



RECOMMENDED CASH OFFER BY HANKING FOR PRIMARY GOLD

Highlights

- All cash takeover offer of A\$0.0575 per share from Primary's largest shareholder Hanking Australia.
- Offer values Primary's share capital, including shares attributable to in the money options, at approximately A\$37.5 million.
- The Offer price provides Primary shareholders a significant premium for their shares, with the Offer representing a:
 - 47.3% premium to Primary's last traded share price of A\$0.039 on 16 February 2018, the last trading day prior to the date of this announcement; and
 - 35.4% premium to the 30 trading day VWAP of A\$0.042 per share up to 16 February 2018, the last trading day before the date of this announcement.
- The Offer provides Primary shareholders all-cash certainty, with the Offer subject to minimum acceptances greater than 50%, FIRB approval, market linked and other customary conditions. The Offer is not subject to any Chinese regulatory approval or any financing conditions.
- The Independent Directors of Primary unanimously recommend that Primary shareholders ACCEPT the Offer, in the absence of a superior proposal and subject to the independent expert not concluding that the Offer is not fair and not reasonable.
- Hanking Australia has agreed to make available interim funding to Primary for up to A\$1.5 million.

Primary Gold Limited (ASX: PGO) (Primary or Company) is pleased to announce that it has entered into a Bid Implementation Agreement (BIA) with Hanking Australia Investment Pty Ltd (Hanking Australia), pursuant to which Hanking Australia (or a wholly owned subsidiary of Hanking Australia) will make an off-market conditional takeover bid for all of the shares in Primary (the Offer).

Hanking Australia is Primary's largest shareholder with an existing 8.4% interest and Hanking Australia's Managing Director, Dr Mark Yumin Qiu has served as a non-executive director of Primary since 2014.

Since Dr Mark Qiu is a director of both Hanking Australia and Primary, an independent board committee comprising Mr Garry Mills and Mr Tony Patrizi (Independent Directors) has been formed to consider, negotiate and agree the Offer.



Details of the Offer

Primary shareholders who accept the Offer will, subject to the fulfilment or waiver of the conditions, receive A\$0.0575 in cash per share.

The Offer also extends to any Primary shares that are issued as a result of the exercise of Primary unlisted options during the Offer period.

The Offer values the share capital of Primary, including shares attributable to in the money options, at approximately A\$37.5 million and represents a significant premium of:

- 47.3% to Primary's last traded share price of A\$0.039 on 16 February 2018, the last trading day prior to the date of this announcement; and
- 35.4% to the 30 trading day VWAP of A\$0.042 per share up to 16 February 2018, the last trading day before the date of this announcement.

Primary's Executive Chairman and Managing Director, Mr Garry Mills, said:

"Hanking Australia's Offer provides Primary shareholders with an attractive opportunity to realise a significant premium and certain cash value for their investment in Primary.

The Independent Directors of Primary intend to accept the Offer, in the absence of a superior proposal and subject to the independent expert not concluding that the Offer is not fair and not reasonable."

The Offer is subject to a number of conditions (**Conditions**), including:

- Hanking Australia acquiring a relevant interest in more than 50% of all Primary shares on a fully diluted basis;
- Foreign Investment Review Board (FIRB) approval;
- no material adverse event (as defined in the BIA);
- the S&P/ASX All Ordinaries Gold (Sub-Industry) index not falling by 10%;
- the spot price of gold not falling below A\$1,500 per ounce; and
- other customary conditions as set out in the BIA.

Importantly, the Offer is not subject to any Chinese regulatory approval or any financing conditions.

Primary has agreed to customary deal protection provisions, including "no shop" restrictions and, subject to standard fiduciary carve-outs, "no talk" and "no due diligence" restrictions and notification rights in respect of competing proposals. Primary has also granted customary matching rights to Hanking Australia in respect of any superior proposal that may emerge and the payment of a break fee of A\$400,000 in agreed circumstances.



Full details of the Offer, Conditions, deal protections and other relevant provisions are contained in the BIA, with a full copy attached to this announcement.

Unanimous Recommendation by Primary's Independent Directors

The Independent Directors have carefully considered the Offer and unanimously recommend that Primary shareholders should **ACCEPT** the Offer in respect of all of their Primary shares in the absence of a superior proposal and subject to the independent expert not concluding that the Offer is not fair and not reasonable.

Subject to these two qualifications, the Independent Directors also intend to accept the Offer for all the Primary shares they hold or otherwise control.

Primary has appointed BDO Corporate Finance (WA) Pty Ltd (**BDO**) as the independent expert to opine on whether the Offer is fair and reasonable (**Independent Expert**). The Independent Expert's report will be included in the Target's Statement.

Hanking Australia

Hanking Australia is a subsidiary of China Hanking Holdings Limited (**CHH**).

CHH is a diversified international mining company listed on the Hong Kong Stock Exchange (HKSE:03788) with operations in Australia, China and Indonesia. For the half year ended 30 June 2017, CHH generated profit of approximately A\$165 million.

Hanking Australia is led by Dr Mark Qiu, who is a director of both CHH and Hanking Australia.

Interim funding

Hanking Australia has agreed to provide Primary with a A\$1.5 million unsecured loan facility to assist Primary fund its short term working capital needs and other approved project activities during the Offer period. Interest is payable on amounts drawn down under the loan facility at 8% p.a. Any amounts advanced under the loan facility are repayable on the date that is 3 months after the close of the Offer, although there is an obligation to repay those amounts in full:

- (a) immediately if an event of default occurs under the facility agreement;
- (b) within:
 - (i) 10 business days of any Primary Independent Director recommending a competing proposal;
 - (ii) 5 business days if:
 - (A) any person (other than Hanking Australia) acquires voting power of more than 20% of the shares in Primary;
 - (B) Hanking Australia terminates the BIA due to a material breach of that agreement by Primary; or

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21 February 2018

PRiMARY
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- (C) Primary raises an amount in cash exceeding A\$3,750,000 million as a result of one or more issues of new equity, debt or hybrid securities; or
- (iii) 3 months of the date of termination of the BIA, if the BIA is terminated for reasons other than as set out above.

Next Steps and Timetable

Primary shareholders do not currently need to take any action in relation to the Offer.

Detailed information in relation to the Offer will be set out in a Bidder's Statement and Target's Statement, each of which will be lodged with the ASX, Australian Securities & Investments Commission and sent to Primary shareholders as soon as practicable.

Primary shareholders should consult their stockbroker, accountant, tax, financial or other professional adviser about the impact of the Offer on their particular investment objectives.

Primary will advise its shareholders of any further relevant developments as they occur.

Advisers

The Independent Directors have engaged Longreach Capital as financial adviser and Bellanhouse as legal adviser in relation to the Offer.

ENDS

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Bid implementation agreement

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Hanking Australia Investment Pty Ltd (**Hanking**)
Primary Gold Limited (**PGO**)

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Bid implementation agreement

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Details

Date 20 February 2018

Parties

Name **Hanking Australia Investment Pty Ltd** ACN 613 858 843
ABN 24 613 858 843
Short form name **Hanking**
Notice details Level 26, 140 St Georges Terrace
Email: qiuym@hanking.com.au
Attention: Dr Mark Qiu

Name **Primary Gold Limited** ACN 122 726 283
ABN 42 122 726 283
Short form name **PGO**
Notice details Suite 23, 513 Hay Street, Subiaco WA 6008
Email: gills@primarygold.com.au
Attention: Garry Mills and Tony Patrizi

Background

- A Hanking proposes to make a Takeover Bid for PGO.
- B The PGO Independent Directors propose to publicly recommend that PGO Shareholders accept the Takeover Bid in respect of their PGO Shares, in the absence of a Superior Proposal emerging and subject to the Independent Expert not concluding in its Independent Expert's report that the Offer is not fair and not reasonable.
- C Hanking and PGO have agreed to facilitate the Takeover Bid on the terms set out in this agreement.

Agreed terms

1. Defined terms and interpretation

1.1 Defined terms

In this agreement:

Agreed Offer Terms means the terms and conditions set out in Schedule 2.

Agreed Transaction Costs means the maximum permitted costs and expenses incurred by PGO in connection with the Offer, as agreed by Hanking in writing from time to time.

Announcement is defined in clause 3.1.

Announcement Date means the date on which the Announcement is made.

ASIC means the Australian Securities and Investments Commission.

Associate has the meaning set out in section 12 of the Corporations Act.

ASX means ASX Limited ACN 008 624 691 or the financial market operated by it, as the context requires.

Bidder's Statement means the Bidder's Statement prepared and issued by Hanking in respect of the Offer.

Break Fee is A\$400,000.

Business means the business conducted by PGO and its Related Entities.

Business Day means a day that is not a Saturday, Sunday, public holiday or bank holiday in Western Australia, Australia.

Business Hours means from 9.00am to 5.00pm on a Business Day.

Claim means in relation to a person, a demand, claim, action or proceeding made or brought by or against the person, however arising and whether present, unascertained, immediate, future or contingent.

Competing Proposal means any proposal, offer or transaction by a Third Party that, if entered into or completed substantially in accordance with its terms, would mean a Third Party (either alone or together with any Associate) would directly or indirectly:

- (a) acquire a Relevant Interest or voting power in 10% or more of PGO Shares or of the securities of any of member of the PGO Group;
- (b) enter into, buy, dispose of, terminate or otherwise deal with any cash settled equity swap or other synthetic, economic or derivative transaction connected with or relating to 10% or more of PGO Shares or of the securities of any member of the PGO Group;
- (c) acquire or obtain an interest (including an economic interest) in all or a substantial part or material part of the business conducted by, or assets or property of, PGO or any member of the PGO Group, or any projects in which any of them have an interest;
- (d) acquire Control of PGO or any member of the PGO Group; or
- (e) otherwise acquire, or merge with, PGO or any member of the PGO Group (including by way of takeover bid, scheme of arrangement, capital reduction, sale of assets, sale of securities, strategic alliance, dual listed company structure, joint venture or partnership).

Each successive material modification or variation of any proposal, offer or transaction in relation to a Competing Proposal will constitute a new Competing Proposal.

Conditions means the conditions precedent to the Offer which are described in item 3 of Schedule 2.

Confidentiality Agreement means the confidentiality agreement between PGO and Hanking dated 16 February 2018.

Control has the meaning given under section 50AA of the Corporations Act. **Controlled** has the same meaning.

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

Counter Proposal is defined in clause 8.6(d).

Details means, in respect of a recipient, the notice details for the recipient set out on page 5 of this agreement under the heading 'Details'.

Exclusivity Period means the period beginning on the date of this agreement and ending on the earlier of:

- (a) the date of termination of this agreement;
- (b) that date on which the Offer Period ends; and
- (c) the date that is 6 months after the date of this agreement (or any later date agreed in writing by the parties).

FATA means the *Foreign Acquisitions and Takeovers Act 1975* (Cth).

FIRB means the Foreign Investment Review Board.

Fully Diluted Basis means all PGO Shares to which the Offer relates including any new PGO Shares that are able to be issued during the Offer Period on the exercise of PGO Unlisted Options that are on issue as at the Register Date.

Hanking Group means Hanking and each of its Related Entities.

Hanking Indemnified Parties means Hanking, its Related Entities and each of their respective Representatives.

Identifying Details is defined in clause 8.6(c).

Independent Expert means an independent expert engaged by the PGO Independent Board Committee to provide an opinion on whether the Offer is fair and reasonable.

Listing Rules means the listing rules of ASX.

Loan Facility Agreement means the loan facility agreement entered into by Primary and Hanking on or about the date of this agreement.

Material Adverse Event means any event, matter or circumstance which individually, or when aggregated with all other events, matters or circumstances results in or could reasonably be expected to result in:

- (a) the fair market value of the consolidated net assets of the PGO Group being reduced by \$500,000 or more by reference to the most recent audited financial statements of PGO (excluding any reduction in cash incurred in the ordinary course of business or, provided that it does not exceed the Agreed Transaction Costs, in connection with the Offer);
- (b) any material rights under any of the material tenements in which a member of the PGO Group has an interest being suspended, revoked, invalidated, varied, terminated, or otherwise coming to an end;
- (c) a material restraint on or hindrance to the feasibility, development, timely completion, operation, or profitability of any material project in which a member of the PGO Group has an interest;
- (d) any member of the PGO Group incurring any obligations, liabilities, costs or expenses (whether contingent or otherwise) where the quantum exceeds \$500,000; or
- (e) any person commencing any litigation against any member of the PGO Group which may reasonably result in a judgment against any member of the PGO Group of more than \$500,000;

other than an event, matter or circumstance:

- (f) required to be done as a result of this agreement or the Loan Facility Agreement;
- (g) the occurrence of which was:
 - (i) within the actual knowledge of Hanking; or

- (ii) fairly disclosed in:
 - (A) information and documents disclosed in writing by PGO or its Representatives about the PGO Group and its business to Hanking or otherwise disclosed by PGO to ASX; or
 - (B) information accessible on a public register monitored by the Western Australian Supreme Court, the Federal Court of Australia, the Personal Property Securities Register, Mineral Titles Online register maintained by the Western Australian Department of Mines, Industry Regulation and Safety pursuant to the *Mining Act 1978 (WA)*, the register maintained by the National Native Title Tribunal in relation to registered native title applications, determinations and indigenous land use agreements,
 - prior to the date of this agreement;
- (h) which Hanking has previously approved in writing (such approval not to be unreasonably withheld or delayed);
- (i) resulting from changes in the general economic or business conditions (including commodity prices and exchange rates) which impact on the PGO Group members and their competitors in substantially the same way;
- (j) arising as a result of any generally applicable change in law or governmental policy in Australia relating to the gold mining industry; or
- (k) resulting from changes in generally applicable accounting standards required by law or government policy in Australia.

Material Contracts means any agreement, contract, deed or other arrangement or instrument which:

- (a) is material to the conduct of the PGO Group's business as a whole; or
- (b) involves aggregate expenditure greater than \$500,000, or has a committed term which is greater than two years,

but excludes any agreement, contract, deed or other arrangement or instrument that is entered into in connection with the Offer provided that it does not exceed the Agreed Transaction Costs.

Notice is defined in clause 14.1(a).

Offer means each offer to acquire PGO Shares to be made to each PGO Shareholder under the Takeover Bid on terms consistent with this agreement.

Offer Period means the period during which the Offer is open for acceptance.

Offer Price has the meaning given in item 1 of Schedule 2.

Personnel has the meaning given in 6.1(b)(i).

PGO Controlled Conditions means each of the Conditions in paragraphs (c), (g) and (i) of item 3 of Schedule 2.

PGO Group means PGO and its Related Entities.

PGO Independent Board Committee means the board of directors of PGO excluding Dr Mark Qiu.

PGO Independent Director means a director of PGO other than Dr Mark Qiu.

PGO Indemnified Parties means PGO, its Related Entities and each of their respective Representatives.

PGO Share means a fully paid ordinary share in PGO.

PGO Shareholder means a holder of one or more PGO Shares.

PGO Unlisted Options means the unlisted options to be issued PGO Shares set out in Schedule 3.

Prescribed Occurrence means an event set out in paragraph (i) of item 3 of Schedule 2.

Register means the share register of PGO kept under to the Corporations Act.

Register Date means the time and date notified by Hanking to PGO under section 633(2) of the Corporations Act.

Regulatory Approvals means such consents, approvals, instruments or other acts made or given by a Regulatory Authority required for the Takeover Bid.

Regulatory Authority includes:

- (a) a government or governmental, semi-governmental, administrative, fiscal or judicial entity or authority;
- (b) a minister, department, office, commission, delegate, instrumentality, tribunal, agency, board, authority or organisation of any government;
- (c) any regulatory organisation established under a statute; and
- (d) in particular, ASX, ASIC and the FIRB.

Related Entity means in relation to a party, any entity that is related to that party within the meaning of section 50 of the Corporations Act or which is an economic entity (as defined in any approved Australian accounting standard) that is Controlled by that party.

Relevant Interest has the meaning given in sections 608 and 609 of the Corporations Act.

Relevant Notice is defined in clause 8.6(b)(iv)(B).

Representatives means, in relation to an entity, each of its directors, officers, employees, contractors, advisers, financiers and agents.

Rights means all accretions and rights that accrue to or arise from PGO Shares after the date of this agreement, including all rights to receive dividends, to receive or subscribe for shares, notes or other securities and all other distributions or entitlements declared, paid, made or issued by PGO after that date (but excluding franking credits attached to a distribution, if any).

Rival Bidder is defined in clause 8.6(c).

Superior Proposal means a written bona fide Competing Proposal which the PGO Independent Board Committee acting in good faith and, after having first obtained written advice from its legal and financial advisers, determines is:

- (a) reasonably capable of being completed, taking into account all aspects of the Competing Proposal; and
- (b) more favourable to PGO Shareholders than the Takeover Bid, taking into account all terms and conditions of the Competing Proposal.

Takeover Bid means an off-market takeover bid by Hanking (or a member of the Hanking Group) for all of the PGO Shares to be implemented in compliance with Chapter 6 of the Corporations Act which extends to PGO Shares that come to be in the bid class during the Offer Period because of the conversion or exercise of PGO Unlisted Options.

Target's Statement means the Target's Statement to prepared and issued by PGO in respect of the Offer.

Third Party means a person other than Hanking and its Associates.

Timetable means the timetable in Schedule 1.

1.2 Interpretation

In this agreement, except where the context otherwise requires:

- (a) the singular includes the plural and vice versa, and a gender includes other genders;
- (b) another grammatical form of a defined word or expression has a corresponding meaning;
- (c) a reference to a clause, paragraph, schedule or annexure is to a clause or paragraph of, or schedule or annexure to, this agreement, and a reference to this agreement includes any schedule or annexure;
- (d) a reference to a document or instrument includes the document or instrument as novated, altered, supplemented or replaced from time to time;

- (e) a reference to **A\$, \$A, dollar** or **\$** is to Australian currency;
- (f) a reference to time is to Perth, Australia time;
- (g) a reference to a party is to a party to this agreement, and a reference to a party to a document includes the party's executors, administrators, successors and permitted assigns and substitutes;
- (h) a reference to a person includes a natural person, partnership, body corporate, association, governmental or local authority or agency or other entity;
- (i) a reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them;
- (j) a word or expression defined in the Corporations Act has the meaning given to it in the Corporations Act;
- (k) the meaning of general words is not limited by specific examples introduced by **including, for example** or similar expressions;
- (l) any agreement, representation, warranty or indemnity by two or more parties (including where two or more persons are included in the same defined term) binds them jointly and severally;
- (m) any agreement, representation, warranty or indemnity in favour of two or more parties (including where two or more persons are included in the same defined term) is for the benefit of them jointly and severally;
- (n) any statement made by a party on the basis of its awareness, is made on the basis that the party has, in order to establish that the statement is true and not misleading in any respect:
 - (i) made all reasonable enquiries of the officers, managers, employees and other persons who could reasonably be expected to have information relevant to the matters to which the statement relates; and
 - (ii) where those enquiries would have prompted a reasonable person to make further enquiries, made those further enquiries,
 and that, as a result of those enquiries, the party has no reason to doubt that the statement is true and not misleading in any respect;
- (o) a rule of construction does not apply to the disadvantage of a party because the party was responsible for the preparation of this agreement or any part of it; and
- (p) if a day on or by which an obligation must be performed or an event must occur is not a Business Day, the obligation must be performed or the event must occur on or by the next Business Day.

1.3 Headings

Headings are for ease of reference only and do not affect interpretation.

2. The Offer

2.1 Offer by Hanking

- (a) Hanking must make Offers to all PGO Shareholders in consideration for the acquisition of all of their PGO Shares and all Rights attaching to those PGO Shares on terms and subject to the conditions no less favourable than the Agreed Offer Terms and will use all reasonable endeavours to make those Offers in accordance with the Timetable.
- (b) The Offer will contain provisions to the effect that if any Rights are declared, paid, made, arise or accrue to a PGO Shareholder, Hanking may deduct from any consideration payable to that PGO Shareholder under the Offer the amount of the Rights, unless the benefit of the Rights is passed to Hanking.

- (c) Hanking may satisfy its obligations under this clause 2.1 by procuring a wholly owned subsidiary to perform its obligations under clause 2.1, in which case references in this agreement to:
 - (i) the Takeover Bid are references to the takeover bid by that subsidiary; and
 - (ii) Hanking making the Takeover Bid are references to Hanking causing that subsidiary to make the Takeover Bid.
- (d) Hanking acknowledges and agrees that if, pursuant to clause 2.1(c), it elects to procure a wholly owned subsidiary to perform its obligations under clause 2.1, Hanking remains liable to PGO for the due performance of those obligations.

2.2 Variation of Offer

Hanking may

- (a) vary the Agreed Offer Terms in any manner permitted by law; or
- (b) waive any Condition (including a waiver of any particular terms or conditions), declare the Offer unconditional or extend it at any time.

2.3 PGO Unlisted Options

Hanking agrees that, subject to section 617 of the Corporations Act, it will extend Offers to all PGO Shares that are issued as a result of the exercise of any PGO Unlisted Options during the period from the Register Date to the end of the Offer Period.

2.4 Reasonable endeavours to satisfy Conditions

- (a) To the extent that it is within its power to do so, each party must use reasonable endeavours to procure that:
 - (i) each of the Conditions is satisfied as soon as practicable after the date of this agreement or continues to be satisfied at all times until the last time it is to be satisfied (as the case may require); and
 - (ii) there is no occurrence within the control of either of them (as the context requires) or their Related Entities that would prevent the Conditions being satisfied.
- (b) If any event occurs or becomes apparent which would cause any of the Conditions to be breached or prevent them from being able to be satisfied or cause satisfaction of them to be materially delayed, to the extent the party is aware of such information, immediately notify the other party in writing of the event.

3. Announcement of Takeover Bid

3.1 Announcement of Takeover Bid

Promptly after the execution of this agreement, Hanking and PGO must each make a public announcement concerning the Takeover Bid in the form agreed between the parties (**Announcement**).

3.2 Public announcements

- (a) Subject to clause 3.2(b), PGO must not make any public announcement or disclosure in relation to the Takeover Bid (including any announcements or presentations to staff, investors, joint venture partners, commercial contractors, governments or regulatory authorities) other than in a form approved by Hanking (acting reasonably).
- (b) Where PGO is required by law (including the Listing Rules) to make any announcement or make any disclosure in relation to the Takeover Bid, it may do so only after it has given as much notice as possible to Hanking and has consulted, to the extent reasonable in the circumstances, with Hanking.

4. Parties to co-operate

4.1 Co-operation and assistance

Without limiting their obligations under this agreement, the parties must, and must procure that their Representatives:

- (a) work (including by attending meetings and by providing information) in good faith and in a timely and co-operative fashion with the other parties, and provide assistance to each other, to complete the Takeover Bid on the terms set out in this agreement; and
- (b) use all reasonable endeavours to ensure that the Offer is made in accordance with the Timetable.

4.2 Timetable

Without limiting clause 4.1(b), the parties acknowledge the Timetable is an indicative timetable and will consult with each other regularly in relation to:

- (a) performing their respective obligations within the framework established by the Timetable; and
- (b) the need to modify the Timetable.

5. Facilitation of the Offer

5.1 Promotion of Offer

PGO must participate in, and ensure the PGO Independent Board Committee and PGO Independent Directors participate in, efforts reasonably requested by Hanking to promote the merits of the Offer, including meeting with key PGO Shareholders and stakeholders of PGO at the reasonable request of Hanking.

5.2 PGO's Board recommendation

- (a) PGO represents and warrants to Hanking that, as at the date of this agreement, PGO has been advised by each member of the PGO Independent Board Committee that he or she will, and must procure that the PGO Independent Board Committee will, subject to clause 5.2(b):
 - (i) recommend acceptance of the Takeover Bid and each Offer, and not subsequently change, withdraw or modify that recommendation, subject to no Superior Proposal emerging and to the Independent Expert not concluding in its independent expert's report (either in the initial version of that report or any subsequent version published) that the Offer is not fair and not reasonable;
 - (ii) include in all public statements made after execution of this agreement and relating to the Takeover Bid or Offer a statement to the effect of clause 5.2(a)(i); and
 - (iii) not make any public statement or take any other action that contradicts the recommendation of the Takeover Bid or Offer by the PGO Independent Directors subject to no Superior Proposal emerging and to the Independent Expert not concluding in its independent expert's report (either in the initial version of that report or any subsequent version published) that the Offer is not fair and not reasonable.
- (b) PGO represents and warrants to Hanking that it has been advised by each PGO Independent Director that he or she will not, and PGO undertakes to Hanking that a PGO Independent Director will not, change, withdraw or modify his or her recommendation except where:
 - (i) the PGO Independent Board Committee determines, after all of Hanking's rights under clause 8.6 have been exhausted, that a Competing Proposal constitutes a Superior Proposal; or

- (ii) the Independent Expert concludes in its independent expert's report (either in the initial version of that report or any subsequent version published) that the Offer is not fair and not reasonable.

5.3 Hanking's obligations to prepare documentation

Hanking must prepare:

- (a) a Bidder's Statement for the Offer; and
- (b) an acceptance form for the Offer,

in each case consistently with clause 2 and in accordance with the Corporations Act.

5.4 PGO's obligations to prepare documentation

PGO must prepare a Target's Statement in response to the Offer consistently with clauses 5.1 and 5.2 and in accordance with the Corporations Act, and which includes:

- (a) a unanimous recommendation by the PGO Independent Board Committee to PGO Shareholders to accept the Offer in respect of all of their PGO Shares in the absence of a Superior Proposal and subject to the Independent Expert not concluding in its independent expert's report (either in the initial version of that report or any subsequent version published) that the Offer is not fair and not reasonable; and
- (b) a statement by each member of the PGO Independent Board Committee that that director will accept the Offer in respect of all PGO Shares controlled or held by, or on behalf of, that director or any Associate of that director, in the absence of a Superior Proposal and subject to the Independent Expert not concluding in its independent expert's report (either in the initial version of that report or any subsequent version published) that the Offer is not fair and not reasonable, by the later of:
 - (i) 21 days after the date of the Offer; and
 - (ii) 5 Business Days after the Target's Statement and report of the Independent Expert have been released to the ASX.

5.5 Co-operation in relation to documentation

- (a) Provided that each PGO Independent Director continues to recommend to PGO Shareholders to accept the Offer at the relevant time, Hanking and PGO must co-operate and provide assistance to each other (which includes providing to each other any information reasonably requested) in good faith and otherwise use all reasonable endeavours to ensure that the documents referred to in this clause 5 are completed and dispatched to PGO Shareholders in accordance with the Timetable.
- (b) Without limiting its obligations under clause 5.5(a), each party must:
 - (i) provide the other with a copy of an advanced draft of the Bidder's Statement or Target's Statement prepared by them (as the case may be) as soon as reasonably practicable after its preparation, and allow the other a reasonable opportunity (being not less than three Business Days) to provide comments on the draft document (including as to content and presentation);
 - (ii) inform the other if it has any reason to believe that any information in the document prepared by that party is, or becomes, misleading or deceptive in any material respect (whether by omission or otherwise), having regard to the form and context in which it appears, and provide to the other details of the relevant facts and circumstances of which they are aware;
 - (iii) identify to the other the sections of the document that they believe are misleading or deceptive; and
 - (iv) in finalising the draft Bidder's Statement or Target's Statement prepared by them (as the case may be), have reasonable regard to any comments provided to them by the other party.

- (c) Despite any comments or assistance provided by the parties under this agreement:
 - (i) the Bidder's Statement will be the sole responsibility of Hanking (who will make the final determination as to the form and content of the Bidder's Statement), and none of the PGO Indemnified Parties assumes any responsibility for the accuracy or completeness of the Bidder's Statement; and
 - (ii) the Target's Statement will be the sole responsibility of PGO (who will make the final determination as to the form and content of the Target's Statement), and none of the Hanking Indemnified Parties assumes any responsibility for the accuracy or completeness of the Target's Statement; and
 - (iii) the advanced draft of the Target's Statement provided under clause 5.5(b)(i) must include a draft of the independent expert's report.

5.6 Early dispatch of offers

For the purposes of item 6 in section 633(1) of the Corporations Act, PGO agrees that Offers under the Takeover Bid may be sent to PGO Shareholders on the day on which the Bidder's Statement is sent to PGO or within 28 days after that day.

5.7 Consultation

PGO must, as far as reasonably practicable, consult with Hanking within a reasonable time in advance of any action which may cause a breach of the Conditions, or cause the Conditions to become incapable of being fulfilled.

5.8 Reasonable access

Provided that each PGO Independent Director continues to recommend to PGO Shareholders that they accept the Offer at the relevant time:

- (a) subject to clause 5.8(b), from the date that Hanking has declared the Offer unconditional until the end of the Offer Period, PGO must provide Hanking with reasonable access to the management, offices, books, records and business operations of PGO; and
- (b) Hanking must ensure that any access under clause 5.8(a) is exercised and conducted in a manner to avoid unreasonable disruption to the conduct of PGO's business and the activities and operations of the PGO Group and its employees.

5.9 Appointment of Directors to PGO Independent Board Committee

PGO represents and warrants to Hanking that it has been advised by each PGO Independent Director that he or she will, and PGO must procure that the PGO Independent Board Committee will:

- (a) take all actions necessary to ensure the nominees of Hanking are lawfully appointed as directors of PGO and represent a majority of the PGO Independent Board Committee once Hanking has declared the Offer unconditional; and
- (b) as soon as practicable after Hanking acquires 90% of the PGO Shares, ensure that all directors on the PGO Independent Board Committee, other than Hanking's nominees, resign (provided that a proper board is constituted at all times).

6. Conduct of business

6.1 Business covenants by PGO

- (a) From the date of this agreement until the end of the Offer Period, PGO must and must procure that the PGO Group does:
 - (i) conduct its business and operations in the ordinary and proper course consistent with past practice, including making all reasonable efforts to:
 - (A) maintain the business and assets of the PGO Group;
 - (B) keep available the services of its officers, employees and contractors; and

- (C) preserve its relationships with customers, suppliers, licensors, licensees, joint venturers and others with whom it has business dealings,
 - except:
 - (D) as may be required or contemplated by this agreement; or
 - (E) as may be undertaken with the prior written approval of Hanking (which approval must not be unreasonably withheld or delayed); and
 - (ii) not implement or take any step to implement any action that:
 - (A) is referred to in section 652C(1) of the Corporations Act; or
 - (B) would, or would be likely to, prevent a PGO Controlled Condition being satisfied or result in a PGO Controlled Condition not being satisfied,
 - without the prior written consent of Hanking (which consent must not be unreasonably withheld or delayed).
- (b) Despite clause 6.1(a), from the date of this agreement until the end of the Offer Period PGO must not, and must procure that the PGO Group does not:
- (i) increase the remuneration of, or pay any bonus (excluding sales commission under existing sales commission arrangements and bonuses provided for in an existing contract or agreement which has been disclosed to Hanking before the date of this agreement), or issue any securities or options to (except any issue resulting from the conversion of PGO Unlisted Options in accordance with clause 2.3), or otherwise vary the employment agreements or retainers with, any of its directors, employees or consultants (**Personnel**);
 - (ii) accelerate the rights of any of its directors or Personnel to benefits of any kind (except in accordance with clause 2.3);
 - (iii) pay a director or any Personnel a termination payment or place them on retainer or other arrangement under which they receive remuneration, other than as provided for in an existing employment contract in place as at the date of this agreement and a copy of which has previously been disclosed to Hanking;
 - (iv) enter or agree to enter into any agreement in respect of the employment or engagement of a person unless:
 - (A) the agreement includes a probationary period of at least three months;
 - (B) the agreement does not include any change of control provision which would be triggered by the Takeover Bid;
 - (C) Hanking is provided with a reasonable opportunity to interview the prospective employee or consultant; and
 - (D) PGO takes into consideration any reasonable comments of Hanking prior to determining whether to enter into such agreement;
 - (v) permit any of its insurances to lapse or do anything that would make any policy of insurances void or voidable;
 - (vi) give or agree to give a financial benefit to a related party of PGO on terms that are not at arm's length;
 - (vii) enter into any new financing arrangements other than with Hanking or its Related Entities;
 - (viii) acquire or dispose of, or enter into or announce any agreement for the acquisition or disposal of, any asset or business, or enters into any corporate transaction, which would or would be likely to involve a material change in:
 - (A) the manner in which any member of the PGO Group conducts its business; or
 - (B) the nature (including the balance sheet classification), extent or value of the assets or liabilities of any member of the PGO Group,

including, without limitation, any transaction which would or (subject to one or more conditions) may involve PGO, or any subsidiary of PGO:

- (C) acquiring, offering to acquire or agreeing to acquire one or more companies, businesses or assets (or an interest in one or more companies or assets) for an amount in aggregate of greater than \$100,000;
 - (D) disposing, offering to dispose or agreeing to dispose of, or creating an option or other right or entitlement (including a pre-emptive right) the effect of which could be the disposal or loss of control of, one or more companies, businesses or assets (or an interest in one or more companies or assets) for an amount in aggregate of greater than \$100,000; or
 - (E) entering into, agreeing to enter into, or offering to enter into any agreement, joint venture, partnership, farm out agreement, royalty agreement, toll treatment agreement or any other agreement or commitment involving the disposal of a legal, beneficial or economic interest in or right to, or in connection with, any material mining tenements, licences or permits held by, or applications relating to any material mining tenements, licences or permits made by, PGO or any subsidiary of PGO;
- (ix) materially vary, amend or modify any Material Contract, or enter into, offer to enter into, or announce that it proposes to enter into, any Material Contract;
 - (x) incur or otherwise become exposed to a liability or contingent liability for one or more related items for an amount or value in aggregate of greater than \$100,000 (excluding any liabilities or contingent liabilities incurred in connection with the Offer provided that they do not exceed the Agreed Transaction Costs);
 - (xi) give or agree to give any encumbrance over any of its assets otherwise than in the ordinary course of business;
 - (xii) take any action or permit anything to occur which could give rise to an obligation to issue any PGO Shares (except for the issue of PGO Shares on the exercise of PGO Unlisted Options);
 - (xiii) modify the terms of issue of any PGO Unlisted Options;
 - (xiv) exercise or waive any pre-emptive rights or rights of first or last refusal in respect of any shares, assets or property held by another person prior to the final date on which those rights may be exercised; or
 - (xv) agree to do any of the matters set out above,
- except:
- (xvi) with the prior written consent of Hanking (with such consent not to be unreasonably withheld or delayed); or
 - (xvii) as required by law or under this agreement.

6.2 Transaction implementation and access to information

- (a) Provided that each PGO Independent Director continues to recommend to PGO Shareholders that they accept the Offer at the relevant time:
 - (i) PGO will provide Hanking with copies of PGO's monthly management reports promptly after finalisation; and
 - (ii) the Executive Chairman / Managing Director of PGO and Dr Mark Qiu of Hanking will meet in person or by telephone conference on a weekly basis, beginning on the date of this agreement, to:
 - (A) discuss the PGO Group's financial position, prospects and affairs; and
 - (B) enable Hanking to prepare for the transition of ownership of the PGO Group business to the Hanking Group if the Conditions are satisfied or waived.

- (b) The rights and obligations of the parties under this clause 6.2, are subject to the terms of the Confidentiality Agreement.
- (c) Nothing in this clause 6.2 requires PGO or Hanking to act at the direction of the other or creates a relationship of employment, trust, agency or partnership between the parties.
- (d) Nothing in this clause 6.2 requires PGO to provide access or information in respect of the PGO Independent Board Committee's deliberations in relation to the transactions contemplated by this agreement, or information connected to a Competing Proposal (where the information required to be provided under this clause is limited to the information which PGO is required to provide to Hanking in accordance with clauses 8.5 and 8.6).

7. Regulatory Approvals

7.1 Hanking Regulatory Approvals

- (a) Hanking must use all reasonable endeavours to obtain any necessary or desirable Regulatory Approvals.
- (b) Despite anything in this agreement to the contrary, in obtaining any Regulatory Approval, Hanking will not be required to agree to conditions:
 - (i) requiring any member of the Hanking Group to agree to or offer to:
 - (A) divest, operate separately or hold separately any of the material business or assets of the Hanking Group or PGO Group;
 - (B) cease to conduct or materially reduce the scope of any material business or operations in any jurisdiction in which the Hanking Group or PGO Group conducts business or operations; or
 - (C) limit the type of scope of any proposed or potential business or operations in any jurisdiction; or
 - (ii) that do not merely impose procedural or other non-material requirements incidental to the Regulatory Approval.

7.2 Co-operation in seeking Regulatory Approvals

PGO must:

- (a) co-operate and provide assistance in good faith to Hanking in relation to the Regulatory Approvals that Hanking seeks, including providing information requested by Hanking; and
- (b) if requested to do so by Hanking, make supporting submissions to any Regulatory Authority from which a Regulatory Approval is sought.

8. Exclusivity

8.1 No existing discussions

Other than in relation to the discussions with Hanking in connection with the proposed Offer and this agreement, PGO represents and warrants to Hanking that as at the date of this agreement:

- (a) neither itself, its Related Entities nor any of their respective Representatives is a party to any agreement with a Third Party entered into for the purpose of facilitating a Competing Proposal by that third party;
- (b) neither itself, its Related Entities nor any of their respective Representatives is participating in any discussions or negotiations with a Third Party that concern, or that could reasonably be expected to lead to, a Competing Proposal; and
- (c) no Third Party has access to any data rooms established by the PGO Group.

8.2 No-shop

During the Exclusivity Period, PGO must ensure that neither itself, its Related Entities nor any of their respective Representatives, directly or indirectly solicits, invites, initiates or encourages any Competing Proposal or any enquiries, negotiations or discussions with any Third Party in relation to, or that could reasonably be expected to lead to, a Competing Proposal or communicate any intention to do any of these things.

8.3 No-talk

Subject to clause 8.7, during the Exclusivity Period, PGO must ensure that neither itself, its Related Entities nor any of their respective Representatives, directly or indirectly:

- (a) negotiates or enters into or participates in negotiations or discussions with any person; or
- (b) communicates any intention to do any of these things,

in relation to, or which may reasonably be expected to lead to:

- (c) a Competing Proposal, even if that person's Competing Proposal was not directly or indirectly solicited, encouraged or initiated by PGO or any of its Related Entities or the person has publicly announced the Competing Proposal; or
- (d) Hanking's proposed acquisition of all the PGO Shares the subject of the Takeover Bid not proceeding.

8.4 No due diligence

During the Exclusivity Period:

- (a) PGO must ensure that neither itself, its Related Entities nor any of their respective Representatives, directly or indirectly:

- (i) solicits, invites, initiates, or encourages; or
- (ii) subject to clause 8.7, facilitates or permits,

any party other than Hanking to undertake due diligence investigations on the PGO Group; and

- (b) subject to clause 8.7, PGO must ensure that neither it, its Related Entities nor any of their respective Representatives directly or indirectly makes available to any other person or permits any other person to receive any non-public information relating to PGO, its Related Entities, or any of their businesses and operations, in connection with such person formulating, developing or finalising, or assisting in the formulation, development or finalisation of, a Competing Proposal,

except with the prior written consent of Hanking.

8.5 Notification of approaches

- (a) During the Exclusivity Period, PGO must promptly notify Hanking in writing of:

- (i) any approach, inquiry or proposal made to PGO, any of its Related Entities, or any of their respective Representatives with respect to, or that could reasonably be expected to lead to, any Competing Proposal (whether unsolicited or otherwise);
- (ii) any request made by any person to PGO, its Related Entities, or any of their respective Representatives, for information relating to PGO or any of its Related Entities or any of their businesses or operations or any request for access to the books or records of PGO or any of its Related Entities, in connection with such person formulating, developing or finalising, or assisting in the formulation, development or finalisation of, a Competing Proposal;
- (iii) any intention by PGO, any of its Related Entities, or any of their respective Representatives to provide any information relating to PGO or any of its Related Entities or any of their businesses or operations to any person in connection with such person formulating, developing or finalising, or assisting in the formulation, development or finalisation of, a Competing Proposal in reliance on clause 8.7;

- (iv) any action by PGO, any of its Related Entities, or any of their respective Representatives, or any intention of PGO, any of its Related Entities, or any of their respective Representatives to take any action, in reliance on clause 8.7 (including under clause 8.5(a)(iii)); and
- (v) any breach of this clause 8.5,

even if the restrictions in clauses 8.3, 8.4(a)(ii) and 8.4(b) do not apply because of clause 8.7.

- (b) Subject to clause 8.7, a notice given under this clause 8.5 must be accompanied by all material details of the relevant event, including:
 - (i) the identity of the person or persons taking any action referred to in clause 8.5(a)(i) or 8.5(a)(ii) or on whose behalf any such action was taken or any person to whom PGO intends to provide information under clause 8.5(a)(iii);
 - (ii) the material terms and conditions (including price, conditions precedent, timetable and break free (if any)) of any Competing Proposal (to the extent known); and
 - (iii) in the case of written materials, a copy of, or in any other case, a written statement of any non-public information relating to the PGO Group's operations made available or received by any person in connection with the formulation, development or finalisation of a Competing Proposal which has not previously been provided to Hanking.

8.6 PGO's response to Rival Bidder and Hanking's right to respond

- (a) If PGO is permitted by virtue of clause 8.7 to engage in any activity that would otherwise breach clauses 8.3, 8.4(a)(ii), 8.4(b) and 8.5(b), PGO must enter into a confidentiality agreement with the Rival Bidder on customary terms unless PGO has entered into a relevant confidentiality agreement with the Rival Bidder prior to the date of this agreement.
- (b) Without prejudice to Hanking's rights under this clause 8.6, if PGO receives a Competing Proposal and as a result any PGO Independent Director proposes to either:
 - (i) change or withdraw his or her public recommendation of the Offer; or
 - (ii) approve or recommend entry into any agreement, commitment, arrangement or understanding relating to the Competing Proposal (other than a confidentiality agreement contemplated by clause 8.6(a)),

PGO must ensure that no PGO Independent Director does so:

- (iii) unless the Competing Proposal is bona fide; and
- (iv) until each of the following has occurred:
 - (A) the PGO Independent Directors have made the determination contemplated by clause 8.7(b) in respect of that Competing Proposal;
 - (B) PGO has given Hanking notice (**Relevant Notice**) of the PGO Independent Director's proposal to take the action referred to in clauses 8.6(b)(i) or (ii) (subject to Hanking's rights under clause 8.6(d)), including details of the grounds on which the PGO Independent Directors propose to take such action;
 - (C) subject to clause 8.6(c), PGO has given Hanking all information that would be required by clause 8.5(b) as if it was not subject in any way to clause 8.7;
 - (D) Hanking's rights under clause 8.6(d) have been exhausted; and
 - (E) the PGO Independent Directors have made the determination contemplated by clause 8.7(b) in respect of that Competing Proposal after Hanking's rights under clause 8.6(d) have been exhausted and after evaluation of any Counter Proposal.
- (c) Prior to giving Hanking the information under clause 8.6(b)(iv)(C), PGO must ask the person who has made the applicable Competing Proposal (**Rival Bidder**) for their consent

to the Rival Bidder's name and other details which may identify the Rival Bidder being provided by PGO to Hanking on a confidential basis (**Identifying Details**). If such consent is refused, PGO may only withhold the Identifying Details from Hanking if, and to the extent that, a majority of the Directors, acting in good faith and after having taken written advice from its external legal advisers, determines that failing to do so would, or would be reasonably likely to, constitute a breach of the fiduciary or statutory duties owed by any PGO Independent Director, in which case PGO must announce to ASX the Identifying Details as soon as consistent with their fiduciary and statutory duties. Any information provided to Hanking pursuant to this clause 8.6(c) will be provided subject to the terms of the Confidentiality Agreement.

- (d) If PGO gives a Relevant Notice to Hanking under clause 8.6(b)(iv)(B), Hanking will have the right, but not the obligation, at any time during the period of three Business Days following the later of receipt of the Relevant Notice and announcement to ASX of the Identifying Details, to amend the terms of the Takeover Bid or Offers (as the case may be) including increasing the amount of consideration offered under the Takeover Bid or proposing any other form of transaction (each a **Counter Proposal**), and if it does so then the PGO Independent Directors must review the Counter Proposal in good faith. If the PGO Independent Directors determine that the Counter Proposal would be more favourable, or at least no less favourable, to PGO and PGO Shareholders than the Competing Proposal (having regard to the matters noted in clause 8.7(b)), then PGO and Hanking must use their best endeavours to agree the amendments to this agreement that are reasonably necessary to reflect the Counter Proposal and to enter into an amended agreement to give effect to those amendments and to implement the Counter Proposal, and PGO must use its best endeavours to procure that the PGO Independent Directors recommend the Counter Proposal to PGO's Shareholders and not recommend the applicable Competing Proposal.
- (e) For the purposes of this clause 8.6, each successive material modification of any third party expression of interest, offer or proposal in relation to a Competing Proposal will constitute a new Competing Proposal.

8.7 Fiduciary out

The obligations in clauses 8.3, 8.4(a)(ii), 8.4(b) and 8.5(b) do not apply to the extent they restrict PGO or the PGO Independent Board Committee from taking or refusing to take any action with respect to a Competing Proposal (in relation to which there has been no contravention of this clause 8) provided that:

- (a) the Competing Proposal is bona fide and is made in writing by or on behalf of a person that the PGO Independent Board Committee considers is of reputable commercial standing;
- (b) the PGO Independent Board Committee has determined in good faith after:
 - (i) consultation with PGO's financial or other advisers, that the Competing Proposal is or may reasonably be expected to lead to a Superior Proposal; and
 - (ii) receiving written advice from its external legal adviser practising in the area of corporate law,

that failing to take the action or refusing to take the action (as the case may be) with respect to the Competing Proposal would be likely to constitute a breach of the fiduciary or statutory obligations of any member of the PGO Independent Board Committee.

8.8 Normal provision of information

Subject to the obligations of confidentiality in clause 2 of the Confidentiality Agreement, nothing in this clause 8 prevents a party from:

- (a) providing information to its Related Entities or its Representatives;
- (b) providing information to any government agency;
- (c) providing information to its auditors, advisers, customers, joint venturers and suppliers acting in that capacity in the ordinary course of business;

- (d) providing information required to be provided by law, including without limitation to satisfy its obligations of disclosure in accordance with the Listing Rules, or any governmental agency; or
- (e) making presentations to brokers, portfolio investors, analysts and other third parties in relation to the ordinary course of business or as previously publicly disclosed on the ASX.

9. Break Fee

9.1 Break Fee triggers

PGO agrees to pay to Hanking the Break Fee if:

- (a) a Competing Proposal of any kind (or any material revision to a previously announced Competing Proposal of any kind) is announced during the Exclusivity Period (whether or not such proposal is stated to be subject to any pre-conditions) and, within 12 months of the date of this agreement, the Third Party who announced or made the Competing Proposal or any Related Entity of that Third Party completes a Competing Proposal;
- (b) in PGO's public announcement required by clause 3.1, any PGO Independent Director fails to recommend that PGO Shareholders accept an Offer under the Takeover Bid as described in clause 5.2;
- (c) during the Exclusivity Period, any PGO Independent Director withdraws, adversely revises or adversely qualifies his or her support of the Takeover Bid or his or her recommendation that PGO Shareholders accept the Offer (including where a Competing Proposal is announced and is recommended by any PGO Independent Director) unless that change in recommendation is due to:
 - (i) the Independent Expert concluding in the Independent Expert's report that the Offer is not fair and not reasonable (except where that conclusion is due wholly or partly to the existence, announcement or publication of a Competing Proposal); or
 - (ii) PGO being entitled to terminate this agreement pursuant to clauses 12.1(a) and having given the appropriate termination notice to Hanking;
- (d) Hanking terminates this agreement in accordance with clauses 12.1(a) or 12.2(a); or
- (e) either of the Conditions at paragraphs (g) (Material Adverse Event) or (i) (Prescribed Occurrence) of item 3 of Schedule 2 is breached, or becomes incapable of being fulfilled, in either case, due to an act or omission of PGO, a Related Entity of PGO or a PGO Independent Director, provided that those Conditions were not waived by Hanking prior to that breach.

9.2 Timing of payment of Break Fee

The payment of the Break Fee by PGO to Hanking provided for in clause 9.1 must be made within ten Business Days of receipt by PGO of a written demand for payment from Hanking. The demand may only be made after the occurrence of an event referred to in clause 9.1.

9.3 Break Fee not payable or to be reimbursed

Despite any other provision of this agreement, if Hanking acquires a Relevant Interest in excess of 50% of the PGO Shares (on a Fully Diluted Basis) and the Offer becomes or is declared unconditional prior to the end of the Offer Period then:

- (a) the Break Fee is not payable by PGO to Hanking; and
- (b) if the Break Fee or any part of it has already been paid by PGO to Hanking it must be refunded by Hanking within 5 Business Days after written demand for payment is provided by PGO to Hanking.

9.4 Limitation of liability

Notwithstanding any other provision of this agreement:

- (a) the maximum liability of PGO to all other parties under or in connection with this agreement including in respect of any breach of this agreement will be the Break Fee;

- (b) a payment by PGO in accordance with this clause 9.1 represents the sole and absolute liability of PGO under or in connection with this agreement and no further damages, fees, expenses or reimbursements of any kind will be payable by PGO in connection with this agreement,

except in respect of any Claim arising from a wilful, reckless or deliberate breach by PGO of its material obligations under clause 8 of this agreement.

9.5 Compliance with law

If it is finally determined following the exhaustion of all reasonable avenues of appeal to the Takeovers Panel or a court that all or any part of the Break Fee (**Impugned Amount**):

- (a) would, if paid, be unlawful for any reason;
- (b) involves a breach of the fiduciary or statutory duties of the PGO Independent Board Committee; or
- (c) constitutes 'unacceptable circumstances' within the meaning of the Corporations Act or breaches an order of the Takeovers Panel,

then

- (d) the requirement to pay the Break Fee does not apply to the extent of the Impugned Amount; and
- (e) if Hanking has received the Impugned Amount, it must refund it within 5 days of the final determination being made.

9.6 Basis for the Break Fee

The Break Fee has been calculated to reimburse Hanking for costs including the following:

- (a) fees for legal, financial and other professional advice in planning and implementing the Takeover Bid (excluding success fees);
- (b) reasonable opportunity costs incurred in engaging in the Takeover Bid or in not engaging in other alternative acquisitions or strategic initiatives;
- (c) costs of management and directors' time in planning and implementing the Takeover Bid;
- (d) out of pocket expenses incurred by Hanking and Hanking's employees, advisers and agents in planning and implementing the Takeover Bid; and
- (e) and the parties agree that:
 - (i) the costs actually incurred by Hanking will be of such a nature that they cannot all be accurately ascertained; and
 - (ii) the Break Fee is a genuine and reasonable pre-estimate of those costs.

10. Warranties and undertakings

10.1 Warranties by PGO

PGO represents and warrants to Hanking:

- (a) it is duly incorporated under the laws of the place of its incorporation and each member of the PGO Group is a corporation validly existing under the laws of its place of incorporation;
- (b) it has the power and authority to sign this agreement and perform and observe all its terms;
- (c) this agreement has been duly executed and is a legal, valid and binding agreement enforceable against it in accordance with its terms;
- (d) the execution, delivery and performance by PGO of this agreement will not:
 - (i) result in a breach of any provision of the constitution of PGO;

- (ii) result in a breach of, or constitute a default under, any instrument to which PGO is a party or by which PGO is bound and which is material in the context of the transactions contemplated by this agreement; or
- (iii) result in a breach of any order, judgment or decree of any court or governmental agency to which PGO is a party or by which PGO is bound and which is material in the context of the transactions contemplated by this agreement;
- (e) it is not bound by any contract which may restrict its right or ability to enter into or perform this agreement;
- (f) the tenements in which PGO and its subsidiaries have an interest are in good standing, are valid and subsisting in accordance with their terms and are not liable to cancellation, forfeiture or revocation;
- (g) each member of the PGO Group is solvent and no resolutions have been passed and no other step has been taken or legal proceedings commenced or threatened against it for its winding-up or dissolution or the appointment of a liquidator, receiver, administrator or similar officer over any or all of its assets;
- (h) PGO is the legal and beneficial holder of all of the issued share capital in each of its subsidiaries, Primary Minerals NL (ACN 153 582 962), Macphersons Reward Pty Ltd (ACN 130 249 320) and Primary Resources Pty Ltd (ACN 600 362 598);
- (i) no regulatory action has been taken which would prevent, inhibit or otherwise have a material adverse effect on its ability to fulfil its obligations under this agreement;
- (j) so far as the PGO Independent Board Committee and PGO senior management are aware, the information contained in the PGO materials provided to Hanking or its Related Entities is accurate in all material respects, and none of the information is misleading in any material respect whether by inclusion of misleading information or the omission of material information or both;
- (k) PGO has not withheld from Hanking any information relating to PGO:
 - (i) that is material for it to make an informed assessment of the liabilities, financial position, profits, losses and prospects of PGO; or
 - (ii) which is material for disclosure to an intending acquirer of PGO;
- (l) PGO's financial statements as at, and for the full year ended, 30 June 2017:
 - (i) were prepared:
 - (A) in good faith; and
 - (B) in accordance with applicable laws and generally accepted accounting principles in Australia; and
 - (ii) give a true and fair view of the financial position and performance of the PGO Group.
- (m) all information which has been disclosed by PGO under its continuous disclosure obligations under the Corporations Act and the Listing Rules was true and correct at the time it was disclosed in all material respects;
- (n) PGO is not in breach of its continuous disclosure obligations under the Corporations Act or the Listing Rules and is not relying on the carve-out in Listing Rule 3.1A to withhold any information from disclosure, other than as disclosed in writing to Hanking or its Representatives on or before the date of this agreement;
- (o) PGO is not aware of any act, omission, event or fact that would result in one or more of the Conditions not being satisfied or otherwise fulfilled; and
- (p) the issued PGO securities as of the date of this agreement are:
 - (i) 614,168,885 PGO Shares; and
 - (ii) 90,333,336 PGO Unlisted Options,
 and the PGO Group has not issued, or agreed to issue, any other securities or instruments which may convert into PGO Shares or any other securities in PGO.

10.2 Qualifications on warranties by PGO

The representations and warranties provided in clause 10.1 are qualified by (and PGO will not be taken to be in breach of them to the extent so qualified) matters which were:

- (a) within the actual knowledge of Hanking; or
- (b) fairly disclosed in:
 - (i) information and documents disclosed in writing by PGO or its Representatives about the PGO Group and its business to Hanking or otherwise disclosed by PGO to ASX; or
 - (ii) information accessible on a public register monitored by the Western Australian Supreme Court, the Federal Court of Australia, the Personal Property Securities Register, Mineral Titles Online register maintained by the Western Australian Department of Mines, Industry Regulation and Safety pursuant to the *Mining Act 1978 (WA)*, the register maintained by the National Native Title Tribunal in relation to registered native title applications, determinations and indigenous land use agreements,

prior to the date of this agreement.

10.3 Warranties by Hanking

Hanking represents and warrants to PGO:

- (a) it is duly incorporated under the laws of the place of its incorporation;
- (b) it has the power and authority to sign this agreement and perform and observe all its terms;
- (c) this agreement has been duly executed and is a legal, valid and binding agreement enforceable against it in accordance with its terms; and
- (d) the execution, delivery and performance by Hanking of this agreement will not:
 - (i) result in a breach of any provision of the constitution of Hanking;
 - (ii) result in a breach of, or constitute a default under, any instrument to which Hanking is a party or by which Hanking is bound and which is material in the context of the transactions contemplated by this agreement; or
 - (iii) result in a breach of any order, judgment or decree of any court or governmental agency to which Hanking is a party or by which Hanking is bound and which is material in the context of the transactions contemplated by this agreement.

10.4 Undertaking by PGO

PGO undertakes to Hanking that it will comply with the law including its continuous disclosure obligations under the Corporations Act and the Listing Rules.

10.5 Notification

Each party will promptly advise the other in writing if it becomes aware of any fact, matter or circumstance which constitutes or is reasonably expected to constitute a breach of any of the representations or warranties given by it under this clause 10.

10.6 Acknowledgements

Hanking and PGO acknowledge that:

- (a) in entering into this agreement:
 - (i) PGO has relied on the representations and warranties provided by Hanking; and
 - (ii) Hanking has relied on the representations and warranties provided by PGO; and
- (b) each representation and warranty in this clause 10 is severable and survives termination of this agreement.

11. Releases

11.1 PGO and PGO Directors and officers

- (a) Hanking releases its rights, and agrees with PGO that it will not make a claim, against any PGO Indemnified Party as at the date of this agreement and from time to time in connection with:
- (i) any breach of any covenants, representations and warranties of PGO or any other member of PGO Group in this agreement;
 - (ii) any disclosures containing any statement which is false or misleading whether in content or by omission; or
 - (iii) any failure to provide information,
- whether current or future, known or unknown, arising at common law, in equity, under statute or otherwise, except where PGO Indemnified Party has not acted in good faith or has engaged in wilful misconduct or fraud. For the avoidance of doubt, nothing in this clause 11.1(a) limits Hanking's rights to terminate this agreement under clause 12.
- (b) This clause is subject to any Corporations Act restriction and will be read down accordingly.
- (c) PGO receives and holds the benefit of this clause to the extent it relates to each PGO Indemnified Party as trustee for each of them.

11.2 Hanking and Hanking directors and officers

- (a) PGO releases its rights, and agrees with Hanking that it will not make a claim, against any Hanking Indemnified Party as at the date of this agreement and from time to time in connection with:
- (i) any breach of any covenants, representations and warranties of Hanking or any other member of the Hanking Group in this agreement; or
 - (ii) any disclosure containing any statement which is false or misleading whether in content or by omission; or
 - (iii) any failure to provide information,
- whether current or future, known or unknown, arising at common law, in equity, under statute or otherwise, except where Hanking Indemnified Party has not acted in good faith or has engaged in wilful misconduct or fraud. For the avoidance of doubt, nothing in this clause 11.2(a) limits PGO's rights to terminate this agreement under clause 12.
- (b) This clause is subject to any Corporations Act restriction and will be read down accordingly.
- (c) Hanking receives and holds the benefit of this clause to the extent it relates to each Hanking Indemnified Party as trustee for each of them.

12. Termination

12.1 Material breach

- (a) Subject to clause 12.1(b), either Hanking or PGO (**Terminating Party**) may terminate this agreement at any time by giving written notice to the other if:
- (i) the other is:
 - (A) in breach of a material term of this agreement (it being acknowledged and agreed that the material terms of this agreement include PGO's obligations under clauses 3, 6, 8 and 9); or
 - (B) any representation or warranty given by the other under this agreement is untrue, inaccurate or misleading in any material respect;

- (ii) the Terminating Party has given notice to the other of its intention to terminate this agreement under this clause 12.1 and setting out the details of the matters or circumstances giving rise to the termination right; and
 - (iii) in the case of a breach of a material term of this agreement, that breach, if it is capable of being remedied, has not been remedied within ten Business Days after that date.
- (b) On receipt of a notice under clause 12.1(a)(ii), the recipient of that notice must use its reasonable endeavours for the ten Business Days referred to in clause 12.1(a)(iii) to remedy the breach that is set out in the notice.

12.2 Hanking termination events

Hanking may terminate this agreement at any time by giving written notice to PGO if:

- (a) the PGO Independent Board Committee (or any one or more members of the PGO Independent Board Committee) change or withdraw their recommendation that PGO Shareholders accept the Offer made under the Takeover Bid in respect of all their PGO Shares or make a public statement indicating that they no longer support the Offer made under the Takeover Bid or that they support a Competing Proposal;
- (b) a Material Adverse Event occurs; or
- (c) a Prescribed Occurrence eventuates.

12.3 PGO termination events

PGO may terminate this agreement at any time by giving written notice to Hanking if the PGO Independent Board Committee (or a majority of the directors of PGO) change or withdraw their recommendation in accordance with clause 5.2, provided that PGO has complied with its obligations under clauses 5.2(b) and 8.

12.4 Other termination events

Either Hanking or PGO may terminate this agreement by giving written notice to the other if during the Exclusivity Period:

- (a) a Court or Authority issue a final and non-appealable order or ruling or take action which permanently restrains or prohibits the Offer;
- (b) Hanking withdraws the Offer for any reason including non-satisfaction of a Condition; or
- (c) the Offer lapses without the Conditions being satisfied or waived.

12.5 Effect of termination

If this agreement is terminated by a party under this clause 12:

- (a) each party will be released from its obligations under this agreement, except that this clause 12.5, clauses 9, 10.6, 11, 12, 13, 14, 15 which will survive termination and remain in force;
- (b) each party will retain the rights it has or may have against the other party in respect of any past breach of this agreement; and
- (c) in all other respects, all future obligations of the parties under this agreement will immediately terminate and be of no further force or effect, including, without limitation, any further obligations in respect of the Takeover Bid.

13. GST

- (a) Any consideration or amount payable under this agreement, including any nonmonetary consideration (as reduced in accordance with clause 13(e)) if required) (**Consideration**) is exclusive of GST.
- (b) If GST is or becomes payable on a Supply made under or in connection with this agreement, an additional amount (**Additional Amount**) is payable by the party providing consideration for the Supply (**Recipient**) equal to the amount of GST payable on that

Supply as calculated by the party making the Supply (**Supplier**) in accordance with the GST Law.

- (c) The Additional Amount payable under clause 13(b) is payable at the same time and in the same manner as the Consideration for the Supply, and the Supplier must provide the Recipient with a Tax Invoice. However, the Additional Amount is only payable on receipt of a valid Tax Invoice.
- (d) If for any reason (including the occurrence of an Adjustment Event) the amount of GST payable on a Supply (taking into account any Decreasing or Increasing Adjustments in relation to the Supply) varies from the Additional Amount payable by the Recipient under clause 13(b):
 - (i) the Supplier must provide a refund or credit to the Recipient, or the Recipient must pay a further amount to the Supplier, as appropriate;
 - (ii) the refund, credit or further amount (as the case may be) will be calculated by the Supplier in accordance with the GST Law; and
 - (iii) the Supplier must notify the Recipient of the refund, credit or further amount within 14 days after becoming aware of the variation to the amount of GST payable. Any refund or credit must accompany such notification or the Recipient must pay any further amount within 7 days after receiving such notification, as appropriate. If there is an Adjustment Event in relation to the Supply, the requirement for the
- (e) Supplier to notify the Recipient will be satisfied by the Supplier issuing to the Recipient an Adjustment Note within 14 days after becoming aware of the occurrence of the Adjustment Event.
- (f) Despite any other provision in this agreement if an amount payable under or in connection with this agreement (whether by way of reimbursement, indemnity or otherwise) is calculated by reference to an amount incurred by a party, whether by way of cost, expense, outlay, disbursement or otherwise (**Amount Incurred**), the amount payable must be reduced by the amount of any Input Tax Credit to which that party is entitled in respect of that Amount Incurred.
- (g) Any reference in this clause to an Input Tax Credit to which a party is entitled includes an Input Tax Credit arising from a Creditable Acquisition by that party but to which the Representative Member of a GST Group of which the party is a member is entitled.
- (h) Any term starting with a capital letter that is not defined in this clause 13 has the same meaning as the term has in the *A New Tax System (Goods & Services Tax) Act 1999* (Cth).

14. Notices and other communications

14.1 Service of notices

- (a) A notice, demand, consent, approval or communication under this agreement (**Notice**) must be:
 - (i) in writing, in English and signed by a person duly authorised by the sender; and
 - (ii) hand delivered or sent by prepaid post or email to the recipient's address for Notices specified in the Details, as varied by any Notice given by the recipient to the sender.
- (b) If the recipient of the Notice is:
 - (i) PGO, a copy of the Notice (which shall not constitute notice) must be sent to:
Address: Bellanhouse
Level 19, Alluvion
58 Mounts Bay Road, Perth WA 6000
Attention: Deanna Carpenter

Email: dc@bellanhouse.com

(ii) Hanking, a copy of the Notice (which shall not constitute notice) must be sent to:

Address: Minter Ellison

Allendale Square

77 St Georges Terrace, Perth WA 6000

Attention: Bryn Davis

Email: Bryn.Davis@minterellison.com

14.2 Effective on receipt

A Notice given in accordance with clause 14.1 takes effect when taken to be received (or at a later time specified in it), and is taken to be received:

- (a) if hand delivered, on delivery;
- (b) if sent by prepaid post, on the second Business Day after the date of posting (or on the seventh Business Day after the date of posting if posted to or from a place outside Australia);
- (c) if sent by email:
 - (i) at the time shown in the delivery confirmation report generated by the sender's email system; or
 - (ii) if the sender's email system does not generate a delivery confirmation report within 12 hours after the time the email is sent, unless the sender receives a return email notification from the that the email was not delivered, undeliverable or similar, at the time which is 12 hours from the time the email was sent,

but if the delivery, receipt or transmission is not on a Business Day or is after 5.00pm on a Business Day, the Notice is taken to be received at 9.00am on the next Business Day.

15. Miscellaneous

15.1 No representations on reliance

- (a) Each party acknowledges that no party (nor any person acting or its behalf) has made any representation or other inducement to it to enter into this agreement, except for representations or inducements expressly set out in this agreement and (to the maximum extent permitted by law) all other representations, warranties and conditions implied by statute or otherwise in relation to any matter relating to this agreement, the circumstances surrounding the parties' entry into it and the transactions contemplated by it are expressly excluded.
- (b) Each party acknowledges and confirms that it does not enter into this agreement in reliance on any representation or other inducement by or on behalf of any other party, except for any representation or inducement expressly set out in this agreement.

15.2 Alterations

This agreement may be altered only in writing signed by each party.

15.3 Approvals and consents

Except where this agreement expressly states otherwise, a party may, in its discretion, give conditionally or unconditionally or withhold any approval or consent under this agreement.

15.4 Assignment

A party may not assign or attempt to assign this agreement or any right under this agreement without the prior written consent of the other party.

15.5 Costs

Each party must pay its own costs of negotiating, preparing and executing this agreement.

15.6 Survival

Any indemnity or any obligation of confidence under this agreement is independent and survives termination of this agreement. Any other term by its nature intended to survive termination of this agreement survives termination of this agreement.

15.7 Counterparts

This agreement may be executed in counterparts. All executed counterparts constitute one document.

15.8 No merger

The rights and obligations of the parties under this agreement do not merge on completion of any transaction contemplated by this agreement.

15.9 Entire agreement

Other than in relation to the Confidentiality Agreement, this agreement, including its schedules, exhibits and annexures:

- (a) constitute the entire agreement between the parties in connection with its subject matter; and
- (b) in relation to that subject matter, supersedes all previous agreements or understandings between the parties and all prior conditions, warranties, indemnities or representations imposed, given or made by a party.

15.10 Further action

Each party must do, at its own expense, everything reasonably necessary (including executing documents) to give full effect to this agreement and the transactions contemplated by it.

15.11 Severability

A term or part of a term of this agreement that is illegal or unenforceable may be severed from this agreement and the remaining terms or parts of the term of this agreement continue in force.

15.12 Waiver

A party does not waive a right, power or remedy if it fails to exercise or delays in exercising the right, power or remedy. A single or partial exercise of a right, power or remedy does not prevent another or further exercise of that or another right, power or remedy. A waiver of a right, power or remedy must be in writing and signed by the party giving the waiver.

15.13 Relationship

This agreement does not create a relationship of employment, trust, agency or partnership between the parties.

15.14 Governing law and jurisdiction

This agreement is governed by the law of Western Australia and each party irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of Western Australia.

Schedule 1 - Timetable

Date	Event
21 February 2018	Hanking and PGO each make an Announcement.
6 March 2018	Hanking lodges its Bidder's Statement with ASIC, PGO and ASX Hanking dispatches the Bidder's Statement to PGO Shareholders. The Offer Period commences.
21 March 2018	PGO lodges its Target's Statement (together with the report of the Independent Expert) with ASIC, Hanking and ASX. The Target's Statement is dispatched to PGO Shareholders.
17 April 2018	The Offer Period closes, unless extended.

Note: as acknowledged in clause 4.2, the above timetable is indicative only.

Schedule 2 – Agreed Offer Terms

1. Offer Price

The consideration under the Offer is A\$0.0575 cash for each PGO Share.

2. Offer Period

The initial Offer Period will last for at least 6 weeks.

3. Conditions

The Offers, and any contracts resulting from the acceptance of the Offers, are subject to the following conditions:

(a) **Minimum acceptance condition**

During or before the end of the Offer Period, Hanking has acquired a Relevant Interest in more than 50% of PGO Shares on a Fully Diluted Basis.

(b) **FIRB approval**

Prior to the end of the Offer Period the Treasurer (or a delegate of the Treasurer) unconditionally consents or gives approval under FATA (other than in respect of standard tax conditions) to the proposed acquisition by Hanking of all PGO Shares, and the Treasurer is taken to have so consented or given Approval if Hanking receives written notice from or on behalf of the Treasurer (such notice being unconditional except in respect of standard tax conditions) to the effect that the acquisition by Hanking of all PGO Shares is not objected to under FATA.

(c) **No breach of Bid Implementation Agreement**

Prior to the end of the Offer Period Hanking does not become entitled to terminate the Bid Implementation Agreement in accordance with clauses 12.1(a) or 12.2(a).

(d) **No change of control or pre-emptive rights**

No person has any pre-emptive or other right (whether subject to conditions or not) as a result of Hanking acquiring PGO Shares to:

- (i) acquire, or require PGO or a subsidiary of PGO to dispose of, or offer to dispose of, any material asset of PGO or a subsidiary of PGO, including any interest in any project of the PGO Group; or
- (ii) terminate or vary, or cause the acceleration of any obligations under, any agreement with PGO or a subsidiary of PGO, including in respect of any interest in any project of the PGO Group.

(e) **Material fall in S&P/ASX All Ordinaries Gold index**

The S&P/ASX All Ordinaries Gold (Sub-Industry) index (ASX:XGD) falls by 10% from its level immediately before the Announcement Date and remains at or below that level (as at the close of trade) for at least five consecutive Business Days before the end of the Offer Period.

(f) **Material fall in the gold price**

The spot price of gold in \$A as specified on the Australian Gold and Silver Exchange website (XAU (GOLD)) falls to a level that is below A\$1,500 per ounce and remains at or below that level for at least five consecutive Business Days before the end of the Offer Period.

(g) **No Material Adverse Event**

Before the end of the Offer Period no Material Adverse Event occurs, is announced or becomes known to Hanking.

(h) **No regulatory action**

Between the Announcement Date and the end of the Offer Period:

- (i) there is not in effect any preliminary or final decision, order or decree issued by a Regulatory Authority;
- (ii) no action or investigation is announced, commenced or threatened by any Regulatory Authority with respect to PGO or the PGO Group; and
- (iii) no application is made to any Regulatory Authority (other than by Hanking or any Associate of Hanking),

in consequence of or otherwise relating to the Offer (other than an application or determination by ASIC or the Takeovers Panel in exercise of the powers and discretions conferred by the Corporations Act or if the regulatory action results from action or inaction of Hanking or its Associates) which is reasonably likely to or purports or threatens to:

- (iv) restrain, prohibit or impede, or otherwise materially adversely impact on, the making of the Offer or the completion of any transaction contemplated by the Bidder's Statement (including the acquisition of PGO Shares) or the continued ownership and operation of the business of the PGO Group or any project that the PGO Group has an interest in; or
- (v) require the variation of the terms of the Offer; or
- (vi) require or approve the divestiture of any PGO Shares by any member of the Hanking Group or the divestiture of any assets of any member of the PGO Group or the Hanking Group.

(i) **No Prescribed Occurrences**

None of the events specified in section 652C(1) and 652C(2) of the Corporations Act happens:

- (i) during the period commencing on the Announcement Date and ending at the end of the day immediately preceding the date the Bidder's Statement is given to PGO (each inclusive); or
- (ii) during the period between the date that the Bidder's Statement is given to PGO and the end of the Offer Period (each inclusive),

other than:

- (iii) as required to be done or procured by PGO under this agreement or the Loan Facility Agreement or which is otherwise contemplated by this agreement or the Loan Facility Agreement; or
- (iv) with the prior approval in writing of Hanking, such approval not to be unreasonably withheld or delayed.

Each of the conditions in each paragraph and subparagraph above is a separate condition.

Schedule 3 - PGO Unlisted Options

No. of PGO Unlisted Options	Exercise Price	Expiry Date
8,333,336	\$0.031	28 November 2018
30,000,000	\$0.04	7 March 2019
15,000,000	\$0.075	23 June 2019
15,000,000	\$0.10	23 June 2019
10,000,000	\$0.088	19 April 2020
2,000,000	\$0.065	12 May 2020
10,000,000	\$0.07	1 July 2020

Signing page

EXECUTED as an agreement.

Executed by Hanking Australia Investment Pty Ltd in accordance with Section 127 of the *Corporations Act 2001*

[Signed "Jiye Yang"]

Signature of director

[Signed "Mark Qiu"]

Signature of director

[Jiye Yang]

Name of director (print)

[Dr Mark Qiu]

Name of director (print)

Executed by Primary Gold Limited in accordance with Section 127 of the *Corporations Act 2001*

[Signed "Garry Mills"]

Signature of director

[Signed "Oonagh Malone"]

Signature of company secretary

[Garry Mills]

Name of director (print)

[Oonagh Malone]

Name of company secretary (print)