Median	135.78	39.23
	Mean	330.55	41.44

Source: Bloomberg and BDO Analysis

Iron ore mining companies

Year	Number of Transactions	Average Deal Value (AU\$m)	Average Control Premium (%)
2014	0	-	-
2013	0	-	-
2012	1	254.19	62.51
2011	1	120.03	26.97
2010	0	-	-
2009	0	-	-
2008	2	751.74	26.43
	Median	254.19	26.97
	Mean	375.32	38.64

Source: Bloomberg and BDO Analysis

In arriving at an appropriate control premium to apply we note that observed control premiums can vary due to the:

- Nature and magnitude of non-operating assets;
- Nature and magnitude of discretionary expenses;
- Perceived quality of existing management;
- Nature and magnitude of business opportunities not currently being exploited;
- Ability to integrate the acquiree into the acquirer's business;
- Level of pre-announcement speculation of the transaction;
- Level of liquidity in the trade of the acquiree's securities.

The tables above indicate that there has been an increasing trend of control premium paid by acquirers of both general mining and iron ore mining companies since 2008. The long term average of announced control premium paid by acquirers of general mining targets in Australia is in excess of 40%.

While we consider the control premiums paid by acquirers of iron ore companies more appropriate to apply in our valuation of SRR's shares, we note that since 2008, there have been only four control transactions that involved two listed entities in which observable premiums were offered. As a result, we have relied on control premiums paid by acquirers of general mining targets for our analysis.

As the proposed issue of shares to Bryve under the Convertible Loan will result in Bryve holding in excess of 20% of the issued capital of SRR, Bryve should be expected to pay a control premium. Taking into account of the above analysis and the fact that SRR have historically had losses a control premium in excess of 35% is unlikely to be considered appropriate. An appropriate control premium to apply in our valuation of SRR's shares is between 25% and 35%.

Quoted market price including control premium

Applying a control premium to SRR's quoted market share price results in the following quoted market price value including a premium for control:

	Low Cents	Midpoint Cents	High Cents
Quoted market price value	0.4	0.6	0.8
Control premium	25%	30%	35%
Quoted market price valuation including a premium for control	0.50¢	0.78¢	1.08¢

Source: BDO analysis

Therefore, our valuation of an SRR share based on the quoted market price method and including a premium for control is between 0.50¢ and 1.08¢, with a midpoint value of 0.78¢.

10.3 Assessment of SRR Value

The results of the valuations performed are summarised in the table below:

	Low Cents	Preferred Cents	High Cents
Net assets value (Section 10.1)	0.00	0.00	0.31
ASX market prices (Section 10.2)	0.50	0.78	1.08

Source: BDO analysis

The QMP value is greater than our NAV value range. However, due to the low level of liquidity in the trading of SRR shares we consider the controlling value of a SRR share prior to the Proposal determined under the net asset value methodology to be appropriate. Agricola has performed an independent market

valuation of SRR's projects as at 30 September 2014. This market valuation represents the value SRR may reasonably expect to be able to realise for its projects, given the current level of development. The Otjozundu Project is SRR's primary asset and therefore we consider the value of a SRR share is most appropriately valued with reference to the market value of this project. On this basis, we consider the value of a SRR share on a controlling basis prior to the Proposal to be in the range from 0.00¢ to 0.31¢ with a preferred value of 0.00¢.

11. Valuation of SRR following the issue of shares under the Bryve Facilities

11.1. Valuation approach- Scenario 1

The value of SRR shares on a net assets basis following the issue of share under the Bryve Facilities is set out below:

	Notes	Low value \$'000	Preferred value \$'000	High value \$'000
Net Assets of SRR prior to the issue of shares under the Bryve Facilities				
Add: Bryve Facilities net proceeds	1	(1,171)	(46)	2,829
Net Assets of SRR following the issue of shares under the Bryve Facilities (control basis)		3,425	4,550	7,425
Discount for minority interest	2	26%	23%	20%
Net Assets of SRR following the issue of shares under the Bryve Facilities (minority interest basis)		2,535	3,504	5,940
Shares on issue ('000)	3	1,532,993	1,532,993	1,532,993
Value per share (Cents)		0.17¢	0.23¢	0.39¢

Source: BDO analysis

The table above indicates the net asset value of a SRR share following the issue of shares under the Bryve Facilities on a minority basis is between 0.17¢ and 0.39¢ with a preferred value of 0.23¢. In arriving at this value, the following adjustments were made to the net assets of SRR following the issue of shares under the Bryve Facilities.

Note 1: Bryve Facilities net proceeds

We adjusted the net assets of SRR to show the net impact of cash proceeds received from the Bryve Facilities, less the present value of the principal payable under Facility Two.

	Notes	\$'000
Add: Cash received from the Bryve Facilities	a	8,000
Less Facility Two- principal on working capital loan	a	(3,404)
Net Assets of SRR following the issue of shares under the Bryve Facilities (control basis)	11.1	4,596

We have adjusted SRR's balance sheet to include the present value of the principal amount owed by SRR to Bryve under Facility Two as at 13 August 2014. The total amount owed under Facility One and the accrued interest payable under Facility Two are assumed to be converted into shares, as detailed in note 3. It was also assumed for the purposes of this valuation that the Bryve Facilities, in their entirety, are drawn down on the day the facilities are entered into.

Note a – Principal

Following the approval of the proposed Bryve Facilities and appropriate conditions precedent being met, SRR will receive the following cash:

Convertible Loan	Note	\$
Principal outstanding on Facility One		2,000,000
Principal outstanding on Facility Two		6,000,000
Total Convertible Loan Liability	1	8,000,000

The principal repayable in relation to Facility Two is to be settled in cash per the terms of the agreement. The present value of this liability has been detailed below:

Working Capital Loan	Principal	Discount Rate	Present Value
Principal of Facility Two	\$ 6,000,000	12%	\$ 3,403,504

Discount rate

The 12% discount rate applied is based on the straight bond component of the Convertible Loan facility. The rate was based on comparable market debt with consideration given to the unique risk factors such as stage and location of the project, the secured nature of debt, as well as rates offered on existing debt held by SRR.

Note 2: Minority discount

The net asset value of an SRR share following the Proposal is reflective of a controlling interest. This suggests that the acquirer obtains an interest in the company which allows them to have an individual influence in the operations and value of that company. Therefore, if the Proposal is approved, minority Shareholders interests in SRR will be diluted further as Bryve will hold a controlling interest.

Therefore, we have adjusted our valuation of an SRR share following the Proposal, to reflect a minority interest holding. A minority interest discount is the inverse of a premium for control and is calculated using the formula $1 - (1/(1+\text{control premium}))$. As discussed in section 10.2, we consider an appropriate control premium for SRR to be in the range of 25% to 35%, giving rise to a minority interest discount in the range of 20% to 26%.

Note 3: Number of shares on issue

We have adjusted the number of shares on issue to incorporate the additional shares that may be issued to Bryve on conversion of the balance of Facility One into shares, which includes the principal and all accrued interest. Additionally, we have adjusted shares on issue for the potential dilution of accrued interest in relation to Facility Two being converted. This is set out in the table below:

Number of Shares on Issue after the Proposal	Notes	(’000)
Number of Shares on Issue prior to the Proposal		903,316
Convertible Loan		
Shares issued in lieu of principal on Facility One	a	200,000
Shares issued in lieu of interest Facility One	a	129,902
Shares issued in lieu of interest Facility Two	b	299,775
SRR shares on issue following the Proposal	11.1	1,532,993

Source: BDO analysis

Note a – Shares issued on conversion of Facility One

The principal and accrued interest on Facility One as detailed below is convertible at 1¢ per share, as per the terms of the agreement. SRR will incur interest on the Bryve Facilities on a daily basis at the assumed drawdown date of 13 August 2014, at a 10% coupon as determined by the terms of the Bryve Facilities. We have calculated that over the period 13 August 2014 to 13 August 2019, the principal and interest accrued on Facility One is set out below:

Facility One	Actual Interest	Number of shares issued at 1¢ (’000)
Principal	\$ 2,000,000	200,000
Accrued interest to expiry	\$ 1,299,023	129,902
Total	\$ 3,299,023	329,902

Note b – Shares issued in lieu of interest on Facility Two

Under the terms of Facility Two, the interest coupon on the loan is equal to 10% and is payable in cash or payment in kind, being conversion into equity at the 30 day VWAP. As the conversion price is based on a future VWAP, it is not possible to determine what the conversion price will be.

For the purposes of our valuation, we have made reference to the most recent 30 day VWAP of SRR shares on the ASX and have assumed all accrued interest is converted into shares. We calculated the 30 day VWAP of SRR shares up to the most recent trading day, being 9 September 2014 at 1.3¢. Therefore, we have assumed a conversion price of 1.3¢ for the conversion of accrued interest on Facility Two, which has been calculated below:

Facility Two- Working Capital Loan	Actual Interest	Number of shares issued at 1.3¢ (’000)
Accrued interest to expiry	\$ 3,897,070	299,775

11.2. Valuation approach – Scenario 2 increased dilution

We have also assessed the value of an SRR share following the issue of shares under the Bryve Facilities, assuming the increased dilution Scenario 2 occurs. This scenario assumes the accrued interest in relation to Facility Two has a conversion price of 0.65¢, based on a 50% discount to the 30 day VWAP to 9 September 2014.

	Note	Low value \$'000	Preferred value \$'000	High value \$'000
Net Assets of SRR following the Proposal (minority interest basis)				
Shares on issue ('000)	1	2,535 1,832,767	3,504 1,832,767	5,940 1,832,767
Value per share (Cents)		0.14¢	0.19¢	0.32¢

The table above indicates the net asset value of an SRR share following the issue of shares under the Bryve Facilities on a minority basis in the increased dilutionary scenario is between 0.14¢ and 0.32¢ with a preferred value of 0.19¢. In arriving at this value per share, the following additional adjustment was made.

Note 1: Shares on issue

We have adjusted the number of shares on issue to incorporate the additional shares that may be issued to Bryve on conversion, assuming a 50% discount to the current 30 day VWAP to simulate an increased dilutionary scenario based on a falling share price:

	Number of Shares on Issue after the Proposal ('000)
Number of Shares on Issue prior to the Proposal	903,316
<u>Convertible Loan</u>	
Shares issued in lieu of principal on Facility One	200,000
Shares issued in lieu of interest Facility One	129,902
Shares issued in lieu of interest Facility Two	599,549
Number of shares on issue following the Proposal	1,832,767

Source: BDO analysis

11.3. Valuation of SRR following the Proposal

Based on currently available information, we considered the most recent VWAP to be the best reflection of any potential dilution to existing Shareholders. Therefore, in our assessment of the fairness of the issue of shares under the Bryve Facilities, we have considered the value of an SRR share following the issue of shares as determined under the primary approach in section 11.1 to be appropriate.

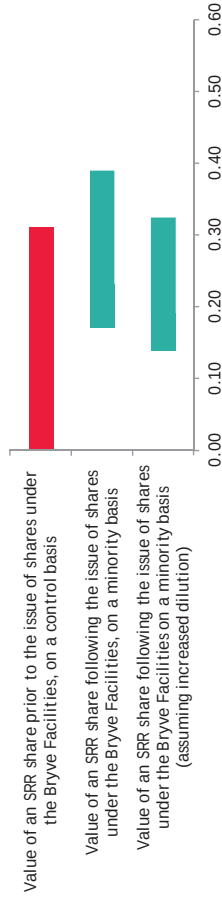
Therefore, we consider the value of an SRR share on a minority basis following the issue of shares under the Bryve Facilities to be in the range from 0.17¢ to 0.39¢ with a preferred value of 0.23¢.

12. Is the issue of shares under the Bryve Facilities fair?

The assessment of fairness only applies to the issue of shares under the Bryve Facilities. In section 12 we determined that the value of an SRR share on a minority basis following the issue of shares under the Bryve Facilities is greater than the value of an SRR share on a controlling basis prior to the issue of shares under the Bryve Facilities. This is set out below

	Ref	Low Cents	Preferred Cents	High Cents
Value of an SRR share prior to the issue of shares under the Bryve Facilities, on a control basis	10.3	0.00	0.00	0.31
Value of an SRR share following the issue of shares under the Bryve Facilities, on a minority basis	11.1	0.17	0.23	0.39
Value of an SRR share following the issue of shares under the Bryve Facilities, on a minority basis (assuming increased dilution)	11.2	0.14	0.19	0.32

The above valuation ranges are graphically presented below:



We note from the table above that value of an SRR share on a minority interest following the issue of shares under the Bryve Facilities is greater than the value of an SRR share prior to the issue of shares under the Bryve Facilities on a controlling basis. Therefore, we consider that the issue of shares under the Bryve Facilities is fair.

13. Is the Proposal reasonable?

13.1 Alternative Proposal

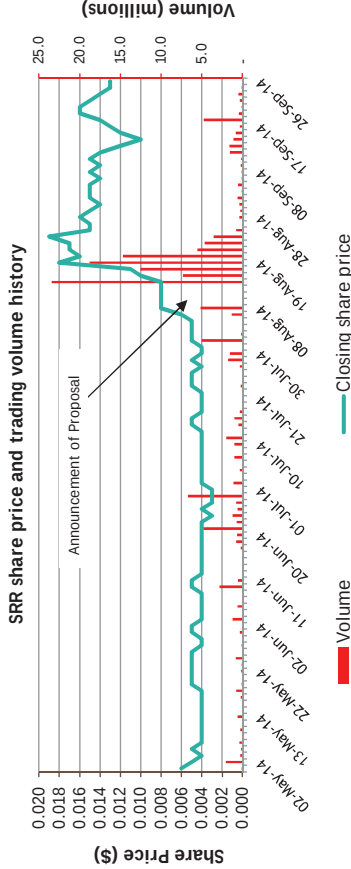
If the Proposal is not approved, the Company will be required to source additional funds in order to repay the current funding arrangements with AGO. In the Company's financial statements for the year ended 30 June 2014, the auditors included an emphasis of matter in their audit report, drawing attention to the significant uncertainty as to whether SRR will be able to continue operating as a going concern. The directors believe the use of the going concern basis of accounting is appropriate as they anticipate being able to source the necessary funding required to satisfy the Company's working capital needs.

The Proposal represents a source of funding for the Company. If the Proposal is not approved, the options available to SRR to raise funds to repay the existing debt remain very limited due to the current state of equity capital markets. Alternative sources of funds may be on terms that are less advantageous to the Company than the Convertible Loan.

13.2 Consequences of not Approving the Proposal

Potential decline in share price

We have analysed movements in SRR's share price since the Proposal was announced. A graph of SRR's share price since the announcement is set out below.



Source: Bloomberg

We have analysed movements in SRR's share price since the Proposal was announced on 13 August 2014. The announcement of the Proposal was made while the Company's shares were in a trading halt. Since the announcement, SRR's share price has traded between \$0.008 and \$0.019. The highest single day of trading following the announcement was on 14 August 2014, where 23,426,904 shares were traded. On 25 September 2014, the Company's share price closed at \$0.013.

Given the above analysis, it is possible that if the Proposal is not approved then SRR's share price may decline back to pre-announcement levels.

13.3 Advantages of Approving the issue of shares under the Bryve Facilities

We have considered the following advantages when assessing whether the issue of shares under the Bryve Facilities is reasonable:

Advantage	Description
The issue of shares under the Bryve Facilities is Fair	In section 12, we determined that the issue of shares under the Bryve Facilities is fair. RG 111 states that a transaction is reasonable if it is fair.
Conversion will put the Company under less cash flow strain	The conversion of the Bryve Facilities will result in the issue of up to an additional 200 million shares in principal as well as additional convertible interest. Upon conversion, Facility One will be deemed as having been repaid. Accordingly, the Company will not have to repay the whole of the Bryve Facilities in cash, which puts the Company under less cash flow strain.
	If the issue of shares under the Bryve Facilities is not approved, the Company will be required to repay the loan to AGO. The Company's cash reserves are currently insufficient to repay the balance of the loan to AGO and others. If the issue of shares under the Bryve Facilities is not approved, the Company may need to seek an alternative source of funds from which to repay the existing debt. As stated in 13.1 above, alternative sources of funds may be on terms that are less advantageous to the Company than the Bryve Facilities.
The ability of SRR to raise additional funds may increase	If the issue of shares under the Bryve Facilities is approved and Bryve elects to convert the Bryve Facilities into shares, the level of the Company's borrowings will fall. The reduced level of gearing and strengthening of the Company's net asset balance may increase the Company's ability to raise additional funds that may be required to fund the Company's long term development strategy.

Access to Funds	Subject to approvals, Bryve will provide SRR with the \$2 million Facility One, which is convertible into shares. Additionally, subject to Shareholder approval and conditions precedent being met, SRR will benefit from an additional \$6 million working capital loan facility. This additional funding offered will allow SRR to continue in the advancement and further development of the Otjozundu Project.
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13.4 Disadvantages of Approving the issue of shares under the Bryve Facilities

If the issue of shares under the Bryve Facilities is approved, in our opinion, the potential disadvantages to Shareholders include those listed in the table below:

Disadvantage	Description
Dilution of existing shareholders' interests	We have assumed in the following scenario that the grant and exercise of the option under the sale of securities is approved. This allows Shareholders to see the maximum dilution applicable to their respective holdings: If the issue of shares under the Bryve Facilities is approved and Bryve elects to convert the

Bryve Facilities including any accrued interest into shares, Bryve's interest in the Company will increase from 9.9% to 72.7%. Existing Shareholders' interests may be diluted from 46.33% to 27.30%. This dilution will give Bryve the power to block special resolutions and will reduce Shareholders' collective influence on the operations of the Company.

The principal and interest component of Facility One is convertible at 1¢, which means a total of approximately 330 million shares could potentially be converted. An additional 300 million shares could also be issued when converting interest at the 30 day VWAP as defined under Facility Two.

Under an increased dilution scenario the interest portion is converted at a 50% discount to the recent 30 day VWAP. Under this scenario, Bryve's interest in the Company may increase from 9.9% to a maximum of 77.16%, therefore diluting existing Shareholders' interests from 46.33% to 22.84%. This dilution will give Bryve the power to block and pass general resolutions and to block and pass special resolutions and will reduce Shareholders' collective influence on the operations of the Company.

13.5 Advantages of Approving the grant and exercise of the Option under Sale of Securities

We have considered the following advantages when assessing whether the grant and exercise of the Option under the Sale of Securities is reasonable:

Advantage	Description
Benefit of Bryve as a major shareholder ahead of AGO	The grant and exercise of options under the Sale of Securities will result in AGO being replaced as the majority shareholder by Bryve. This is advantageous to Shareholders as AGO's core business is iron ore, which may currently be the focus of their operations and future resource allocation. This sentiment is confirmed with AGO intending to sell its shares and being no longer willing to invest any future funds needed to continue the development of the Otjozundu Project.
	Bryve however, was only recently incorporated with its sole focus being the successful development of the Otjozundu Project. Bryve's commitment to the project is evident with them entering into the Bryve Facilities with SRR to contribute up to \$8 million to extinguish existing debt and to continue the development of the Otjozundu Project.
	Bryve's sole shareholder and director has experience and knowledge in transportation logistics, particularly mining and haulage equipment through previously owned and operated companies in Australia. This existing experience could benefit SRR Shareholders once the Otjozundu Project is in the development phase.

13.6 Disadvantages of Approving the grant and exercise of the Option under Sale of Securities

If the grant and exercise of the Option under the Sale of Securities is approved, in our opinion, the potential disadvantages to Shareholders include those listed in the table below:

Disadvantage	Description
Dilution of existing shareholders' interests	In addition to granting and exercise of the Option under the Sale of Securities, resulting in Bryve having an interest of 53.67% in the Company, Bryve may increase its holding to a maximum of 77.16% following the potential approval and conversion of the Bryve Facilities into shares.

Other considerations in relation to the Sale of Securities

13.7 Is a premium being offered for the Sale of Securities

As part of the Sale of Securities, Bryve has an Option to acquire approximately 395.3 million SRR shares from AGO at 0.35¢ per share, taking its holding to 53.67% prior to conversion of the Bryve Facilities. In section 10.3 we assessed the value of an SRR share to be between 0.00¢ and 0.31¢ with a preferred value of 0.00¢ per share. AGO is therefore being offered a premium to sell their shares to Bryve.

Bryve's intentions to contribute \$8 million in a convertible loan and working capital facility mean that it may still be more advantageous to existing Shareholders than potential disadvantages of the Sale of Securities. Shareholders looking to continue to hold SRR shares will have increased potential upside with Bryve as a major shareholder given the financial contributions and improved commitment to develop the Otjozundu Project.

13.8 Impact of the Sale of Securities on future takeovers

The grant and exercise of the option under the Sale of Securities will result in Bryve becoming the new controlling shareholder. There is also the potential that the Bryve Facilities will be approved and converted into shares, resulting in Bryve increasing its controlling interest to one that is capable of passing general resolutions and blocking special resolutions. The increased stake of the control shareholder Bryve may impact negatively on SRR's potential to be a future takeover target.

14. Conclusion

We have considered the terms of the issue of shares under the Bryve Facilities as outlined in the body of this report and have concluded that the proposed issue of shares under the Bryve Facilities is fair and reasonable to Shareholders of SRR.

We have also considered the terms of the proposed Sale of Securities as outlined in the body of this report and have concluded that, in the absence of a superior offer the advantages outweigh the disadvantages to Shareholders.

15. Sources of information

This report has been based on the following information:

- Draft Notice of General Meeting and Explanatory Statement on or about the date of this report;
- Audited financial statements of SRR for the years ended 30 June 2014 and 30 June 2013;
- Independent Valuation Report of SRR mineral assets dated 30 September 2014 performed by Agricola Mining Consultants Pty Ltd;
- The Share Sale Agreement between AGO and Bryve;
- The Bryve Facilities Agreement between SRR and Bryve;

- Share registry information;
- Information in the public domain; and
- Discussions with Directors and Management of SRR.

16. Independence

BDO Corporate Finance (WA) Pty Ltd is entitled to receive a fee of \$30,000 (excluding GST and reimbursement of out of pocket expenses). The fee is not contingent on the conclusion, content or future use of this Report. Except for this fee, BDO Corporate Finance (WA) Pty Ltd has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this report.

BDO Corporate Finance (WA) Pty Ltd has been indemnified by SRR in respect of any claim arising from BDO Corporate Finance (WA) Pty Ltd's reliance on information provided by the SRR including the non provision of material information, in relation to the preparation of this report.

Prior to accepting this engagement BDO Corporate Finance (WA) Pty Ltd has considered its independence with respect to SRR and Bryve and any of their respective associates with reference to ASIC Regulatory Guide 112 'Independence of Experts'. In BDO Corporate Finance (WA) Pty Ltd's opinion it is independent of SRR and Bryve and their respective associates.

Neither the two signatories to this report nor BDO Corporate Finance (WA) Pty Ltd, have had within the past two years any professional relationship with SRR, or their associates, other than in connection with the preparation of this report.

A draft of this report was provided to SRR and its advisors for confirmation of the factual accuracy of its contents. No significant changes were made to this report as a result of this review.

BDO is the brand name for the BDO International network and for each of the BDO Member firms.

BDO (Australia) Ltd, an Australian company limited by guarantee, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of Independent Member Firms. BDO in Australia, is a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International).

17. Qualifications

BDO Corporate Finance (WA) Pty Ltd has extensive experience in the provision of corporate finance advice, particularly in respect of takeovers, mergers and acquisitions.

BDO Corporate Finance (WA) Pty Ltd holds an Australian Financial Services Licence issued by the Australian Securities and Investment Commission for giving expert reports pursuant to the Listing rules of the ASX and the Corporations Act.

The persons specifically involved in preparing and reviewing this report were Sherif Andrawes and Adam Myers of BDO Corporate Finance (WA) Pty Ltd. They have significant experience in the preparation of

independent expert reports, valuations and mergers and acquisitions advice across a wide range of industries in Australia and were supported by other BDO staff.

Sherif Andrawes is a Fellow of the Institute of Chartered Accountants in England & Wales and a Member of the Institute of Chartered Accountants in Australia. He has over twenty five years experience working in the audit and corporate finance fields with BDO and its predecessor firms in London and Perth. He has been responsible for over 200 public company independent expert's reports under the Corporations Act or ASX Listing Rules. These experts' reports cover a wide range of industries in Australia with a focus on companies in the natural resources sector. Sherif Andrawes is the Chairman of BDO in Western Australia, Corporate Finance Practice Group Leader of BDO in Western Australia and the Natural Resources Leader for BDO in Australia.

Adam Myers is a member of the Australian Institute of Chartered Accountants. Adam's career spans 15 years in the Audit and Assurance and Corporate Finance areas. Adam has considerable experience in the preparation of independent expert reports and valuations in general for companies in a wide number of industry sectors.

18. Disclaimers and consents

This report has been prepared at the request of SRR for inclusion in the Explanatory Memorandum which will be sent to all SRR Shareholders. SRR engaged BDO Corporate Finance (WA) Pty Ltd to prepare an independent expert's report to express an opinion as to whether or not the Convertible Loan is fair and reasonable to Shareholders. Additionally, a separate opinion has been provided as to whether or not the advantages of the Sale of Securities outweigh the disadvantages to Shareholders.

BDO Corporate Finance (WA) Pty Ltd hereby consents to this report accompanying the above Explanatory Memorandum. Apart from such use, neither the whole nor any part of this report, nor any reference thereto may be included in or with, or attached to any document, circular resolution, statement or letter without the prior written consent of BDO Corporate Finance (WA) Pty Ltd.

BDO Corporate Finance (WA) Pty Ltd takes no responsibility for the contents of the Explanatory Memorandum other than this report.

We have no reason to believe that any of the information or explanations supplied to us are false or that material information has been withheld. It is not the role of BDO Corporate Finance (WA) Pty Ltd acting as an independent expert to perform any due diligence procedures on behalf of the Company. The Directors of the Company are responsible for conducting appropriate due diligence in relation to Bryve.

BDO Corporate Finance (WA) Pty Ltd provides no warranty as to the adequacy, effectiveness or completeness of the due diligence process.

The opinion of BDO Corporate Finance (WA) Pty Ltd is based on the market, economic and other conditions prevailing at the date of this report. Such conditions can change significantly over short periods of time.

We note that the forecasts provided do not include estimates as to the effect of any future emissions trading scheme should it be introduced as it is unable to estimate the effects of such a scheme at this time.

With respect to taxation implications it is recommended that individual Shareholders obtain their own taxation advice, in respect of the Proposal, tailored to their own particular circumstances. Furthermore,

the advice provided in this report does not constitute legal or taxation advice to the Shareholders of SRR, or any other party.

BDO Corporate Finance (WA) Pty Ltd has also considered and relied upon independent valuations for mineral assets held By SRR.

The valuer engaged for the mineral asset valuation, Agricola Mining Consultants Pty Ltd, possess the appropriate qualifications and experience in the industry to make such assessments. The approaches adopted and assumptions made in arriving at their valuation is appropriate for this report. We have received consent from the valuer for the use of their valuation report in the preparation of this report and to append a copy of their report to this report.

The statements and opinions included in this report are given in good faith and in the belief that they are not false, misleading or incomplete.

The terms of this engagement are such that BDO Corporate Finance (WA) Pty Ltd has no obligation to update this report for events occurring subsequent to the date of this report.

Yours faithfully

BDO CORPORATE FINANCE (WA) PTY LTD



Sherif Andrawes
Director



Adam Myers
Director

Appendix 1 – Glossary of Terms

Reference	Definition
The Act	The Corporations Act
AGO	Atlas Iron Limited
APES 225	Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services'
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
BDO	BDO Corporate Finance (WA) Pty Ltd
Bryve Facilities	Facility One and Facility Two are collectively referred to as the Bryve Facilities.
The Company	Shaw River Manganese Limited
DCF	Discounted Future Cash Flows
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
Facility One	The \$2 million convertible loan facility. Principal and accrued interest is convertible at 1¢.
Facility Two	The \$6 million working capital loan facility. Principal is not convertible but accrued interest is convertible at the 30 day VWAP.
FME	Future Maintainable Earnings
JORC Code	The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves
NAV	Net Asset Value
Option	To grant Bryve a six month option to acquire 395,308,183 shares representing a further 43.76% of the Company's issued share capital
Our Report	This Independent Expert's Report prepared by BDO

RG 74	Acquisitions approved by Members (December 2011)
RG 111	Content of expert reports (March 2011)
RG 112	Independence of experts (March 2011)
The Proposal	The Convertible Loan and the Sale of Securities are collectively referred to as ('the Proposal').
Sale of Securities	The grant and exercise of the option for AGO to sell its SRR securities to Bryve .
Shareholders	Shareholders of Shaw River Manganese Limited not associated with the Proposal.
SRR	Shaw River Manganese Limited
Valmin Code	The Code of Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports
Valuation Engagement	An Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.
VWAP	Volume Weighted Average Price

Appendix 2 – Valuation Methodologies

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

1 Net asset value ('NAV')

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

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

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

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

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

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

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

2 Quoted Market Price Basis ('QMP')

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

3 Capitalisation of future maintainable earnings ('FME')

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

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

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

4 Discounted future cash flows ('DCF')

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

Considerable judgement is required to estimate the future cash flows which must be able to be reliably estimated for a sufficiently long period to make this valuation methodology appropriate.

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

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

5 Market Based Assessment

The market based approach seeks to arrive at a value for a business by reference to comparable transactions involving the sale of similar businesses. This is based on the premise that companies with similar characteristics, such as operating in similar industries, command similar values. In performing this analysis it is important to acknowledge the differences between the comparable companies being analysed and the company that is being valued and then to reflect these differences in the valuation.

Appendix 3 – Independent Valuation Report



Malcolm Castle
Agricola Mining Consultants Pty Ltd
P.O. Box 473, South Perth, WA 6951
Mobile: 61 (4) 1234 7511
Email: mcastle@castleconsulting.com.au
ABN: 84 274 218 871

30 September 2014

BDO Corporate Finance (WA) Pty Ltd
38 Station Street
Subiaco, WA, 6008

Dear Sirs,

Re: INDEPENDENT VALUATION OF THE OTJOONDU MANGANESE PROJECT IN NAMIBIA

We have been requested by the Directors BDO Corporate Finance (WA) Pty Ltd ("BDO") to provide a Mineral Asset Valuation Report ("Report") of the Otjozundu Manganese project currently held by Shaw River Manganese Limited (the "Company") in Namibia. This report serves to comment on the geological setting and exploration results on the properties and presents a technical and market valuation for the exploration assets based on the information in this Report.

The present status of the tenements in Namibia is based on information made available by the Company and has been verified by us by reference to the Department of Mines in Namibia. The Report has been prepared on the assumption that the tenements are lawfully accessible for evaluation.

Scope of the Valuation Report

This mineral asset valuation endeavours to ascertain the unencumbered price which a willing but not anxious vendor could reasonably expect to obtain and a hypothetical willing but not too anxious purchaser could reasonably expect to have to pay for the property if the vendor and the purchaser had got together and agreed on a price in friendly negotiation.

This is commonly known as the *Spencer test* after the High Court decision upon which these principles are based and to which the Courts have used in their determinations of market value of a property. In attributing the price that would be paid to the hypothetical vendor by the hypothetical purchaser it is assumed that the property will be put to its "highest and best use".

The findings of the valuation report include an assessment of the technical value (i.e. the value implied by a consideration of the technical attributes of the asset) and a market value (which considers the influences of external market forces and risk).

Applying the *Spencer test* may not be confined to a technical valuation exercise but may involve a consideration of market factors. In a highly speculative market during 'boom' conditions or a depressed market during 'bust' conditions the hypothetical purchaser may expect to pay a premium or receive a discount commensurate with the current market for mineral properties.

The main requirements of the *Valuation Report* are:

- Prepared in accordance with the VALMIN code.
- Experience and qualifications of key personnel to be set out
- Details of valuation methodologies
- Reasoning for the selection of the valuation approach adopted
- Details of the valuation calculations
- Conclusion on value

Project

The Otjo Project is located 150km North-East of the Namibian capital of Windhoek and lies in a historical manganese field which has produced in aggregate approximately 550,000 tonnes of high grade (~48%) manganese, since the 1950's. Recent production at Otjo was by way of a shallow, free dig and drill-and-blast surface mining methods, utilising a basic crushing and jigging circuit to produce saleable ore.

DECLARATIONS

Relevant codes and guidelines

This report has been prepared as a technical assessment and valuation in accordance with the *Code for Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports (the "VALMIN Code", 2005)*, which is binding upon Members of the Australasian Institute of Mining and Metallurgy ("AusIMM") and the Australian Institute of Geoscientists ("AIG"), as well as the rules and guidelines issued by the Australian Securities and Investments Commission ("ASIC") and the ASX Limited ("ASX") which pertain to Independent Expert Reports (*Regulatory Guides RG111 and RG112, March 2011*). Consideration is given to s.36 of the Duties Act, W.A.

Where mineral resources have been referred to in this report, the information was prepared and first disclosed under the "*Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ("JORC Code")*", prepared by the Joint Ore Reserves Committee of the AusIMM, the AIG and the Minerals Council of Australia, effective 2004 and 2012 as appropriate. Some of the information has not been updated since the estimation date to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

Under the definition provided by the VALMIN Code, Otjozundu Manganese Project is classified as a Pre Development Project with identified mineral resources, which is inherently speculative in nature. The property is considered to be sufficiently prospective, subject to varying degrees of risk, to warrant further exploration and development of its economic potential.

Sources of Information

The statements and opinion contained in this report are given in good faith and this review is based on information provided by the title holders, along with technical reports by consultants, previous tenements holders and other relevant published and unpublished data for the area. I have endeavoured, by making all reasonable enquiries, to confirm the authenticity, accuracy and completeness of the technical data upon which this report is based. A final draft of this report was provided to Garlick, along with a written request to identify any material errors or omissions prior to lodgement.

In compiling this report, I did not carry out a site visit to any of the Company's Project areas. Based on my professional knowledge, experience, previous visits to exploration projects and operating mines in Namibia and the availability of extensive databases and technical reports made available by various Government Agencies, I consider that sufficient current information is available to allow an informed appraisal to be made without such a visit.

The independent valuation report has been compiled based on information available up to and including the date of this report. Consent has been given for the distribution of this report in the form and context in which it appears. I have no reason to doubt the authenticity or substance of the information provided.

Qualifications and Experience

The person responsible for the preparation of this report is:

Malcolm Castle, B.Sc.(Hons), GCertAppFin (Sec Inst), MAusIMM

Malcolm Castle has over 45 years' experience in exploration geology and property evaluation, working for major companies for 20 years as an exploration geologist. He established a consulting company over 25 years ago and specialises in exploration management, technical Audit, due diligence and property valuation at all stages of development. He has wide experience in a number of commodities including uranium, gold, base metals, iron ore and mineral sands. He has been responsible for project discovery through to feasibility study in Australia, Fiji, Southern Africa and Indonesia and technical Audits in many countries. He has completed numerous Independent Geologist's Reports and mineral asset valuations over the last decade as part of his consulting business.

Mr Castle is a qualified and competent witness in a court or tribunal capable of supporting his valuation reports or to give evidence of his opinion of market value issues.

Mr Castle completed studies in Applied Geology with the University of New South Wales in 1965 and has been awarded a B.Sc.(Hons) degree. He has completed postgraduate studies with the Securities Institute of Australia in 2001 and has been awarded a Graduate Certificate in Applied Finance and Investment in 2004.

Competent Persons Statement

The information in this report that relates to Exploration Results and Mineral Resources of the Company has been reviewed by Malcolm Castle who is a member of the Australasian Institute of Mining and Metallurgy. Mr Castle has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as an Expert and Competent Person as defined under the VALMIN Code and in the 2004 and 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Castle consents to the inclusion in this report of the matters based on the information in the form and context in which they appear.

Independence

I am not, nor intend to be a director, officer or other direct employee of the Company and have no material interest in the Project or the Company. The relationship with the Company is solely one of professional association between client and independent consultant. The review work and this report are prepared in return for professional fees based upon agreed commercial rates (estimated at \$6,000 excluding GST) and the payment of these fees is in no way contingent on the outcome of the technical valuation Report or the success or failure for which the Independent Expert Report was required.

Yours faithfully



Malcolm Castle

B.Sc.(Hons) MAusIMM,
GCertAppFin (Sec Inst)

TENEMENT SCHEDULE

The Company holds five exploration Licences (EPL3456, EPL3537, EPL3538, EPL3539 and EPL3879 and one Mining Lease (ML145) at the Otjo project. All tenements are granted (Shaw River Manganese Limited Annual Report 2013) and the Company holds 100% equity in the project. (ASX Announcement "Shaw River Becomes 100% Owner of Otjozondou Manganese Project" dated 15 May 2014)

The corporate status and current status of the mineral licences has been independently verified by W. WOHLERS, Attorney and Notary Public, LORENTZ ANGULA INC. dated 29 September 2014 in a report entitled CORPORATE STATUS AND MINERAL LICENCES OPINION".

The tenements in the schedule replicate the information contained in the Company's 2013 Annual Report to shareholders. The status of the mining tenements has been verified by reference to the Independent Opinion, pursuant to paragraph 67 of the Valmin Code.

The tenements are believed to be in good standing at the date of this valuation as represented by the Company. Some future events such as the grant (or otherwise) of expenditure exemptions and plaintiff action may impact of the valuation and may give grounds for a reassessment.

OTJO PROJECT, NAMIBIA

The Company purchased 75.5% of the Otjozondou Manganese Project ("Otjo") in Namibia in early 2011 and has now increased its share to 100%. The Otjo Project is located 150km North-East of the Namibian capital of Windhoek and lies in a historical manganese field which has produced in aggregate approximately 550,000 tonnes of high grade (~48%) manganese, since the 1950's. Recent production at Otjo was by way of a shallow, free dig and drill-and-blast surface mining methods, utilising a basic crushing and jigging circuit to produce saleable ore.

The Company is reviewing the introduction of modern technology, mine planning practices and processing (beneficiation) expertise to allow production to re-commence. Beneficiation options could involve the use of a jig or dense media separation (DMS) plant, which could produce manganese lump and fines products.

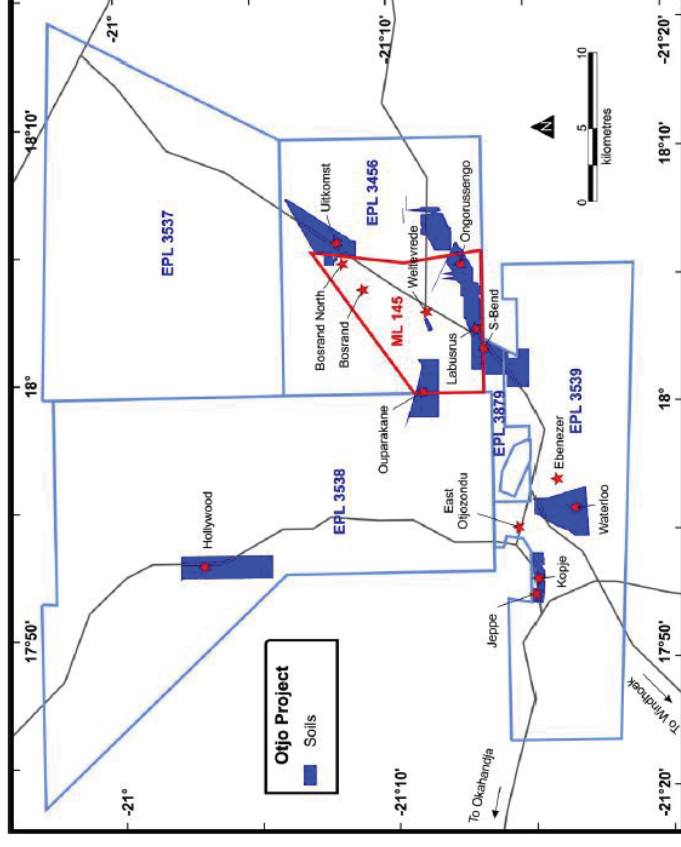
The Company proposes to use a combination of existing road and rail infrastructure to transport product 538km to the Walvis Bay port where it could be loaded either via "bulk" Handyman vessels or via containers for export to various markets.

The favourable geology, shallow open-pit mine and the availability of existing infrastructure are expected to underpin low operating costs and attractive margins, assuming long term manganese pricing.

Mineral Resource Estimate

Cube Consulting Pty Ltd (Cube) was commissioned by Shaw River Resources Ltd to estimate and classify the resources for the Bosrand, Labrusus, North Bosrand, Kopje, Jeppe, Labrusus S-Bend, East Otjozondou, Ongorussengo, Waterloo and Ouparakane deposits at its Otjozondou project, in

accordance with The 2004 Australasian Code for Reporting of Mineral Resources and Ore Reserves (JORC Code).



Manganese mineralized zones and soil sampling areas

Deposit	Indicated		Inferred		Combined	
	Mt	%Mn	Mt	%Mn	Mt	%Mn
Bosrand**	2.6	21.8	1.4	20.9	4.0	21.5
North Bosrand**	0.8	22.9	1.5	21.3	2.3	21.9
Labrusus**	0.8	23.3	0.8	21.8	1.6	22.6
Uitkomst ⁵			1.8	22.7	1.8	22.7
Kopje ⁶			1.3	25.1	1.3	25.1
Labrusus S bend [#]			0.9	24.4	0.9	24.4
Jeppie [#]			0.2	22.1	0.2	22.1
East Otjozundu [#]			2	19.8	2	19.8
Ouparakane**			1.7	24.1	1.7	24.1
Ongorussengo**			0.6	26.6	0.6	26.6
Waterloo [#]			0.7	23.3	0.7	23.3
Total In Situ Resource	4.3	22.3	12.7	22.6	17.0	22.5

Mineral resources were modeled and estimated using geological boundaries and a 15% Mn cut-off grade. Mineral resources are reported using a 15% Mn cut-off grade. Tonnages are rounded to the nearest 100,000 tonnes and percent manganese grade quoted to one decimal place. Estimates are based on relevant geological logging and sampling information drawn from a total of ~ 54,000m of diamond and RC drilling conducted on the project thus far.

Details of the estimate and the parameters are included in the ASX announcement “Shaw River Delivers 17Mt Mineral Resource (59% Increase at “Otjo” Project” (“ASX Release”) dated 11 December 2012.

COMPETENT PERSONS STATEMENT

The information in this ASX Release that relates to Mineral Resources for Bosrand, Labrusus, Ouparakane, Kopje, Labrusus S-Bend, Jeppie, East Otjozundu, Ongorussengo, Waterloo and North Bosrand is based on information compiled by Jason Harris of Cube Consulting, who is a Member of the Australian Institute of Geoscientists. Jason Harris has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Person as defined in the 2004 Edition of the “Australasian Code for Reporting of Mineral Resources and Ore Reserves”. Mr. Jason Harris consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information contained in this Mineral Resource summary replicates information contained in the ASX Release.

The author of this Report is not aware of any new information or data that materially affects the information included in the ASX Release and, in the case of mineral resources that all the material assumptions and technical parameters underpinning the estimates in the ASX Release continue to apply and have not materially changed. The form and context in which the findings of Mr Harris (Competent Person) are presented have not been materially modified.

Competent Persons Statement – M. Castle

The information in the Annual Report that relates to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by the Company and reviewed by Malcolm Castle, a competent person who is a Member of the Australasian Institute of Mining and Metallurgy (“AusIMM”). Malcolm Castle is a consultant geologist employed by Agricola Mining Consultants Pty Ltd. Mr Castle has sufficient experience that is relevant to the style of mineralisation and type of deposits under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2004 and 2012 edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves” (“JORC Code”). Malcolm Castle consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

VALUATION ASSESSMENT

The **Otjo Project** has estimated Mineral Resources in the Indicated and Inferred categories. When a resource or defined body of mineralisation has been outlined and its economic viability has still to be established (i.e. there is no ore reserve and full feasibility study) then a *Comparable Transactions* approach is usually applied, often stated as a percentage of metal value. This can be applied to Mineral Resource estimates and Exploration Targets compiled in accordance with the JORC code with appropriate discounts for risk in the different categories.

Agricola Mining Consultants prefers the comparable transactions approach where mineral resources have been estimated. The DCF method is not appropriate because there is no Pre Feasibility or Feasibility Study available and no Ore Reserves have been (or can be) estimated under the JORC Code, 2012. The contemporaneous transactions over adjacent ground may be appropriate and usually related to a specific time frame and the existing market conditions. In the absence of such information the only viable method (in Agricola's opinion) is to compare the sale of other deposits on a 'dollar per unit' basis for the mineral resource estimated in accordance with the JORC Code. Agricola is not aware of a method to cross check the valuation for the technical value (as apposed to the Market value) under these circumstances except by comparison with earlier valuation. The Geoscientific Rating method (potential for further discoveries) and Past Expenditure methods are appropriate for exploration ground that is not advanced enough to estimate mineral resources. These methods may be supported by reference to Yardstick (Rule of Thumb) methods as a reality check

The Comparable Transactions method requires allocating a dollar value to the mineral resource in the ground and applying appropriate discounts for JORC Category, operating factors and average acquisition cost for mineral projects. This may also apply to well-established zones of mineralisation that have not formally been categorised under the JORC code in certain cases. An additional risk weighting may be appropriate in these circumstances.

The Mineral Resources are assumed to encapsulate all the value for the tenement package in Namibia including ML145, EPL3456, EPL3537, EPL3538, EPL3539 and EPL3879 The Resource estimate covers the Bosrand, Labusrus, North Bosrand, Kople, Jeppe, Labusrus S-Bend, East Otjozondui, Ongorussengo, Waterloo and Ouparakane deposits which lie within most of the tenements and a separate value for exploration potential for this tenement is not considered warranted.

It is recognised that further exploration potential may exist within the tenement boundaries but when a mineral resource has already been estimated in accordance with the JORC Code a hypothetical willing but not too anxious purchaser would be unlikely to consider additional value for untested ground.

COMPARABLE TRANSACTIONS – Mineral Resources

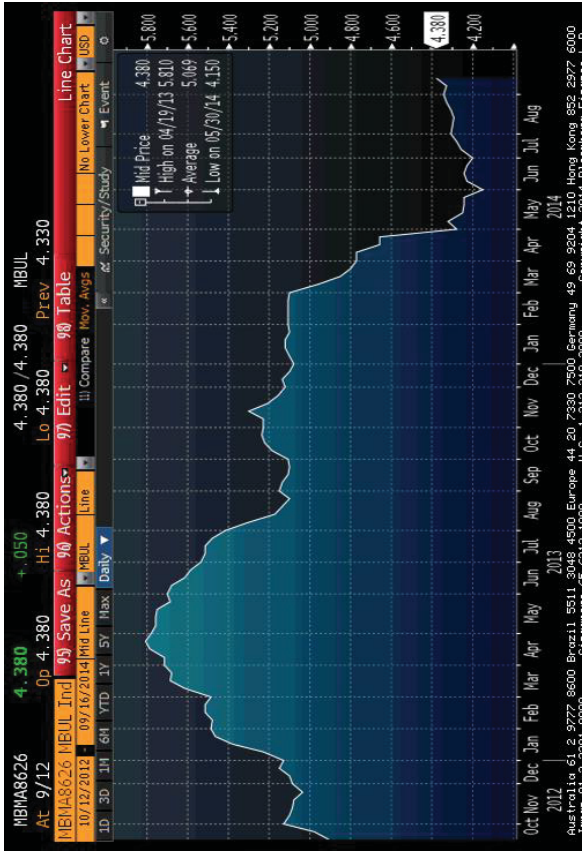
MINERAL RESOURCE ESTIMATES

Resource Estimates in accordance with the JORC Code have been compiled for the Otjo Deposit, by independent consultants and are accepted here for the purpose of the valuation.

Indicated Resource 4.3 million tonnes at 22.3% Mn
Inferred Resource 12.7 million tonnes at 22.6% Mn

Valuation Methodology

Contained metal is calculated from the deposit tonnes and grade in the categories of the JORC code. The estimated contained value for the Indicated and Inferred Resource is estimated based on current metal prices.



Manganese Ore Price – 44% Mn CIF China – US\$/dmu

The current estimated spot manganese ore price is estimated at US\$4.38 per dmtu, CIF China. The USD:AUD Exchange rate is approximately 0.93 leading to an AUD manganese ore price of \$106.08 per tonne for the Otjo resource as follows.

Manganese Pricing, CIF China	
Unit Price US\$/dmu	4.38
Units in Total Resource	22.52
AUD:USD Exchange Rate 20 Aug 14	0.9300
Average, AUD/dmt	106.08

Base Value

A discount factor is applied to the contained value to recognise the JORC category and allow for resource estimate risk.

Resource Category Discounts	
Measured Resource	80%
Indicated Resource	70%
Inferred Resource	60%
Exploration Target	50%

Allowances for operating factors are also included in the assessment. The Otjo Project is well positioned with proximity to existing public user road, rail and port infrastructure. There is potential for simple open pit mining due to outcropping resource tonnes and processing plant consisting of crushing, screening and beneficiation equipment is on site, currently on care and maintenance.

Operations Factors	
Estimated Mass Recovery	90.00%
Mining	90.00%
Processing	80.00%
Rail	80.00%
Port	70.00%
Capex	70.00%
Marketing	85.00%
Total Operating Discount	22%

The base value for the project is estimated by multiplying the resource tonnes by the average manganese ore price and the discount factors.

$Base\ Value = [Resource\ Tonnes] * [Average\ Price] * [Resource\ Discount] * [Operating\ Discounts]$

Base Value - Otjozondur, A\$M	
Measured	-
Indicated	68.9
Inferred	174.5
Exploration Target	-
Total	243.5

Average Acquisition Cost

A range of average acquisition cost ("AAC") percentages are estimated based on a database of Merger and Acquisitions activity for the period 2006 to 2013 (see Appendix 1). The percentage represents the amount paid for deposits compared to the contained value at the current metal price.

The AAC for projects lies in the range of 2.2% to 6.2%. The data set does not differentiate between resource categories and operational factors and this has been taken into account with risk related discounts applied to the Base Value. Information on sales internationally has shown a pattern for the AAC as shown in the percentile table.

AAC Percentiles					
Percentile	10th	25th	50th	75th	90th
AAC	2.2%	2.7%	3.5%	5.6%	6.2%

For the purpose of this valuation the Average Acquisition Cost for the lower, preferred and higher value is selected at the 25th, 50th and 75th percentiles. The Base Value is multiplied by AAC values at those percentiles to arrive at the estimated project technical value.

The AAC method percentiles are derived from Canadian Merger and Acquisitions activity in the gold industry. The original database provided \$/ounce values for producing and non-producing asset sales for a period of years and Agricola has recalculated this as a percentage of current metal value so the information can be related to current metal prices in other metals. This, of course, is a subjective decision and AAC percentiles are used in conjunction with the operational factors to "normalise" the rates for gold acquisitions to other metals. In the absence of a useful database of project sales for other metals this is considered to be a reasonable proxy for sales in most metal projects (i.e. the combination of AAC and Operational Factors). Mineral asset sales are related to the current mineral price (or contained value) which is provided by the M & A database over the period 2006 - 2013 and the valuation method is considered to be realistic when adjusted by factors that relate specifically to the metal involved and more specifically to the individual deposits.

Technical Value

$Technical\ Value = [Base\ Value] * [Average\ Acquisition\ Cost\%]$

Otjozondur Deposit Technical Value		AUD M
Low		6.6
High		13.6
Preferred		8.5
A\$ per tonne		0.50

Sensitivity to Metal Price

Valuation of mineral resources is estimated at a specific date as stated in the report and metal prices are estimated from current information available at that time. Metal markets may be quite volatile from time to time and it is appropriate to consider the effect of variations in metal price (which may change on a daily basis).

A review of recent forecast by Consensus economics quotes a forecast rate of approximately \$4.8 over the coming year. Between 2016 and 2019 the rate is forecast between \$5 and \$5.15 and the long term prediction from 2020 to 2024 is \$5.63

Market Value

Assessment of country risk and an assessment of the Business Climate have been provided by a specialist firm (source: www.coface.com). The rating for Namibia is 'A3' for country risk and 'A4' for business climate, which are considered to be low. Namibia has extensive mineral resources (diamonds, uranium, gas, copper) and good transport infrastructures. The country is political stability and with good governance. This rating will affect the market factor in assessing market value.

In arriving at a fair market value for a particular exploration tenement, the current market for exploration properties in Australia and overseas has been considered.

The current market value for mineral projects worldwide is considered to be depressed and it is considered appropriate to apply a significant discount to the technical value of the exploration potential of the tenements. However, The Ojto Project is advanced with infrastructure in place on a care and maintenance basis and a scoping study (now out of date) as a guide to economic viability.

These aspects add to the market appeal of the project in the current depressed market with the effect that the market discount factor of 10% has been applied to the technical value.

Otjozondou Deposit Market Value		AUD M
Low		5.9
High		12.3
Preferred		7.7
A\$ per tonne		0.45

The Company holds 100% equity in the Otjo Project.

Transaction in Manganese Projects in Africa. 2013-2014

March 3, 2014 – Otjozondou Mining Limited

Otjozondou Holdings Pty Ltd. entered into a binding term sheet to acquire the remaining 12.8% of Otjozondou Mining Pty Ltd (OM) from Oreport Holdings (Pty) Limited (Oreport) for AUD 0.95 million on March 31, 2014. Under the terms, Shaw River, parent of Otjozondou Holdings, will pay Oreport AUD 0.95 million for its remaining 12.8% stake in OM, and Oreport will transfer its outstanding loan accounts and OM shares to the group (estimated to be AUD 3.1 million). In addition, Shaw River and Grindrod will continue to discuss opportunities for Grindrod to provide logistical services to the Otjo Project. OM's historical marketing agreement with Oreport will be terminated as part the deal, leaving OM with full flexibility to enter into a future transaction involving the off-take and/or

marketing rights for its product. Following completion of the acquisition, Shaw River will wholly own OM, the 100% owner of the Otjozondou Manganese Project (Otjo Project) in Namibia.

Comment: The Otjo deposit includes an Indicated Resource of 4.4 million tonnes at 22.3% Mn and an Inferred Resources of 12.8 million tonnes at 22.6% Mn in accordance with the JORC Code.

The implication of the negotiated price is that 100% of the project could be valued at AUD 7.4 million plus the loan account. The implication on price per tonne on mineral resource for 100% equity is AUD 0.44 million for Indicated and Inferred Resources.

The equity holding of Oreport was in the minority and it could be assumed that a free market (even if only hypothetical) did not exist for the transaction. The market value of 100% of the project in the hands of OM would command a significant control premium.

June 5, 2014 – Ansongo Ltd

The Ansongo Project is located in north-east Mali close to the borders with Burkina Faso and Niger and connected by goods roads to the south-west African coast. Manganese outcrops extensively in the south east part of the mining lease PE 2011/15, district of Ansongo in eight hills known as Tassiga or Takavasita that have been subject of exploration and some mining development. Less well explored areas also show some surficial manganese up to 20 km to the west in hills at Agualla and Tondibi.

November 11, 2013 - Archean Star Resources Inc. (TSXV:ASP) signed a binding term sheet to acquire 30% stake in Ansongo Manganese Project for CAD 6.9 million in cash and stock on November 29, 2013. As per the deal, Archean Star will pay CAD 3.7 million (\$3.5 million), issue 35 million shares, issue an additional 5 million shares, and issue an option to seller to purchase an additional five million common shares of Archean Star at CAD 1 based on at the then-prevailing market price at such time as the volume-weighted average price of Archean Star's common shares trading on the TSX Venture Exchange is 50 cents per share for at least 10 consecutive trading days. The seller has granted Archean Star a three-year option to acquire sufficient additional shares so that Archean Star's indirect interest reaches up to 70% of the Ansongo manganese. The transaction is subject to approval from the Boards and shareholders of Archean Star Resources and Ansongo Manganese Project, signing of definitive agreement, third party approvals, and TSX Venture Exchange acceptance. The transaction is expected to close with in 60 days of signing of the term sheet. Tassiga has agreed to transfer and assign 0.02 million shares of Ecowas held by it to Archean Star Resources.

Callabonna Resources Limited (ASX:CUU) signed an agreement to acquire 3% stake in Ansongo Ltd. on May 6, 2014. Callabonna will initially receive 3% of shares in Ansongo Ltd in settlement of a refundable deposit relating to a previously terminated transaction to acquire Element Morocco Limited in 2013. In a related transaction, Callabonna is entitled to obtain an additional 14.2% of the shares in Ansongo if it successfully spends AUD 3.5 million on Ansongo manganese project in Mali which is expected to occur over a 36 month period. The deal is expected to close in May 2014. The transaction is subject to the approval of shareholders of Callabonna Resources Limited and a General Meeting of shareholders will be held on July 11, 2014. The directors of Callabonna Resources have



unanimously recommended that shareholders vote in favor of this transaction. The deal was completed on 15 May 2014.

Comment: Ansongo is an exploration project and at this stage does not include a mineral resource estimate.

April 30, 2013 – Emang Mmango Resources

Emang Mmogo Mining Resources (Pty) Ltd. entered into a share sale agreement to acquire remaining 30% stake in Emang One Resources (Pty) Ltd from Segue Resources Pty Ltd. (ASX:SEG) for ZAR 22 million on April 30, 2013. Under the terms of the agreement ZAR 10 million will be paid upon Segue Resources shareholder approval expected by May 31, 2013, ZAR 5 million at the earlier of lodgement of a mining right application for Emang Manganese Project or September 30, 2013 and ZAR 7 million at the earlier of granting of a mining right for the project or June 30, 2014. Segue Resources will use the proceeds from the first payment by Emang Mmogo for repaying outstanding loan facilities.

As of July 26, 2013 the deal terms of the agreement have been revised. Under the revised agreement, Emang Mmogo will pay Segue the total purchase consideration of ZAR 19.8 million (AUD 2.14 million) in one payment immediately following approval of the transaction by Segue shareholders. The sale was completed on August 5, 2013.

Comment: The Emang deposit includes an Inferred Resource in accordance with the JORC Code of 13.9 Mt at 24.6% Mn (Segue Resources ASX Release 19 July 2012). The implication on price per tonne on mineral resource for 100% equity is AUD 0.16 million for Inferred Resources at this project.

Valuation opinion

Based on an assessment of the factors involved the estimate of the market value of 100% equity in Otjo Project held by Shaw River Manganese Limited is in the range of A\$5.9 million to A\$12.3 million with a preferred value of A\$7.7 million.

This valuation is effective on 30 September 2014.

REFERENCES

Shaw River Manganese Limited, ASX Announcement, 2012 “Shaw River Delivers 17Mt Mineral Resource (59% Increase at “Otjo” Project) (“ASX Release”) dated 11 December 2012.

Shaw River Manganese Limited, ASX Announcement, 2014 “Shaw River Becomes 100% Owner of Otjozundu Manganese Project” dated 15 May 2014)

Shaw River Manganese Limited, Annual Report, 2013

Agricola Mining Consultants Pty Ltd (“Agricola”) has prepared these notes as background to the Independent Valuation Report. The appendix is general in nature and references to Western Australia are an example of exploration expenditures. They are appropriate for other states and other countries based on Agricola’s experience in many areas of Australia and elsewhere.

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The Meaning of Value – Scope of the Report

A Mineral asset valuation should endeavour to ascertain the price that a willing but not anxious vendor could reasonably expect to obtain and a hypothetical willing but not too anxious purchaser could reasonably expect to have to pay for the property if the vendor and the purchaser had got together and agreed on a price in friendly negotiation.

The test for determining the market value is based on the consideration of a hypothetical negotiation, namely, what is the price that a willing but not anxious purchaser would have to offer to induce a willing but not anxious vendor to sell the property rather than the price which an anxious vendor would obtain upon a forced sale. This is the price that a hypothetical prudent purchaser would entertain, if he desired to purchase it for the most advantageous purpose for which the property was adapted.

This test contemplates a prudent purchaser who has informed himself or herself of all of the relevant attributes and advantages that the property enjoyed which means not just being conversant with the property in its existing state but also any profitable uses to which it might be put. This embodies the concept of the highest and best use of the property.

Judicial Interpretation

The High Court cast light on the ordinary meaning of 'market value' in 1907 in [Spencer v. The Commonwealth of Australia](#). In this case, the Commonwealth had compulsorily acquired land for a fort at North Fremantle in Western Australia.

In discussing the concept of market value, Griffith CJ commented (page 432) that:

... the test of value of land is to be determined, not by inquiring what price a man desiring to sell could have obtained for it on a given day, i.e. whether there was, in fact, on that day a willing buyer, but by inquiring: What would a man desiring to buy the land have had to pay for it on that day to a vendor willing to sell it for a fair price but not desirous to sell?

Isaacs J subsequently expanded on the concept (page 441):

... to arrive at the value of the land at that date, we have ... to suppose it sold then, not by means of a forced sale, but by voluntary bargaining between the plaintiff and a purchaser willing to trade, but neither of them so anxious to do so that he would overlook any ordinary business consideration. We must further suppose both to be perfectly acquainted with the land and cognisant of all circumstances which might affect its value, either advantageously or prejudicially, including its situation, character, quality, proximity to conveniences or inconveniences, its surrounding features, the then present demand for land, and the likelihood as then appearing to persons best capable of forming an opinion, of a rise or fall for what reasons so ever in the amount which one would otherwise be willing to fix as to the value of the property.

In this case, the High Court recognised the principles of:

- the willing but not anxious vendor and purchaser
- a hypothetical market
- the parties being fully informed of the advantages and disadvantages associated with the asset being valued (in the specific case, land)
- both parties being aware of current market conditions.

This is commonly known as the *Spencer test* after the High Court decision upon which these principles are based and to which the Courts have used in their determinations of market value or property. (*Spencer v Commonwealth* (1907) 5 CLR 418 at 432 per Griffiths CJ and 441 per Isaacs J.).

Although the *Spencer test* is based on both a hypothetical vendor and a hypothetical purchaser and therefore the market value from either hypothetical party's point of view should be the same, in some cases emphasis has been placed on what would be the best price which the vendor could hope to obtain.

The question as of "special value" of particular property has often been raised in cases. However in reality this is only part of the *Spencer test* that in attributing the price that would be paid to the hypothetical vendor by the hypothetical purchaser it is to be assumed that the property will be put to its "highest and best use".

Applying the *Spencer test* may not be confined to a technical valuation exercise but may involve a consideration of market factors. In a highly speculative market during 'boom' conditions or a

depressed market during 'bust' conditions the hypothetical purchaser may expect to pay a premium or receive a discount commensurate with market conditions.

The *Spencer test* has been applied in stamp duty cases in determining the value of the dutiable property.

These principles apply equally to mineral assets

Regulatory Authorities

Mineral asset valuations are prepared in accordance with the *Code for Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports (the "VALMIN Code", 2005)*, which is binding upon Members of the Australasian Institute of Mining and Metallurgy ("AusIMM") and the Australian Institute of Geoscientists ("AIG"), as well as the rules and guidelines issued by the Australian Securities and Investments Commission ("ASIC") and the ASX Limited ("ASX") which pertain to Independent Expert Reports (*Regulatory Guides RG111, 2011 and RG112, 2011*).

Where mineral resources have been referred to in this report, the classifications are consistent with the *'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' ("JORC Code")*, prepared by the Joint Ore Reserves Committee of the AusIMM, the AIG and the Minerals Council of Australia, effective 2012.

The VALMIN Code, 2005

The main requirements of the *Valuation Report* are:

- *Prepared in accordance with the VALMIN code.*
- *Details of valuation methodologies*
- *Reasoning for the selection of the valuation approach adopted*
- *Details of the valuation calculations*
- *Conclusion on value*
- *Experience and qualifications of key personnel to be set out*

Transparency The report needs to explain how the valuation was done and the assumptions used in calculating the value. The objective is to provide sufficient information that other people can come up with the same answer. Transparency and Transparent means that the Material data and information used in (or excluded from) the Valuation of a Mineral Property, the assumptions, the Valuation approaches and methods, and the Valuation itself must be set out clearly in the Valuation Report, along with the rationale for the choices and conclusions of the Qualified Valuer.

Materiality This means the valuer has to ensure that all important data that could have a significant impact on the valuation is included in the report. Materiality and Material refer to data or information which contribute to the determination of the Mineral Property value, such that the inclusion or omission of such data or information might result in the reader of a Valuation Report coming to a substantially different conclusion as to the value of the Mineral Property. Material data and information are those, which would reasonably be required to make an informed assessment of the value of the subject Mineral Property.

Competence The valuer must be competent at doing valuations. The person needs to be an expert in the particular exploration target being evaluated. Typically the person needs at least 5 years' experience in that commodity. *For Example:*

Competent Persons Statement

The information in this report that relates to Exploration Results and Mineral Resources of the Company has been reviewed by Malcolm Castle who is a member of the Australasian Institute of Mining and Metallurgy. Mr Castle has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as an Expert and Competent Person as defined under the VALMIN Code and in the 2004 and 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Castle consents to the inclusion in this report of the matters based on the information in the form and context in which they appear.

Independence. The valuer must act in a professional manner and not favour the buyer or the seller. In other words the price must be set at a "fair market value". To achieve independence, the valuer must not receive any special benefit from doing the study. This subject is addressed fully in RG112 (112.42). Independence or Independent means that, other than professional fees and disbursements received or to be received in connection with the Valuation concerned, the Qualified Valuer or Qualified Person (as the case requires) has no pecuniary or beneficial (present or contingent) interest in any of the Mineral Properties being valued, nor has any association with the Commissioning Entity or any holder(s) of any rights in Mineral Properties which are the subject of the Valuation, which is likely to create an apprehension of bias. The concepts of "Independence" and "Independent" are questions of fact. For example, where a Qualified Valuer's fees depend in whole or in part on an understanding or arrangement that an incentive will be paid based on a certain value being obtained, such Qualified Valuer is not Independent.

Reasonableness, in reference to the Valuation of a Mineral Property, while not specifically mentioned in VALMIN, 2005, is a requirement in other jurisdictions. It means that other appropriately qualified and experienced valuers with access to the same information would value the property at approximately the same range. A Reasonableness test serves to identify Valuations, which may be out of step with industry standards and industry norms. It is not sufficient for a Qualified Valuer to determine that he or she personally believes the value determined is appropriate without satisfying an objective standard of proof

Methodology The decisions as to the valuation methodology or methodologies to be used and the content of the Report are solely the responsibility of the Expert or Specialist whose decisions must not be influenced by the Commissioning Entity. The Expert or Specialist must state the reasons for selecting each methodology used in the Report. Methods chosen must be rational and logical and be based upon reasonable grounds.

The Expert or Specialist should make use of valuation methods suitable to the Mineral or Petroleum Assets under consideration. Selection of the appropriate valuation method will depend on, inter alia:

- (a) the purpose of the Valuation;
- (b) the development status of the Mineral or Petroleum Assets;
- (c) the amount and reliability of relevant information;
- (d) the risks involved in the venture; and
- (e) the relevant market conditions for commodities.

The Expert or Specialist should choose, discuss and disclose the selected valuation method(s) appropriate to the Mineral Assets under consideration in the Report, stating the reasons why the particular valuation methods have been selected in relation to those factors and to the adequacy of available data. It may also be desirable to discuss why a particular valuation method has not been used. The disclosure should give a sufficient account of the valuation methods used so that another Expert could understand the procedure used and assess the Valuation. Should more than one valuation method be used and different valuations result, the Expert or Specialist should comment on the reasons for selecting the Value adopted.

Regulatory Guides RG111 and RG112, March 2011

It is not the Australian Securities and Investment Commission – ASIC's role or intention to limit the expert's exercise of skill and judgment in selecting the most appropriate method or methods of valuation. However, it is appropriate for the expert to consider:

- (a) the discounted cash flow method;
- (b) the amount which an alternative acquirer might be willing to offer if all the securities in the target company were available for purchase;

ASIC does not suggest that this list is exhaustive or that the expert should use all of the methods of valuation listed above. The expert should justify the choices of valuation method and give a sufficient account of the method used to enable another expert to replicate the procedure and assess the valuation. It may be appropriate for the expert to compare the values derived by more than one method and to comment on any differences.

The complex valuations in an expert's report necessarily contain significant uncertainties. Because of this an expert who gives a single point value will usually be implying spurious accuracy to his or her valuation. An expert should, however, give as narrow a range of values as possible. An expert report

becomes meaningless if the range of values is too wide. An expert should indicate the most probable point within the range of values if it is feasible to do so.

The expert should carry out sufficient enquiries or examinations to establish reasonable grounds for believing that any profit forecasts, cash flow forecasts and unaudited profit figures that are used in the expert's report, and have been prepared on a reasonable basis. If there are material variations in method or presentation the expert should adjust for or comment on them in the report.

The expert should discuss the implications to his or her valuation if:

- (a) the current market value of the subject of the report is likely to change because of market volatility (for example, boom or depression); or
- (b) the current market value differs materially from that derived by the chosen method.

The JORC Code, 2012

The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ('the JORC Code') is a professional code of practice that sets minimum standards for Public Reporting of minerals Exploration Results, Mineral Resources and Ore Reserves.

The JORC Code provides a mandatory system for the classification of minerals Exploration Results, Mineral Resources and Ore Reserves according to the levels of confidence in geological knowledge and technical and economic considerations in Public Reports.

The JORC Code was first published in 1989, with the most recent revision being published late in 2012. Since 1989 and 1992 respectively, it has been incorporated in the Listing Rules of the Australian and New Zealand Stock Exchanges, making compliance mandatory for listing public companies in Australia and New Zealand.

The current edition of the JORC Code was published in 2012 and after a transition period the 2012 Edition came into mandatory operation from 1 December 2013.

Changes to the JORC Code, 2012

- Table 1 reporting on an 'if not, why not?' basis – Clauses 2, 5, 19, 27, 35 and the introduction of Table 1.
- Competent Person Attributions – Clause 9
- Exploration Targets – Clause 17
- Pre-Feasibility required for Ore Reserves – Clause 29
- Technical Studies definitions – Clause 37-40
- Annual Reporting – Clause 15
- Metal Equivalents – Clause 50
- *In situ* values – Clause 51
- Additional guidance on reporting in Table 1

VALUATION METHODOLOGY FOR EXPLORATION TENEMENTS

Fair Market Value of Mineral Assets

Mineral assets include, but are not limited to, mining and exploration tenements held or acquired in connection with the exploration, the development of, and the production from those tenements together with all plant, equipment and infrastructure owned or acquired for the development, extraction and processing of minerals in connection with those tenements.

Mineral assets classification	
Exploration areas	Mineralisation may or may not have been identified, but where a mineral resource has not been defined. Available information includes exploration results such as outcrop sampling, assays of drill hole intersections, geochemical results and geophysical survey results. <i>Valuation Methods: Geoscience Factor, Prospectivity Enhancement Multiplier, Yardstick (Rule of Thumb).</i>
Advanced exploration areas	Mineral resources have been identified and their extent estimated (possibly incompletely). This includes properties at the early stage of assessment. Available information includes estimates of Exploration Targets, Inferred Resources, Indicated Resources, Measured Resources in accordance with the JORC Code 2012 and the exploration results from the surrounding area or prospect used to compile the estimates. Additional value for exploration potential in the immediate area is not considered to be warranted. <i>Valuation Methods: Comparable Transactions.</i>
Pre-development projects	A positive development decision has not yet been made. This includes properties where a development decision has been negative, properties on care and maintenance and properties held on retention titles. Available information includes Mineral Resource estimates in accordance with the JORC Code and a scoping study. If a recent and valid Pre Feasibility Study has been prepared an Ore Reserve may have been estimated with due regard to modifying factors. <i>Valuation Methods: Comparable Transactions, Discounted Cash Flow (if Ore Reserves have been estimated)</i>
Development projects	Committed to production, but which, are not yet commissioned or not initially operating at design levels. Available information includes a Feasibility Study with supporting technical studies. <i>Valuation Methods: Discounted Cash Flow.</i>
Operating Mines	Mineral properties, particularly mines and processing plants, which have been fully commissioned and are in production. <i>Valuation Methods: Discounted Cash Flow.</i>

The value of a mineral asset usually consists of two components,

- The underlying or Technical Value (or stand alone value) which is an assessment of a mineral asset's future net economic benefit under a set of appropriate assumptions, excluding any premium or discount for market, strategic or other considerations.
- The Market Component, which is a premium relating to market, strategic or other considerations which, depending on circumstances at the time, can be either positive, negative or zero.

When the technical and market components of value are combined the resulting value is referred to as the market value. A consideration of country risk should also be taken into account for overseas projects.

The value of mineral assets is time and circumstance specific. The asset value and the market premium (or discount) changes, sometimes significantly, as overall market conditions, commodity prices, exchange rates, political and country risk change.

Valuation is based on a calculation in which the geological prospectivity, commodity markets, financial markets, stock markets and mineral property markets are assessed independently.

Valuation of exploration properties is exceptionally subjective. If an economic resource is subsequently identified then a new valuation will be dramatically higher, or possibly lower. Alternatively if expenditure of further exploration dollars is unsuccessful then it is likely to decrease the value of the tenements. There are a number of generally accepted procedures for establishing the value of exploration properties and, where relevant, the use of more than one such method to enable a balanced analysis and a check on the result has been undertaken. The value will always be presented as a range with the preferred value identified. The preferred value need not be the median value, and will be determined by the Independent Valuer based on his experience.

The Independent Valuer, when determining a value for a mineral asset, must assess a range of technical issues prior to selection of a valuation methodology. Often this will require seeking advice from a specialist in specific areas. The key issues are:

- geological setting and style of mineralisation
- level of knowledge of the geometry of mineralisation in the district
- results of exploration including geological mapping, costeaning and drilling of interpretation of geochemical anomalies
- parameters used to identify geophysical and remote sensing data anomalies
- location and style of mineralisation identified on adjacent properties
- appropriate geological models
- mining history, including mining methods
- location and accessibility of infrastructure
- milling and metallurgical characteristics of the mineralisation
-

In addition to these technical issues the Independent Expert needs to make a judgement about the market demand for the type of property, commodity markets, financial markets and stock markets. The technical value of a property should not be adjusted by a "market factor" unless there is a

marked discrepancy between the technical value and the market value. When this is done the factor should be clearly identified.

Where there are identified Ore Reserves it is appropriate to use financial analysis methods to estimate the net present value ("NPV") of the properties. This technique (the DCF Method) has deficiencies, which include assessment of only a very narrow area of risk, namely the time value of money given the real discount rate, and the underlying assumption that a static approach is applicable to investment decision making, which is clearly not the case.

When assessing value of exploration properties with no identified Ore Reserves it is inappropriate to prepare any form of financial analysis to determine the net present value. The valuation of exploration tenements or licences, particularly those without identified resources, is highly subjective and a number of methods are appropriate to give a guide as discussed below.

All of these valuation methods are relatively independent of the location of the mineral property. Consequently the valuer will make allowance for access to infrastructure etc when choosing a preferred value. It is observed that the Prospectivity Exploration Multiplier ("PEM") is heavily based on the expenditure; while the Geoscience Factor is more heavily based on opinions of the prospectivity hence tenements can have marked variation in value between the methods. If the Geoscience Factor assessment is high and the PEM is low it indicates effective well focused exploration, if the Geoscience Factor is low and the PEM high it suggests that the tenement is considered to have lower prospectivity.

Truly Comparable Transactions are rare for early stage properties without defined drill targets. This is natural in a recession, as companies focus on brownfields exploration. Inflated prices paid for property in fashionable areas should not be discounted because they reflect the true market value of a property at the transaction date. If however, the market sentiment is not so buoyant then adjustments must be made.

Methodologies commonly used for the valuation of early stage or exploration assets in order of the evidentiary value provided by each include:

Contemporaneous transactions in the asset

Where a transaction has taken place around the valuation date in the mineral asset in question, this provides the best evidence of value. This may occur when a body of mineralisation or confined geological domain is split by a tenement boundary and one part is sold.

If a property in the recent past was the subject of an arms-length transaction, for either cash or shares (i.e. from a company whose principal asset was the mineral property) then this forms the most realistic starting point, provided that the deal is still relevant in today's market. Complicating matters is the knowledge that properties rarely change hands for cash, except for liquidation purposes, estate sales, or as raw exploration property when sold by an individual prospector, or entrepreneur.

Any underlying royalty or net profits interests or rights held by the original vendor of the claims should be deducted from the resultant property value before determination of the company's

interest. Also, reductions in value should be made where environmental, legal or political sensitivities could seriously retard the development of exploration properties.

It should be noted again that exploration is cyclical, and in periods of low metal prices there is often no market, or a market at very low prices, for ordinary exploration acreage (inventory property) unless it is combined with a significant mineral deposit, or with other incentives.

DCF value

Where a financial model has been prepared which considers the exploration results to date, the costs involved in taking the project to production and the probability-weighted returns expected from the project, in the absence of a contemporaneous transaction in the actual exploration interest, this provides the best evidence as to the value of the exploration interest. This method requires that a reasonable estimate can be made of expected cash flows. In accordance with the JORC Code 2012, the estimation of an Ore Reserve must be based on a Pre Feasibility Study or a Feasibility Study. The DCF Method, therefore, is only possible then these studies are available and an Ore Reserve has been estimated. **(DCF Method – see below)**

Contemporaneous transactions in comparable assets

Where a transaction has taken place recently in an Asset of similar prospectivity in a similar or comparable mineral market, this provides evidence of value in the absence of an actual transaction or a financial model for the exploration interest. The comparison is typically made on the basis of a value per unit of contained resource. **(Comparable Transactions Method – see below)**

Potential for Further Discoveries

The Geoscience Factor method provides the most appropriate approach to utilise in the technical valuation of the *exploration potential* of mineral properties on which there are no defined resources. Kilburn, a Canadian mining engineer was concerned about the haphazard way in which exploration tenements were valued. He proposed an approach that essentially requires the valuer to justify the key aspects of the valuation process in a systematic and defensible manner. The valuer must specify the key aspects of the valuation process and must specify and rank aspects that enhance or downgrade the intrinsic value of each property. The intrinsic value is the base acquisition cost ("BAC"), which is the average cost incurred to acquire a base unit area of mineral tenement and to meet all statutory expenditure commitments for a period of 12 months. Different practitioners use slightly differing approaches to calculate the BAC and its use with respect to different tenement types.

The Geoscience Factor method systematically assesses and grades four key technical attributes of a tenement to arrive at a series of multiplier factors. The multipliers are then applied serially to the BAC of each tenement with the values being multiplied together to establish the overall technical value of each mineral property. A fifth factor, the market factor, is then multiplied by the technical value to arrive at the fair market value.

The successful application of this method depends on the selection of appropriate multipliers that reflect the tenement prospectivity. Furthermore, there is the expectation that the outcome reflects the market's perception of value, hence the application of the market factor. **(Geoscientific Factor Method – see below)**

Past Expenditure

Where the other methods cannot be used, a valuer could also consider *previous exploration expenditure*, and apply a multiple to this based on its effectiveness and the valuer's judgment as to the prospectivity of the project based on the results as at the valuation date. The application of this method is very subjective, and is best used for very early stage exploration interests without resources or significant drilling results. (**Prospectivity Enhancement Method – see below**)

Yardstick (Rule of Thumb) Method

A Rule-of-Thumb method sometimes used for valuing Mineral Assets without identified Resources is based upon conversion of comparable sales data to a unit area (per km² or per ha). It is probably the most difficult comparative tool to justify.

Share market trading in companies holding comparable exploration interests

Where information on the exploration tenements is not directly observable, valuers sometimes consider the recent share market trading in companies holding comparable exploration interests. This method may require the valuer to apportion the value of the company between its various assets, to determine the proportion of the enterprise value of the company that should be attributed to the comparable exploration interest. Once the valuer has estimated the proportion of the market capitalization or enterprise value of the company that should be attributed to the comparable exploration interest, the value per unit of contained resource or the value per km² of tenement approaches can be applied. This typically provides weak evidence of the value of specific exploration interests due to the difficulty in apportioning the enterprise value of a listed company to specific exploration interests, and the likelihood that the share price may include other 'noise' unrelated to the exploration interest.

Market Capitalisation (MCap) and Enterprise Value (EV: MCap + Debt – Cash) are often used in comparable transaction valuations, often quoted as EV per unit of Resource or reserve. These measures say *nothing* about the technical value of individual mineral assets and are usually influenced by many commercial and emotional factors both within and external to the Company.

It is fair to assume that a company's share price is a reflection of the market value of the company and this is strongly influenced by the market value of mineral assets in the light of current market conditions. If a 'willing but not anxious buyer' were to make an offer for the company based on share price, appropriate due diligence has been completed and the offer may also include a premium for control.

MCap per unit and EV per unit for peer group companies may be a satisfactory measure of 'reasonableness' of the market value of the bundle of assets and should be viewed in that light and not as a direct measure of technical value.

Valuation of Development Projects by Discounted Cash Flow Methods

Agricola believes that the Discounted Cash Flow/Net Present Value method should never be applied to the valuation of a Mineral Property that is only at an exploration stage, based on the hypothetical cash flows from a postulated exploitation scenario. Valuers tend to consider before

or after tax values only in the context of the DCF/NPV Method, with a general preference for determinations of after-tax value.

Of course, some owners can use tax losses and structure their affairs to minimise the impact of corporate taxes, but others cannot do so. Hence, it should be clearly stated on what taxation basis the fair market value is determined. This is another reason why care must be taken when using project sales data as a comparable basis for assessing value. The 'comparable' projects may be in different places subject to different taxation regimes, in any event.

Discounted cash flow analysis

A discounted cash flow ("DCF") analysis determines the Technical Value of a project by approximating the value if it were developed under the prevailing economic conditions.

Once a Mineral Resource has been assessed for mining by considering revenues and operating costs, the economically viable component of the resource becomes the Ore Reserve. When this is scheduled for mining, and the capital costs and tax regime are considered, the net present value ("NPV") of the project is established by discounting future annual cash flows using an appropriate discount rate.

The resulting 'classical' NPV has several recognised deficiencies linked to the fact that the approach assumes a static approach to investment decision making, however the NPV represents a fundamental approach to valuing a proposed or on-going mining operation and is widely used within the mining industry.

In terms of cash flow analysis, the DCF valuation technique is the most commonly used valuation tool. The technique has specific strengths over the methods considered in the market and cost approaches. These include its ability to consider the effects of royalties, leases, taxation and financial gearing on the resulting cash flow. In addition, the beneficial impact of unredeemed capital balances, assessed losses, depreciation and amortization on free cash flows can also be modelled.

Compiling cash flows on resources categorized as inferred, or those with even less geoscientific confidence (which in some cases are referred to as inventory), is prohibited by some international codes. It is only under exceptional circumstances that many securities exchanges will accept such cash flows and the effect of cash flow contributions from inferred resources on project performance should be demonstrated separately from those derived from other resource and reserve categories.

The DCF method is used to produce numerous quantitative results. On its own and as an investment tool, it is based on the principle that for any initial investment, the investor will look to the future cash flows of that entity to provide a minimum return. This return will be at least a predetermined return over the investor's hurdle rate for that investment. The hurdle rate represents the minimum return of a project, below which the decision to invest or develop a new project will be negative, and above which the project will be developed. The hurdle rate should always be greater than the cost of capital for the investor.

For a mining project, in a macroeconomic environment that is sufficiently favourable and stable for this method to be applied, the critical input data will generally be incorporated in a life of

mine (LoM) plan. The LoM plan, such as that accompanying a pre-feasibility, feasibility or a bankable feasibility study, will include:

- reserve and resource estimates in accordance with the JORC Code
- forecast mining schedules of tonnage on a daily, monthly or annual basis
- forecast grade profiles and associated recoveries from a processing facility. This, together with the tonnage profile, allows the valuer to calculate the volume of saleable product
- estimated working costs, preferably unitized to either an amount per tonne mined or milled or an amount per unit of metal or product sold
- forecast capital expenditure profiles over the life of the operation, including ongoing or sustainable capital expenditure amounts and
- rehabilitation liabilities or trust fund contributions, retrenchment costs, plant metal lock-up and any other specific factor that will impact on costs or revenue.

Changes in working capital balances are generally calculated based on historical balance ratios, applied to forecast revenues and working costs. They impact on short term cash flows and therefore must be modelled into the cash flows. Naturally, any working capital locked up during the life of the operation will be released at the end of this life.

Once the economic inputs have been assumed, the DCF can be determined. This is often stated as EBITDA (Earnings before Interest, Taxation, Depreciation and Amortisation) and is frequently taken as the technical value of the project, subject to a consideration of sensitivity to the assumptions.

The resultant cash flow is then used to derive the net present value (NPV) of the operation at a predetermined discount rate or a range of discount rates. The derived NPV, on which the return on investment can be calculated, is used as a proxy for the operation's implicit value. This is often compared with the value or returns the market attributes to the operation, if it is a listed entity, or compared with other investment opportunities in order to optimize investment or development schedules.

In any cash flow determination, the impact of inflation on the final result cannot be overstated. One only has to consider the effect of taxation as applied to real taxable income as opposed to being levied against nominal taxable income. Converting the final cash flows to real money terms, the values derived from two similar cash flows will be quite different. The unredeemed capital balance will last longer in the real terms case, incorrectly enhancing the value of the same project. The real cash flow lines in Table X must be compared to recognize the impact of taxation on real and nominal cash flows.

As a result of the difficulty in obtaining agreement on appropriate inflation forecasts to use in the specific valuation of a project, valuers often exclude a forecast on inflation rates. This in itself may be construed as an inflation assumption, in that inflation is taken to be zero per cent per year. However, this reflects an ideal world, which is unrealistic.

Valuation of Resources by Comparable Transactions

When only a resource or defined body of mineralisation has been outlined and its economic viability has still to be established (i.e. there is no ore reserve) then a **Comparable Transactions** approach is usually applied, often stated as a percentage of metal value. This can be applied to Mineral Resource estimates and Exploration Targets in accordance with the JORC code with appropriate discounts for risk in the different Mineral Resource categories and operational factors to differentiate between deposits.

Agricola Mining Consultants prefers the comparable transactions approach where mineral resources have been estimated. The DCF method is inappropriate because there is no Pre Feasibility or Feasibility Study available and no Ore Reserves has been (or can be) estimated under the JORC Code. The Geoscientific Factor method (potential for further discoveries) and Past Expenditure methods are appropriate for exploration ground that is not advanced enough to estimate mineral resources. The contemporaneous transactions over adjacent ground may be appropriate but the absence of such information the only viable method (in Agricola's opinion) is to compare the sale of other deposits on a 'dollar per unit' basis for the mineral resource estimated in accordance with the JORC Code. Agricola is not aware of a method to cross check the valuation for the technical value (as apposed to the Market value) under these circumstances except by comparison with earlier valuations.

With metal projects the Comparable Transactions method requires allocating a dollar value to resource tonnes or ounces in the ground. The dollar value must take into account a number of aspects of the resources including:

- The confidence in the resource estimation (the JORC Category)
- The quality of the resource (grade and recovery characteristics)
- Possible extensions of the resource in adjacent areas
- Exploration potential for other mineralisation within the tenements
- Presence and condition of a treatment plant within the project
- Proximity of infrastructure, development and capital expenditure aspects

This approach can be taken with metals or bulk commodities sold on the spot market and where current price can be estimated with appropriate adjustments for impurities if required. Value is estimated as a percentage of contained value once appropriate discounts for uncertainty relating to resource categorisation are taken into account.

Resource Category Discounts	
Measured Resource	80%
Indicated Resource	70%
Inferred Resource	60%
Exploration Target	50%

An example of appropriate discounts for operational factors is included below but these must be considered on a case-by-case basis.

Operations Factors	Base Metals		Iron Ore		Coal		Gold		Rare Earths	
Recovery	75%		75%		70%		95%		60%	
Mining	75%		90%		75%		90%		100%	
Processing	80%		70%		70%		95%		50%	
Rail	80%		90%		70%		95%		75%	
Port	80%		90%		50%		100%		90%	
Capex	80%		70%		75%		90%		50%	
Marketing	75%		80%		75%		100%		75%	
Total Operating Discount	17%		21%		7%		69%		7%	

Sensitivity to Metal Price

A recent review of Mergers and Acquisitions over the last eight years covering the mining boom, the GFC and the recovery phase of the Mining Market indicates the price paid for gold assets.

		Merger and Acquisitions Activity (CAD)							
		2006	2007	2008	2009	2010	2011	2012	2013
Gold Price	Producing Assets*	\$709	\$778	\$920	\$1,154	\$1,277	\$1,590	\$1,665	\$1,488
		\$74	\$94	\$115	\$89	\$207	\$202	\$200	\$121
Exploration Assets*	Percent of Price	10.40%	12.10%	12.50%	7.70%	16.20%	12.70%	12.00%	8.10%
		\$54	\$28	\$31	\$29	\$71	\$90	\$47	\$23
Percent of Price		7.60%	3.60%	3.40%	2.50%	5.60%	5.70%	2.80%	1.50%
*Estimated price paid per ounce of gold in the ground, updated December 31, 2013									
Source: http://www.ibkcapital.com/capital-market-highlights/merger-acquisition-activity/									

The information is based on Canadian experience and closely replicates values reported in Australia and similar metal markets elsewhere. The 'Apparent Acquisition Cost' ("AAC") for gold projects lies in the range of 1.5% to 7.6% of the gold price at the time. The data set does not differentiate between resource categories or variations in deposits type and individual assessment. It is implicit that this has been taken into account with risk related discounts. Information on sales internationally has shown a pattern for AAC. For the purpose of valuation the Average Acquisition Cost for the lower, preferred and higher value is selected at the 25th, 50th and 75th percentiles of the spread of values.

AAC Percentiles 2006 - 2013			
Percentile	10%	25%	90%
AAC	2.2%	2.7%	6.2%

The AAC method percentiles are derived from Canadian Merger and Acquisitions activity in the gold industry. The original database provided \$/ounce values for producing and non-producing asset sales for a period of years and I have recalculated this as a percentage of metal value so it can be related to current metal prices in other metals. This, of course, is a subjective decision and AAC percentiles are used in conjunction with the operational factors to "normalise" the rates for gold acquisitions to other metals. In the absence of a useful database of project sales for other metals this is considered to be a reasonable proxy for sales in most metal projects (the combination of AAC and Operational factors). Mineral asset sales are related to the current mineral price (or contained value) which is provided by the M & A database over the period 2006 - 2013 and the valuation method is realistic when adjusted by factors that relate specifically to the metal involved and more specifically to the individual deposits.

Sensitivity to Metal Price

Valuation of mineral resources is estimated at a specific date as stated in the report and metal prices are estimated from current information available at that time. Metal markets may be quite volatile from time to time and it is appropriate to consider the effect of variations in metal price (which may change on a daily basis).

Geoscience Factor Method

The Geoscience Factor method attempts to convert a series of scientific opinions about a subject property into a numeric evaluation system. The success of this method relies on the selection of multiplying factors that reflect the tenement's prospectivity.

Agricola Mining Consultants prefers the Geoscientific Factor method (potential for further discoveries) for exploration ground that is not advanced enough to estimate mineral resources. The contemporaneous transactions over adjacent ground may be appropriate but the absence of such information the only viable method (in Agricola's opinion) is to compare the sale of other deposits on a 'dollar per unit' basis for the mineral resource estimated in accordance with the JORC Code. Agricola uses Past Expenditure and yardstick (Rule of Thumb) methods as an appropriate way of cross checking the reasonableness of the valuation.

The Geoscience Factor method is essentially a technique to define a value based on geological prospectivity. The method appraises a variety of mineral property characteristics:

- location with respect to any off-property mineral occurrence of value, or favourable geological, geochemical or geophysical anomalies;
- location and nature of any mineralisation, geochemical, geological or geophysical anomaly within the property and the tenor (grade) of any mineralisation known to exist on the property being valued;

- geophysical and/or geochemical targets and the number and relative position of anomalies on the property being valued;
- geological patterns and models appropriate to the property being valued.

It is recognised that application of this method can be highly subjective, and that it relies almost exclusively on the geoscience ratings adopted by the valuer. As such, it is good practice for valuers using this method to provide sufficient discussion supporting their selection of the various multiplying factors to allow another suitably qualified geoscientist to assess the appropriateness of the factors selected.

The successful application of this method depends on the selection of appropriate multipliers that reflect the tenement prospectivity. Furthermore, there is the expectation that the outcome reflects the market's perception of value, hence the application of the market factor. Agricola Mining Consultants prefers the Geoscience Factor approach because it endeavours to implement a system that is systematic and defensible. It also takes account of the key factors that can be reasonably considered to impact on the exploration potential. The keystone of the method is the BAC, which provides a standard base from which to commence a valuation. The acquisition and holding costs of a tenement for one year provides a reasonable, and importantly, consistent starting point. Presumably when a tenement is pegged for the first time by an explorer the tenement has been judged to be worth at least the acquisition and holding cost.

It may be argued that on occasions an EL may be converted to a ML expediently for strategic reasons rather than based on exploration success, and hence it is unreasonable to value such a ML starting at a relatively high BAC compared to that of an EL.

It has also been argued that the method is a valuation-by-numbers approach. In Agricola's opinion, the strength of the method is that it reveals to the public, in the most open way possible, just how a tenement's value was systematically determined. It is an approach that lays out the subjective judgements made by the valuer.

Area

The area of a tenement is usually stated in terms of square kilometres as a matter of convenience and consistency. A graticular boundary (or block) system was introduced for exploration licences in mid 1991 in W.A. and a block is defined as one minute of latitude by one minute of longitude. The square kilometres contained within a block varies from place to place. For instance, at Kunnanurra (Latitude 15 deg. S) one block equals 3.31 square kilometres, at Mt Isa (Latitude 20 deg. S) one block equals 3.22 square kilometres, at Carnarvon or Bundaberg (Latitude 25 deg. S) one block equals 3.11 square kilometres and at Albany or Adelaide (Latitude 35 deg. S) one block equals 2.81 square kilometres.

Prospecting Licences and Mining Leases are granted in Hectares (100 hectares equals one square kilometre.

Basic Acquisition Cost

The Basic Acquisition Cost ("BAC") is the important input to the Geoscience Factor Method and it is estimated by summing the annual rent, statutory expenditure for a period of 12 months and

administration fees for a first stage exploration tenement such as an Exploration Licence (the first year holding cost).

The notes are general in nature and references to Western Australia are an example of exploration expenditures. They are appropriate for other states and other countries based on Agricola's experience in many areas of Australia and elsewhere.

The current holding cost for exploration projects is considered to be the average expenditure for the first year of the licence tenure. Exploration Licences in Western Australia, for example, attract a minimum annual expenditure for the first three years of \$300 per square kilometre per year with a minimum of \$20,000 and annual rent of \$46.80. A 15% administration fee is taken into account to imply a holding cost of \$400 per square kilometre. A similar approach based on expenditure commitments could be taken for Prospecting Licences and Mining Leases (effective 1 July 2014). The Benchmark minimum expenditure for Exploration Licences in the Northern Territory is \$10,000 plus \$150 per block.

In Western Australia (from February 2006), an application for a Mining Lease required either a mining proposal OR a statement describing when mining is likely to commence; the most likely method of mining; and the location, and the area, of land that is likely to be required for the operation of plant, machinery and equipment and for other activities associated with those mining operations. A mineralisation report is also required that has been prepared by a qualified person.

The mineralisation report must be completed by a qualified person and shall contain information of sufficient standard and detail to substantiate, to the satisfaction of the Director Geological Survey, that significant mineralisation exists within the ground applied for. A 'qualified person' means a person who is a member of the Australasian Institute of Mining and Metallurgy (AusIMM) or the Australian Institute of Geoscientists (AIG). Significant mineralisation means a deposit of minerals located during exploration activities and that there is a reasonable expectation that those minerals will be extracted by mining operations.

The implication of the mineralisation report suggests that Mining leases should be valued on the body of significant mineralisation (usually a Mineral Resource estimated in accordance with the JORC Code) and not on the basis of prospectivity. The preferred method for valuing resources is by comparable transactions (Market Based).

The Mineral Resources are assumed to encapsulate all the value for the tenements on which they occur and the exploration results considered for the estimate. A separate value for exploration potential for this tenement is not considered warranted.

It is recognised that further exploration potential may exist within the tenement boundaries but when a mineral resource has already been estimated in accordance with the JORC Code a hypothetical willing but not too anxious purchaser would be unlikely to consider additional value for surrounding untested ground.

Mining Leases granted prior to 2006 and Prospecting Licences may not have a mineralisation report available and may cover old workings or simply an expedient or strategic method of securing ground at the expiry of an Exploration Licence rather than based on exploration success. While these

Licences carry all the obligations set out in the Mining Act, from a valuation point of view they are equivalent to Exploration Licences and it is unreasonable to value such these MLs (or PLs) starting at a relatively high holding cost compared to that of an EL where only exploration results are available. These tenements should be considered on the basis of a **BAC of \$400 to \$450**. To value these areas at the higher levels may not be considered to be reasonable under the VALMIN Code.

Tenement Status

Uncertainty may exist where a tenement is in the application stage. Competing applications may be present where a ballot is required to determine the successful applicant or Native Title issues and negotiations may add to the risk of timely grant. Other issues may also be present such as state parks or forestry and wildlife reserves, competing land use and compensation agreements. There is an inherent risk that the tenement may not be granted and this needs to be recognised in the base value assessment. A 'grant factor' of zero may be applied where there is no realistic chance of approval (e.g. sacred sites) and where no significant impediments are known the factor may increase to about 60% to reflect delays and compliance with regulations.

Equity

The equity a Company may hold in a tenement through joint venture arrangements or royalty commitments may be addressed in assessing base Value but it is often considered at the end of a valuations report.

Geoscience Factors

The multipliers or ratings and the criteria for rating selection across these four factors are summarised in the following table.

GEO-FACTOR RATING CRITERIA - GUIDELINES					
	Rating	Address - Off Property	Mineralisation - On Property	Anomalies	Geology
Low	0.5	Very little chance of mineralisation, Concept unsuitable to environment	Very little chance of mineralisation, Concept unsuitable to environment	Extensive previous exploration with poor results - no encouragement	Unfavourable lithology over >75% of the tenement
	0.75				Unfavourable lithology over >50% of the tenement
Average	1	Indications of Prospectivity, Concept validated	Indications of Prospectivity, Concept validated	Extensive previous exploration with encouraging results - regional targets	Deep alluvium Covered favourable geology (40-50%)
	1.5	RAB Drilling with some scattered results	Exploratory sampling with encouragement, Concept validated	Several early stage targets outlined from geochemistry and geophysics	Shallow alluvium Covered favourable geology (50-60%)

2	Significant RC drilling leading to advance project status	RAB &/or RC Drilling with encouraging intercepts reported	Several well defined surface targets with some RAB drilling	Exposed favourable lithology (60-70%)
2.5	Grid drilling with encouraging results on adjacent sections	Diamond Drilling after RC with encouragement	Several well defined surface targets with encouraging drilling results	Strongly favourable lithology (70-80%)
High	3	Advanced Resource definition drilling - early stage	Several significant subeconomic targets - no indication of volume	Highly prospective geology (80 - 100%)
3.5	Along strike or adjacent to known mineralisation at Pre-Feasibility Stage	Resource areas identified	Subeconomic targets of possible significant volume - early stage drilling	
4	Along strike or adjacent to Resources at Definitive Feasibility Stage	Along strike or adjacent to known mineralisation at Pre-Feasibility Stage	Marginal economic targets of significant volume - advanced drilling	
4.5	Along strike or adjacent to Development Stage Project	Along strike or adjacent to Resources at Definitive Feasibility Stage	Marginal economic targets of significant volume - well drilled at Inferred Resource stage	
Very High	5	Along strike or adjacent to Operating Mine	Several significant ore grade correlatable intersections with estimated resources	

The selection of factors from the table must be tempered with an eye to the reasonableness of the outcome and an awareness of the inherent exploration risks in achieving progress to the next level. Some exploration licences are overly large and may cover several domains of prospective (or entirely unprospective) ground and this should be recognised in the Geology Factor. A conservative approach is considered mandatory.

Estimate of project value is carried out on a tenement-by-tenement basis and uses four calculations as shown below. The value estimate is shown as a range with a preferred value.

$$\text{Base Value} = [\text{Area}] * [\text{Grant Factor}] * [\text{Equity}] * [\text{Base Acquisition Cost}]$$

$$\text{Prospectivity Index} = [\text{Off Site Factor}] * [\text{On Site Factor}] * [\text{Anomaly Factor}] * [\text{Geology Factor}]$$

$$\text{Technical Value} = [\text{Base Value}] * [\text{Prospectivity Index}]$$

$$\text{Market Value} = [\text{Technical Value}] * [\text{Market Premium/Discount Factor}]$$

Prospectivity Enhancement Multiplier ("PEM")

Various valuation methods exist which make reference to historical exploration expenditure. One such method is based on a 'multiple of historical exploration expenditure'. Successful application of this method relies on the valuer assessing the extent to which past exploration expenditure is likely to lead to a target resource being discovered, as well as working out the appropriate multiple to apply to such expenditure.

Another such method is the 'appraised value method'. When adopting this approach, the valuer should only account for meaningful past exploration expenditure plus warranted future expenditures. Warranted future expenditures reflect a reasonable and justifiable exploration budget to test the identified potential of the target.

PEM Factors Used in this valuation method

PEM Range	Criteria
0.2 – 0.5	Exploration (past and present) has downgraded the tenement prospectivity, no mineralisation identified
0.5 – 1.0	Exploration potential has been maintained (rather than enhanced) by past and present activity from regional mapping
1.0 – 1.3	Exploration has maintained, or slightly enhanced (but not downgraded) the prospectivity
1.3 – 1.5	Exploration has considerably increased the prospectivity (geological mapping, geochemical or geophysical)
1.5 – 2.0	Scout Drilling has identified interesting intersections of mineralisation
2.0 – 2.5	Detailed Drilling has defined targets with potential economic interest.
2.5 – 3.0	A resource has been defined at Inferred Resource Status, no feasibility study has been completed
3.0 – 4.0	Indicated Resources have been identified that are likely to form the basis of a prefeasibility study
4.0 – 5.0	Indicated and Measured Resources have been identified and economic parameters are available for assessment.

When historical expenditure approaches are adopted, it is good practice for valuers to provide full transparency in relation to all historical exploration expenditure on the subject property, details of those expenditures selected for use in the method (including details in relation to warranted future expenditures), and justification for any multiples applied.

Past expenditure on a tenement and/or future committed exploration expenditure can establish a base value from which the effectiveness of exploration can be assessed. Where exploration has

produced documented results, a PEM can be derived which takes into account the valuer's judgment of the prospectivity of the tenement and the value of the database.

Future committed exploration expenditure is discounted to 60% by some valuers to reflect the uncertainty of results and the possible variations in exploration programmes caused by future undefined events. Expenditure estimates for tenements under application are often discounted to 60% of the estimated value by some valuers to reflect uncertainty in the future granting of the tenement. The PEM Factors are defined in the table.

Yardstick (Rule of Thumb) Method

A Rule-of-Thumb method sometimes used for valuing Mineral Assets without identified Resources is based upon conversion of comparable sales data to a unit area (per km² or per ha). It is probably the most difficult comparative tool to justify. This Method has found greater acceptance in North America, where tenement sizes appear to be smaller and where there are many more transactions forming a deep and liquid market than elsewhere. In addition, dealing in tenements is not discouraged by the mining legislation, especially in the US with its historic focus on property rights. It is used in Canada and Australia, though to a much lesser extent.

In Australia, many State jurisdictions grant large exploration tenements (say 300km² maximum) on a graticular block system. This means a tenement is usually larger than geometrically necessary to cover the specific geologically prospective terrane. Also, most jurisdictions here require periodic significant reductions in the tenement's size, so it is common to apply for more area than is actually needed to provide for this obligatory reduction. The sale of exploration tenements to third parties is discouraged (although sales, particularly if interests, certainly occur) because the basis of grant is that the applicants will carry out the granted tenement's exploration obligations themselves. The State sees itself as the centralised, timely distributor of exploration rights, not the free market.

That said, some valuers still attempt to use this Rule-of-Thumb (based upon area) in Australia with an emphasis on market value. A review of technical value (which is not influenced by market conditions) of exploration areas carried out by Agricola over the last few years suggests that ground without resources can be categorized as a matter of convenience into two groups:

- Exploration area in known mineral fields relatively close to published mineral resources. Such areas attract values in the range of \$700 to \$1300 per square kilometer.
- Exploration areas in green fields or early exploration domains remote from mineral resources. Such areas attract values in the range of \$400 to \$800 per square kilometer

Adjustments to the Technical Value – Market Value

Mineral Assets are often bought and sold at a price that is different than their technical value or stand-alone value. To the extent that it exists, the amount of the transacted value differs from the technical value is often described as the 'acquisition premium or discount'.

The concept of market value implies the construction of a hypothetical transaction between willing, knowledgeable, but not anxious buyers and sellers. Therefore, when assessing the market value of

resource projects, it is likely that valuers will consider whether it is appropriate to make an adjustment to the technical value of the project to reflect any observed 'acquisition premium or discount', or other adjustments. Such adjustments can either be implicit or explicit in the valuation method chosen. However, care should be taken not to treat as acquisition premium or discount something that is properly part of technical value, such as where assumed forward values for commodity prices are reflected in the technical value.

Particularly when valuing early stage exploration and development projects the technical value may be assessed for a project with reference to parameters that may be above or below those present in the financial markets as at the valuation date. Consequently, when applying these exploration valuation methods, it may be appropriate to reflect a series of high level adjustments to the technical value to account for differences in market conditions relative to those embedded within the method itself.

However, other valuation methods (particularly the DCF valuation method) are able to explicitly reflect a series of parameters that may apply to future financial market expectations. This is particularly the case if valuers adopt commodity price, exchange rate, inflation rate, and discount rate parameters which are forecast with reasonable confidence, and resource to reserve conversion, cost structure and capital expenditure parameters which are consistent with the expectations in the market. Doing so will limit the need to make further adjustments to the resulting stand alone value to account for such factors as 'market considerations'.

To the extent that valuers choose to apply further adjustments to their assessed stand alone value, it is good practice to clearly identify how they have applied the adjustments are applied, and the rationale for doing so.

GLOSSARY OF TERMS

'Real Property' – A non-physical legal concept and it includes all the rights, interests and benefits related to the ownership of **'Real Estate'** and normally recorded in a formal document (eg. deed or lease). The rights are to sell, lease, enter, bequeath, gift, etc. There may be absolute single or partial ownership (subject to limitations imposed by Government, like taxation, planning powers, appropriation, etc). These rights may be affected by restrictive covenants or easements affecting title; or by security or financial interests, say conveyed by mortgages.

'Real Estate' – A physical concept, including land and all things that are a natural part of the land (eg. trees and Minerals). In addition it includes all things effectively permanently attached by people (eg. buildings, site improvements, and permanent physical attachments, like cooling systems and lifts) on, above or below the ground. **Personal Property** – Covers all items other than **'Real Estate'** and may be tangible (like a chattel or goods) or intangible (like a patent or debt). It has a moveable character.

'Mineral(s)' – Any naturally occurring material found in or on the Earth's crust, that is useful to and/or has a value placed on it by mankind. The term specifically includes coal, shale and materials used in building and construction, but excludes crude oil and natural gas (*VALMIN Code*).

'Minerals Industry' (also Extractive Industry) – Defined as encompassing those engaged in exploring for, extracting, processing and marketing **'Minerals'**.

'Mineral Asset(s)' (Resource Assets or Mineral Properties) - All property including, but not limited to 'Real Property', intellectual property, mining and exploration tenements held or acquired in connection with the exploration, the development of and the production from those tenements; together with all plant, equipment and infrastructure owned or acquired for the development, extraction and processing of Minerals in connection with those tenements. Most can be classified as 'Exploration Areas', 'Advanced Exploration Areas', 'Pre-Development Projects', 'Development Projects' or 'Operating Mines' (*VALMIN Code*).

'Operating Mines' – Mineral Properties, particularly mines and processing plants, which have been fully commissioned and are in production (*VALMIN Code*).

'Development Projects' – Mineral Properties which have been committed to production, but which are not yet commissioned or not operating at design levels (*VALMIN Code*).

'Advanced Exploration Areas' and 'Pre-development Projects' – Mineral Properties where Mineral Resources have been identified and their extent estimated (possibly incompletely) but where a positive development decision has not been made, Mineral Properties at the early assessment stage, those for which a development decision has been negative, those on care and maintenance and those held on retention titles are all included in this category if Mineral Resources have been identified. This is even if no further valuation or technical assessment work, delineation or advanced exploration is being undertaken (*VALMIN Code*).

'Exploration Areas' – Mineral Properties where mineralisation may or may not have been identified, but where a Mineral Resource has not been identified (*VALMIN Code*).

'Price' – The amount paid for a good or service and it is a historical fact. It has no real relationship with 'Value', because of the financial motives, capabilities or special interests of the purchaser; and the state of the market at the time.

'Value' (also Valuation which is the result of determining 'Value') - The estimated likely future 'Price' of a good or service at a specific time, but it depends upon the particular qualified type of value (eg 'Market Value', 'Salvage Value', 'Scrap Value', 'Special Value', etc). There is also a particular value for tax and rating, or insurance purposes.

'Fair Market Value' (Market Value or Value) – The object and result of the Valuation. It is the estimated amount of money (or the cash equivalent of some other consideration) for which the 'Mineral Asset' should change hands on the 'Valuation Date'. It must be between a willing buyer and a willing seller in an 'arm's length' transaction in which each party has acted knowledgeably, prudently and without compulsion. It is usually comprised of two components, the underlying or 'Technical Value' and a premium or discount, relating to market, strategic or other considerations (*VALMIN Code*).

'Market Value' (IVS Definition) – The result of an objective Valuation of specific identified ownership rights to a specific asset as at a given date. It is the value in exchange not **'Value-in-Use'** set by the market place. It is the *'estimated amount for which a property should be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had acted knowledgeably, prudently, and without compulsion'.*

'Fair Value' (IVS definition) – An accountancy term used for 'values envisaged to be derived under any and all conditions, not those prevailing in an open market for the normal orderly disposal of assets. Being a transaction price it reflects both existing and alternative uses, too. It is also a legal term for values involved in dispute settlements which may not also meet the strict **'Market Value'** definition. Commonly, it reflects the service potential of an asset ie, value derived by DCF/NPV analysis, not merely the result of comparable sales analysis. It is still the *"amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction"*.

'Technical Value' – An assessment of a **'Mineral Asset's'** future net economic benefit at the **'Valuation Date'** under a set of assumptions deemed most appropriate by the **'Valuer'**, excluding any premium or discount to account for market, strategic or other considerations (*VALMIN Code*).

'Highest-and-Best-Use' – for physical property, it is the reasonably probable and legal use of property, which is physically possible, appropriately supported and financially feasible, that results in the highest value. In the case of personal property, it is the same with the additional qualification that the highest value must be in the appropriate market place, consistent with the purpose of the appraisal. It may be, in volatile markets, the holding for a future use.

'Value-in-Use' – in contrast to **'Highest-and-Best-Use'**, it is the specific value of a specific tangible asset that has a specific use to a specific user. It is not market-related. The focus is on the value that a specific property contributes to the enterprise of which it is a part (being part of a **'Going Concern Valuation'**). It measures the contributory value of a specified asset(s) used within that specific enterprise, although it is not the **'Market Value'** for that individual asset. It is the Value-to-the-Owner/Entity/Business in accountancy terms and may be the lower of net current replacement cost and its recoverable amount. It is also the net present value of the expected future net cash flows from the continued use of that asset, plus its disposal value at the end of its useful life (**'Scrap Value'**). At the **'Valuation Date'**, there must be recognition of its existing use by a particular user. This is in contrast to the alternative reasonable use to which an asset might be put by unspecified owner(s).

'Going Concern Value' – A business valuation concept rather than one relating to individual property valuation. It is the value of an operating business/enterprise (ie one that is expected to continue operating) as a whole and it includes goodwill, special rights, unique patents or licences, special reserves, etc. Apportionment of this total value may be made to constituent parts, but none of these components constitute a basis for **'Market Value'**.

'Market Capitalization' - The total dollar market value of all of a company's outstanding shares. Market capitalization is calculated by multiplying a company's shares outstanding by the current market price of one share. The investment community uses this figure to determine a company's size, as opposed to sales or total asset figures. Frequently referred to as 'market Cap' or 'MCap

'Enterprise Value - EV' - A measure of a company's value, often used as an alternative to straightforward market

capitalization. Enterprise value is calculated as market cap plus debt, minority interest and preferred shares, minus total cash and cash equivalents. In the event of a buyout, an acquirer would have to take on the company's debt, but would pocket its cash. EV differs significantly from simple market capitalization in several ways, and many consider it to be a more accurate representation of a firm's value.

'Market Premium' - A control premium is an amount that a buyer is usually willing to pay over the current market price of a publicly traded company in order to acquire a controlling share in that company. The reason the buyer of a controlling interest is willing to offer a premium over the price currently established by other market participants is the additional prerogatives of control, including electing the company directors, firing and hiring key employees, declaring and distributing dividends, divesting or acquiring additional business assets, and entering into merger and acquisition transactions. The opposite of control premium is the minority discount.

'Investment Value' (Worth) – this is the value of a specific asset to a specific investor(s) for identified investment objectives or criteria. It may be higher or lower than 'Market Value' and is associated with 'Special Value'.

'Property-with-Trading-Potential' – refers to the valuation of specialised property (eg, hotel, petrol station, restaurant, etc) that is sold on an operating or going concern basis. It recognises that assets other than land and buildings are to be included in the 'Market Value' and it is often difficult to separate the component values for land and property.

'Special Value' – An extraordinary premium over and above the 'Market Value', related to the specific circumstances that a particular prospective owner or user of the property attributes to the asset. It may be a physical, functional or economic aspect or interest that attracts this premium. It is associated with elements of 'Going Concern Value' or 'Investment Value' since it also represents synergistic benefits. In a strict sense it could apply to very specialised or special purpose assets which are rarely sold on the open market, except as part of a business, because their utility is restricted to particular users. In some circumstances, it may be the lower value given by 'Value-in-Use'.

'Salvage Value' – The expected value of an asset at the end of its economic life (ie, being valued for salvage disposal purposes rather than for its originally intended purpose). Hence, it is the value of property, excluding land, as if disposed of for the materials it contains, rather than for its continued use, without special repairs or adaptation.

'Scrap Value' (Residual Value) – The remaining value (usually a net value after disposal costs) of a wasting asset at the end of a prescribed or predictable period of time (usually the end of its effective life) that was ascertained upon acquisition.

'Forced Sale Value' (Liquidated Value) – The amount reasonably expected to be received from the sale of an asset within a short time frame for completion that is too short to meet the 'Market Value' definition. This definition requires a reasonable marketing time, having taken into account the asset's nature, location and the state of the market). Usually it also involves an unwilling seller and buyers who have knowledge to the disadvantage of the seller.

'Valuation Date' - Means the reference date to which a Valuation applies. Depending on the circumstances, it could be different to the date of completion or signing of the Valuation Report or the cut-off date of the available data (VALMIN Code.).

'Valuer' (also Valuer [Canada] or Appraiser [USA]) – Either the 'Expert' or 'Specialist' (Qualified Person in Canada) who is the natural person responsible for the Valuation to determine the 'Fair Market Value' after consideration of the technical assessment of the 'Mineral Asset' and other relevant issues. They must have demonstrable 'Competence' (and 'Independence', when required).

'Expert' – Means a **'Competent'** (and **'Independent'**, where relevant) natural person who prepares and has overall responsibility for the Valuation Report. He/she must have at least 10 years of relevant **'Minerals Industry'** experience, using a relevant **'Specialist'** for specific tasks in which he/she is not **'Competent'**. An **'Expert'** must be a corporate member of an appropriate, recognised professional association having an enforceable Code of Ethics, or explain why not (VALMIN Code).

'Specialist' – Means a **'Competent'** (and **'Independent'**, where relevant) natural person who is retained by the 'Expert' to provide subsidiary reports (or sections of the Valuation Report) on matters on which the 'Expert' is not personally expert. He/she must have at least 5 years of suitable and preferably recent **'Minerals Industry'** experience relevant to the subject matter on which he/she contributes. A **'Specialist'** must be corporate member of appropriate, recognised professional association having an enforceable Code of Ethics, or explain why not (VALMIN Code).

'Material/Materiality' - with respect to the contents and conclusions of a relevant Report, it means data and information of such importance that the inclusion or omission of the data or information concerned might result in a reader of the Report reaching a different conclusion than might otherwise be the case. **'Material'** data (or information) is that which would reasonably be required in order to make an informed assessment of the subject of the Report. The Australian Society of Accountants' Standard AAS5 indicates that **'Material'** data (or information) is such that the omission or inclusion of it could lead to changes in total value of greater than 10% (between 5% and 10% it is discretionary). Also the Supreme Court of New South Wales has stated that something is **'Material'** if it is significant in formulating a decision about whether or not to make an investment or accept an

offer (VALMIN Code).

'Transparent/Transparency' - as applied to a valuation it means, as in the Concise Oxford Dictionary, *"easily seen through, of motive, quality, etc"*. It applies to the factual information used, the assumptions made and the methodologies applied, all of which must be made plain in the Report (VALMIN Code).

'Competence' – it means having relevant expertise, qualifications and experience (technical or commercial), as well as, by implication, the professional reputation so as to give authority to statements made in relation to particular matters. (VALMIN Code).

'Competent Person' - A 'Competent Person' is a minerals industry professional who is a Member or Fellow of The Australasian Institute of Mining and Metallurgy, or of the Australian Institute of Geoscientists, or of a 'Recognised Professional Organisation' (RPO), as included in a list available on the JORC and ASX websites. These organisations have enforceable disciplinary processes including the powers to suspend or expel a member. A Competent Person must have a minimum of five years relevant experience in the style of mineralisation or type of deposit under consideration and in the activity which that person is undertaking. If the Competent Person is preparing documentation on Exploration Results, the relevant experience must be in exploration. If the Competent Person is estimating, or supervising the estimation of Mineral Resources, the relevant experience must be in the estimation, assessment and evaluation of Mineral Resources. If the Competent Person is estimating, or supervising the estimation of Ore Reserves, the relevant experience must be in the estimation, assessment, evaluation and economic extraction of Ore Reserves. (JORC 2012)

'Independent/Independence' – Means that the person(s) making the Valuation have no **'Material'** pecuniary or beneficial (present or contingent) interest in any of the **'Mineral Assets'** being assessed or valued, other than professional fees and reimbursement of disbursements paid in connection with the assessment or Valuation concerned; or any association with the commissioning entity, or with the owners or promoters (or parties associated with them) likely to create an apprehension of bias. Hence, they must have no beneficial interest in the outcome of the transaction or purpose of the technical assessment/Valuation of the **'Mineral Asset'** (VALMIN Code). ASIC RG112, which deals with the Independence of Expert Reports, provides more detail on this concept. (JORC 2012)

'Exploration results' - Exploration Results include data and information generated by mineral exploration programmes that might be of use to investors but which do not form part of a declaration of Mineral Resources or Ore Reserves. The reporting of such information is common in the early stages of exploration when the quantity of data available is generally not sufficient to allow any reasonable estimates of Mineral Resources. Examples of Exploration Results include results of outcrop sampling, assays of drill hole intersections, geochemical results and geophysical survey results.

'Exploration Target' - An Exploration Target is a statement or estimate of the exploration potential of a mineral deposit in a defined geological setting where the statement or estimate, quoted as a range of tonnes and a range of grade (or quality), relates to mineralisation for which there has been insufficient exploration to estimate a Mineral Resource. Any such information relating to an Exploration Target must be expressed so that it cannot be misrepresented or misconstrued as an estimate of a Mineral Resource or Ore Reserve. The terms Resource or Reserve must not be used in this context. (JORC 2012)

'Inferred Mineral Resource' - An 'Inferred Mineral Resource' is that part of a Mineral Resource for which quantity and grade (or quality) are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade (or quality) continuity. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. An Inferred Mineral Resource has a lower level of confidence than that applying to an Indicated Mineral Resource and must not be converted to an Ore Reserve. It is reasonably expected that the majority of Inferred Mineral Resources could be upgraded to Indicated Mineral Resources with continued exploration. (JORC 2012)

'Indicated Mineral Resource' - An 'Indicated Mineral Resource' is that part of a Mineral Resource for which quantity, grade (or quality) densities, shape and physical characteristics are estimated with sufficient confidence to allow the application of Modifying Factors in sufficient detail to support mine planning and evaluation of the economic viability of the deposit. Geological evidence is derived from adequately detailed and reliable exploration, sampling and testing gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes, and is sufficient to assume geological and grade (or quality) continuity between points of observation where data and samples are gathered. An Indicated Mineral Resource has a lower level of confidence than that applying to a Measured Mineral Resource and may only be converted to a Probable Ore Reserve. (JORC 2012)

'Measured Mineral Resource' - A 'Measured Mineral Resource' is that part of a Mineral Resource for which quantity, grade (or quality), densities, shape, and physical characteristics are estimated with confidence sufficient to allow the application of Modifying Factors to support detailed mine planning and final evaluation of the economic viability of the deposit. Geological evidence is derived from detailed and reliable exploration, sampling and testing gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes, and is sufficient to confirm geological and grade (or quality) continuity between points of observation where data and samples are gathered. A Measured Mineral Resource has a higher level of confidence than that applying to

either an Indicated Mineral Resource or an Inferred Mineral Resource. It may be converted to a Proved Ore Reserve or under certain circumstances to a Probable Ore Reserve. (JORC 2012)

‘Modifying Factors’ - are considerations used to convert Mineral Resources to Ore Reserves. These include, but are not restricted to, mining, processing, metallurgical, infrastructure, economic, marketing, legal, environmental, social and governmental factors. (JORC 2012)

‘Scoping Study’ - A Scoping Study is an order of magnitude technical and economic study of the potential viability of Mineral Resources. It includes appropriate assessments of realistically assumed Modifying Factors together with any other relevant operational factors that are necessary to demonstrate at the time of reporting that progress to a Pre-Feasibility Study can be reasonably justified. A Scoping Study must not be used as the basis for estimation of Ore Reserves. (JORC 2012)

‘Pre Feasibility Study’ - A Preliminary Feasibility Study (Pre-Feasibility Study) is a comprehensive study of a range of options for the technical and economic viability of a mineral project that has advanced to a stage where a preferred mining method, in the case of underground mining, or the pit configuration, in the case of an open pit, is established and an effective method of mineral processing is determined. It includes a financial analysis based on reasonable assumptions on the Modifying Factors and the evaluation of any other relevant factors which are sufficient for a Competent Person, acting reasonably, to determine if all or part of the Mineral Resources may be converted to an Ore Reserve at the time of reporting. A Pre- Feasibility Study is at a lower confidence level than a Feasibility Study. (JORC 2012)

‘Feasibility Study’ - A Feasibility Study is a comprehensive technical and economic study of the selected development option for a mineral project that includes appropriately detailed assessments of applicable Modifying Factors together with any other relevant operational factors and detailed financial analysis that are necessary to demonstrate at the time of reporting that extraction is reasonably justified (economically mineable). The results of the study may reasonably serve as the basis for a final decision by a proponent or financial institution to proceed with, or finance, the development of the project. The confidence level of the study will be higher than that of a Pre-Feasibility Study. (JORC 2012)

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Schedule 4 – Principal Terms of the Performance Rights

The Performance Rights entitle the holder to Shares on the following terms and conditions:

- (a) The Performance Rights shall have an expiry date and the Board is not permitted to extend an expiry date without shareholder approval.
- (b) The Performance Rights have milestones that must be satisfied.
- (c) The Board, in its sole discretion, will determine if the relevant milestones have been satisfied. If the Board determines, in its sole discretion, that the relevant milestone has been satisfied then the Company shall notify the holder in writing that the Performance Right has vested. If any milestone is not satisfied by the expiry date, then the Company shall notify the holder that the Performance Right lapsed.
- (d) Upon vesting, each Performance Right shall automatically convert into one Share.
- (e) The issuance of Shares to a holder following the automatic exercise of Performance Rights is subject to such issuance not contravening the Corporations Act, the Listing Rules, or any other applicable law.
- (f) Unless the Board resolves otherwise, where, in the opinion of the Directors, a holder at any time:
 - (i) acts or has acted fraudulently or dishonestly; or
 - (ii) is in breach or has breached any of his or her obligations to the Company, the Board will:
 - (A) deem any unvested Performance Rights of the holder to have immediately lapsed; and/or
 - (B) deem all or any Performance Right Shares transferred or issued to the holder to be forfeited, in which event the holder will be deemed to either have (i) agreed to sell such Performance Right Shares to the Company pursuant to a share scheme buy-back (as defined in the Corporations Act) for no consideration or (ii) appointed an officer of the Company as his or her agent to sell such Shares; and/or
 - (C) where any Shares transferred or issued to the holder have been sold by the holder, require the holder to pay all or part of the net proceeds of that sale to the Company.
 - (iii) If during the term of any Performance Right, the Company makes a pro rata issue of securities to the Shareholders by way of a rights issue, the holder shall be entitled to participate in the rights issue on the same terms as the Shareholders as if the holder held that number of Shares as is equal to the number of Performance Rights issuable to the holder if all of the holder's Performance Rights were exercised prior to the record date for determining entitlement under the pro rata issue.
 - (iv) If during the term of any Performance Right, securities are issued pro rata to the Company's shareholders generally (otherwise than pursuant to any incentive scheme) by way of bonus issue, the number of Performance Rights each holder is then entitled, shall be increased by that number of securities which the holder would have been issued if the Performance Rights then held by the Holder were exercised immediately prior to the record date for the bonus issue.

- (v) In the event of any reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company (not being a reconstruction referred paragraphs (f) and (g) above), the number of Performance Rights shall be reconstructed (as appropriate) in accordance with the Listing Rules (applying at that time) and in a manner which will not result in any additional benefits being conferred on a Holder which is not conferred on holders of Shares generally, but in all other respects the terms of exercise will remain unchanged.
 - (vi) If, during the life of any Performance Right, securities of any other corporation are offered or otherwise made available to the Company's shareholders generally, the Company will use its reasonable endeavors to ensure that each Holder is given an opportunity to participate on the same basis as if the Performance Rights then held by him or her had been exercised.
- (g) Performance Rights which have not lapsed in accordance with these terms and conditions will automatically vest and be deemed to immediately become vested Performance Rights where:
- (i) a Court orders a meeting to be held in relation to a proposed compromise or arrangement for the purposes of, or in connection with, a scheme for the reconstruction of the Company or its amalgamation with any other company or companies and the shareholders of the Company approve the proposed compromise or arrangement at such meeting;
 - (ii) a takeover bid:
 - (A) is announced;
 - (B) has become unconditional; and
 - (C) the person making the takeover bid has a relevant interest in 50% or more of the Shares; or
 - (iii) any person acquires a Relevant Interest in 50.1% or more of the Shares by any other means.
- (h) Except on the death of a holder, Performance Rights may not be transferred, assigned or novated except with the prior approval of the Board.

Schedule 5 – Principal terms of the Director Options

The Director Options entitle the holder to the following terms and conditions:

- (a) Each Director Option entitles the holder to subscribe for one Share upon exercise of each Director Option.
- (b) The exercise price of each Director Option is \$0.01 (**Director Option Exercise Price**).
- (c) The Directors Options will expire on that date that is 3 years from their date of issue (**Director Option Expiry Date**).
- (d) The Director Options are exercisable at any time prior to the Director Option Expiry Date.
- (e) The Director Options may be exercised by notice in writing to the Company and payment of the Director Option Exercise Price for each Director Option being exercised.
- (f) Shares issued on exercise of the Director Options rank equally with the then Shares of the Company.
- (g) If there is any reconstruction of the issued share capital of the Company, the rights of the holder of the Director Options may be varied in accordance with the Listing Rules.
- (h) There are no participation rights or entitlements inherent in the Director Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Director Options.
- (i) If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction, of dividends or by way of dividend reinvestment):
 - (i) the number of Shares which must be issued on the exercise of a Director Option will be increased by the number of Shares which the holder would have received if the holder of the Director Options had exercised the Director Option before the record date for the bonus issue; and
 - (ii) no change will be made to the Director Option Exercise Price.



ACN: 121 511 886

REGISTERED OFFICE:
GROUND FLOOR
1205 HAY STREET
WEST PERTH WA 6005

SHARE REGISTRY:
Security Transfer Registrars Pty Ltd
All Correspondence to:
PO BOX 535, APPLECROSS WA 6953
AUSTRALIA
770 Canning Highway, APPLECROSS WA 6153
AUSTRALIA
T: +61 8 9315 2333 F: +61 8 9315 2233
E: registrar@securitytransfer.com.au
W: www.securitytransfer.com.au

« REF No. »

«HOLDER_NAME»
«ADDRESS_LINE_1»
«ADDRESS_LINE_2»
«ADDRESS_LINE_3»
«ADDRESS_LINE_4»
«ADDRESS_LINE_5»

Code:

Holder Number:

«HOLDER_No.»

PROXY FORM

THIS DOCUMENT IS IMPORTANT. IF YOU ARE IN DOUBT AS TO HOW TO DEAL WITH IT, PLEASE CONTACT YOUR STOCK BROKER OR LICENSED PROFESSIONAL ADVISOR.

SECTION A: Appointment of Proxy

I/We, the above named, being registered holders of the Company and entitled to attend and vote hereby appoint:

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The meeting chairperson

OR

or failing the person named, or if no person is named, the Chairperson of the meeting, as my/our Proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the Proxy sees fit) at the General Meeting of the Company to be held at 10:00 am (WST) on Friday 14th November 2014 at the offices of BDO (WA) Pty Ltd, 38 Station Street, Subiaco, WA 6008 and at any adjournment of that meeting.

SECTION B: Voting Directions

Please mark "X" in the box to indicate your voting directions to your Proxy. The Chairperson of the Meeting intends to vote undirected proxies in FAVOUR of all the resolutions. In exceptional circumstances, the Chairperson of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

RESOLUTIONS

FOR **AGAINST** **ABSTAIN***

1. Approval of the Grant and Exercise of the Option
2. Approval of the Issue of the Conversion Shares
3. Approval of the Issue of the Interest Shares
4. Issue of Performance Rights to Mr Peter Cunningham
5. Issue of the Director Options to Mr Peter Cunningham

☐	☐	☐
☐	☐	☐
☐	☐	☐
☐	☐	☐
☐	☐	☐

If no directions are given my proxy may vote as the proxy thinks fit or may abstain. * If you mark the Abstain box for a particular item, you are directing your Proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

SECTION C: Signature of Security Holder(s)

This section must be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Individual or Security Holder

Sole Director & Sole Company Secretary

Security Holder 2

Director Secretary

Security Holder 3

Director/Company Secretary

Proxies must be received by Security Transfer Registrars Pty Ltd no later than 10:00 am (WST) on Wednesday 12th November 2014.

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My/Our contact details in case of enquiries are:

Name:

Number:

()

1. NAME AND ADDRESS

This is the name and address on the Share Register of the Company. If this information is incorrect, please make corrections on this form. Shareholders sponsored by a broker should advise their broker of any changes. Please note that you cannot change ownership of your shares using this form.

2. APPOINTMENT OF A PROXY

If you wish to appoint the chairperson of the Meeting as your Proxy please mark "X" in the box in Section A. Please also refer to Section B of this proxy form and ensure you mark the box in that section if you wish to appoint the Chairperson as your Proxy. If the person you wish to appoint as your Proxy is someone other than the Chairperson of the Meeting please write the name of that person in Section A. If you leave this section blank, or your named Proxy does not attend the meeting, the Chairperson of the Meeting will be your Proxy. A Proxy need not be a shareholder of the Company.

3. DIRECTING YOUR PROXY HOW TO VOTE

To direct the Proxy how to vote place an "X" in the appropriate box against each item in Section B. Where more than one Proxy is to be appointed and the proxies are to vote differently, then two separate forms must be used to indicate voting intentions.

4. APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two (2) persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second Proxy, an additional Proxy form may be obtained by contacting the Company's share registry or you may photocopy this form.

To appoint a second Proxy you must:

- On each of the Proxy forms, state the percentage of your voting rights or number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each Proxy may exercise, each Proxy may exercise half of your votes; and
- Return both forms in the same envelope.

5. SIGNING INSTRUCTIONS

Individual: where the holding is in one name, the Shareholder must sign.

Joint Holding: where the holding is in more than one name, all of the Shareholders must sign.

Power of Attorney: to sign under Power of Attorney you must have already lodged this document with the Company's share registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the Company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the Company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director may sign alone. Otherwise this form must be signed by a Director jointly with either another Director or Company Secretary. Please indicate the office held in the appropriate place.

If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be lodged with the Company before the meeting or at the registration desk on the day of the meeting. A form of the certificate may be obtained from the Company's share registry.

6. LODGEMENT OF PROXY

Proxy forms (and any Power of Attorney under which it is signed) must be received by Security Transfer Registrars Pty Ltd no later than the date and time stated on the form overleaf. Any Proxy form received after that time will not be valid for the scheduled meeting.

The proxy form does not need to be returned to the share registry if the votes have been lodged online.

Security Transfer Registrars Pty Ltd

Online	www.securitytransfer.com.au
Postal Address	PO BOX 535 Applecross WA 6953 AUSTRALIA
Street Address	Alexandrea House Suite 1, 770 Canning Highway Applecross WA 6153 AUSTRALIA
Telephone	+61 8 9315 2333
Facsimile	+61 8 9315 2233
Email	registrar@securitytransfer.com.au

PRIVACY STATEMENT

Personal information is collected on this form by Security Transfer Registrars Pty Ltd as the registrar for securities issuers for the purpose of maintaining registers of security holders, facilitating distribution payments and other corporate actions and communications. Your personal details may be disclosed to related bodies corporate, to external service providers such as mail and print providers, or as otherwise required or permitted by law. If you would like details of your personal information held by Security Transfer Registrars Pty Ltd or you would like to correct information that is inaccurate please contact them on the address on this form.