



PRECIOUS METAL RESOURCES LIMITED

## TARGET'S STATEMENT

in response to the off-market takeover offer by

**SOVEREIGN GOLD COMPANY LIMITED**

(ACN 145 184 667)

to acquire all the ordinary shares issued by

**PRECIOUS METAL RESOURCES LIMITED**

(ACN 145 105 148)

**The Independent Directors of Precious Metal Resources Limited  
recommend you **ACCEPT** the Offer in the absence of a Superior  
Proposal and a Material Adverse Event.**

**This is an important document and should be read in its entirety. If you do not understand it or are in doubt as to how to act you should consult your legal, financial or other professional adviser immediately.**

## **CORPORATE DIRECTORY**

### **Precious Metal Resources Limited**

ACN 145 105 148  
ABN 88 145 105 148

### **Registered and Corporate Office**

Level 2  
Hudson House  
131 Macquarie Street  
Sydney NSW 2000

Telephone: +61 2 9251 7177  
Fax: +61 2 9251 7500

Website: [www.pmrl.com.au](http://www.pmrl.com.au)

### **Directors**

John Foley (Chairman)  
Peter Kennewell (Managing Director)  
Bruce Dennis  
Michael Leu  
Peter J Meers

### **Joint Company Secretaries**

Henry Kinstlinger  
Julian Rockett

### **Share Registry**

Computershare Investor Services Pty Limited  
GPO Box 2975  
Melbourne VIC 3001  
Australia

Telephone: 1300 850 505

### **Bankers**

Australia & New Zealand Banking Group Limited  
20 Martin Place  
Sydney NSW 2000

Telephone: +61 2 9227 1818

St George Bank Limited  
Corporate & Business Bank  
Level 3, 1 Chifley Square  
Sydney NSW 2000

Telephone: +61 2 9216 2200

### **Auditors**

K.S. Black & Co  
Level 6  
350 Kent Street  
Sydney NSW 2000

Telephone: +61 2 8839 3000

### **Legal Advisor**

Goldie Corporate Counsel  
Suite G2, 175 Macquarie Street  
Sydney NSW 2000

Telephone: +61 2 9241 5335

### **Independent Expert**

Alpha Securities Pty Ltd  
Level 2, 22 Pitt Street  
Sydney NSW 2000

Telephone: +61 2 9299 9270

### **ASX Code – PMR**

Precious Metal Resources Limited shares are listed on the Australian Securities Exchange.

## **IMPORTANT INFORMATION**

### **Target's Statement**

On 10 July 2012 Sovereign Gold Company Limited (**Sovereign Gold**) announced an off-market takeover bid for all the issued shares in Precious Metal Resources Limited (**PMR**).

On 20 July 2012 Sovereign Gold lodged the Bidder's Statement dated 20 July 2012 with the Australian Securities and Investments Commission and served the Bidder's Statement on PMR. This Target's Statement dated 25 July 2012 is given by PMR in response to the Bidder's Statement, under Part 6.5 of Chapter 6 of the Corporations Act, in compliance with section 638 of the Corporations Act.

A copy of this Target's Statement has been lodged with the Australian Securities and Investments Commission and the Australian Securities Exchange. Neither the Australian Securities and Investments Commission, the Australian Securities Exchange, nor any of its officers take any responsibility for the content of this Target's Statement.

### **Disclaimer Regarding Forward Looking Statements**

This Target's Statement contains various forward-looking statements. All statements other than statements of historical fact are forward-looking statements, including statements as to the implied value of the Offer. PMR Shareholders should note that those forward-looking statements are inherently subject to uncertainties in that they may be affected by a variety of known and unknown risks, variables and factors which could cause actual values or results, performance or achievements to differ materially from the expectations described in such forward-looking statements. These risks, variables and factors include, but are not limited to, those risks identified in section 7 of this Target's Statement.

PMR does not give any assurance that the anticipated results, performance or achievements expressed or implied in those forward-looking statements will be achieved.

None of PMR, PMR's officers and employees, any person named in this Target's Statement with their consent or any person in the preparation of this Target's Statement, makes any representation or warranty (express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement, except to the extent required by law. PMR Shareholders are cautioned not to place undue reliance on forward looking statements. The forward looking statements in this Target's Statement reflect views held only as at the date of this Target's Statement.

### **Disclaimer as to Information**

The information on Sovereign Gold in this Target's Statement has been prepared by PMR using publicly available information (including that contained in the Bidder's Statement). The information in this Target's Statement concerning Sovereign Gold has not been independently verified by PMR. Accordingly, subject to the Corporations Act, PMR does not make any representation or warranty, express or implied, as to the accuracy or completeness of such information.

### **Independent Expert's Report**

The Independent Expert's Report dated 16 July 2012, set out in Appendix B of this Target's Statement has been prepared by the Independent Expert for the purposes of this Target's Statement and the Independent Expert takes full responsibility for that report. PMR does not accept or assume any responsibility for the accuracy or completeness of the Independent Expert's Report, other than factual information provided by PMR to the Independent Expert for the purposes of the Independent Expert's Report.

## **IMPORTANT INFORMATION Cont.**

### **Rounding**

A number of figures, amounts, percentages, prices, estimates, calculations of value and fractions in this Target's Statement are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this Target's Statement.

### **Privacy**

PMR has collected your information from the PMR register of security holders for the purpose of providing you with this Target's Statement. The type of information PMR has collected about you includes your name, contact details and information on your Security Holding in PMR. Without this information, PMR would be hindered in its ability to issue this Target's Statement.

The Corporations Act requires the name and address of security holders to be held in a public register. Your information may be disclosed on a confidential basis to PMR's related bodies corporate and external service providers (such as the share registry of PMR and print and mail service providers) and may be required to be disclosed to regulators such as the Australian Securities and Investments Commission. If you would like the details of your information held by PMR, please contact:

Computershare Investor Services Pty Limited  
GPO Box 2975  
Melbourne VIC 3001  
Australia

Telephone: 1300 850 505

### **Notice to Foreign Holders**

The distribution of this Target's Statement may, in some jurisdictions, be restricted by law or regulation. Accordingly, persons who come into possession of this Target's Statement should inform themselves of, and observe, those restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations.

This Target's Statement has been prepared in accordance with Australian law and the information contained in this Target's Statement may not be the same as that which would have been disclosed if this Target's Statement had been prepared in accordance with the law and regulations outside Australia.

### **No Account of Personal Circumstances**

This Target's Statement does not take into account the individual investment objectives, financial situation and particular needs of each PMR Security Holder and it does not contain personal financial and taxation advice. PMR encourages you to seek independent financial and taxation advice before making a decision as to whether or not to accept the Offer.

### **Information Line**

Sovereign Gold has set up an information line for PMR Shareholders to address any questions you may have in relation to the Offer (see the Bidder's Statement).

## TABLE OF CONTENTS

IMPORTANT INFORMATION .....	1
TABLE OF CONTENTS .....	3
CHAIRMAN'S LETTER .....	4
SUMMARY OF THE SOVEREIGN GOLD OFFER.....	5
ESTIMATED DATES FOR KEY EVENTS.....	6
HOW TO ACCEPT THE OFFER.....	7
<b>1. WHY YOU SHOULD ACCEPT THE OFFER .....</b>	<b>8</b>
<b>2. PMR DIRECTORS RECOMMENDATION .....</b>	<b>10</b>
<b>3. YOUR CHOICES AS PMR SHAREHOLDERS.....</b>	<b>11</b>
<b>4. IMPORTANT INFORMATION ABOUT SOVEREIGN GOLD'S OFFER.....</b>	<b>12</b>
<b>5. ABOUT SOVEREIGN GOLD .....</b>	<b>17</b>
<b>6. ABOUT PMR.....</b>	<b>18</b>
<b>7. OTHER IMPORTANT CONSIDERATIONS FOR PMR SHAREHOLDERS.....</b>	<b>21</b>
<b>8. ADDITIONAL INFORMATION .....</b>	<b>23</b>
<b>9. GLOSSARY .....</b>	<b>29</b>
<b>10. APPROVAL .....</b>	<b>33</b>
APPENDIX A – KEY TERMS OF TAKEOVER BID IMPLEMENTATION AGREEMENT .....	34
APPENDIX B – INDEPENDENT EXPERT'S REPORT.....	36

Level 2 Hudson House  
131 Macquarie Street  
Sydney NSW 2000

Tel +61 2 9251 7177  
Fax +61 2 9251 7500

25 July 2012

Dear PMR Shareholders,

On 10 July 2012 PMR and Sovereign Gold announced a proposed merger, by way of a conditional off-market takeover by Sovereign Gold for all the shares in PMR not currently held by Sovereign Gold. The proposed Merger is to proceed by way of a share for share offer.

Sovereign Gold is offering PMR Shareholders nine Sovereign Gold Shares for every ten PMR Shares held.

Sovereign Gold is an ASX listed junior explorer, exploring for gold and other precious metals in Australia and Malaysia. Sovereign Gold was officially admitted to the ASX on 29 November 2010 and quoted on the ASX on 3 December 2010.

The proposed Merger has the support of PMR's Independent Directors, John Foley, Peter Kennewell and Bruce Dennis, who recommend that you **ACCEPT** Sovereign Gold's Offer, subject to there being no Superior Proposal and no Material Adverse Event having occurred. Their reasons for recommending that security holders accept the Offer (outlined in section 1 of this Target's Statement) are as follows:

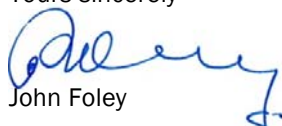
- (a) the Offer represents a premium to the value of PMR Shares prior to the Announcement;
- (b) the Independent Expert has concluded that the Offer is fair and reasonable to PMR Shareholders;
- (c) if the Merger succeeds, it will give PMR Shareholders the full benefit of Sovereign Gold's portfolio of projects, and a more diversified risk profile; and
- (d) Sovereign Gold is likely better placed to raise the development capital required to develop PMR's projects.

Each Director intends to accept the Offer in respect of all PMR Shares controlled by them, subject to there being no Superior Proposal, and no Material Adverse Event having occurred. The Offer is subject to a number of conditions, which are detailed in full in section 13 of the Bidder's Statement.

The Bidder's Statement, which you received in the package with this Target's Statement, outlines the details of the Offer and contains a personalised Acceptance Form, with instructions on how to accept the Offer. Please note that the Offer is scheduled to close at 7:00 pm (AEST) on 27 August 2012 (unless extended). To accept the Offer, follow the instructions outlined in section 12.6 of the Bidder's Statement and printed on the Acceptance Form that accompanies the Bidder's Statement.

This Target's Statement discusses the Offer and the reasons for the recommendation of the Independent Directors that you accept the Offer. It also outlines your choices as a PMR Security Holder and other matters relevant to you in making your decision as to whether you accept the Offer. You are encouraged to read this Target's Statement and the Bidder's Statement in their entirety and to seek independent advice from your financial, taxation and other professional advisers prior to making any decision in respect of the Offer.

Yours sincerely



John Foley

**Chairman**  
**Precious Metal Resources Limited**

## **SUMMARY OF THE SOVEREIGN GOLD OFFER**

The following provides an overview of the Offer. You should read this Target's Statement and the Bidder's Statement in full before making any decision whether to accept the Offer.

### **OFFER**

Sovereign Gold is offering to acquire all PMR Shares by way of an off-market takeover bid.

### **SHARE OFFER CONSIDERATION**

Sovereign Gold is offering PMR Shareholders nine new Sovereign Gold Shares for every ten PMR Shares held.

The Offer values all the PMR Shares at approximately A\$21,420,000<sup>1</sup>.

In respect of Foreign Holders of PMR Shares see section 12.9 of the Bidder's Statement for an explanation as to what consideration will be offered for your PMR Shares.

### **SOVEREIGN GOLD SECURITIES**

The terms of the Sovereign Gold Securities are set out in section 5 of the Bidder's Statement.

There are 77 million Sovereign Gold Shares on issue as at 10 July 2012.

There are approximately 7.25 million Sovereign Gold options on issue as at 10 July 2012 with an exercise price of \$0.30 each and expiring in September and November 2013.

Sovereign Gold is an ASX listed mineral exploration company. Information on Sovereign Gold is set out in section 3 of the Bidder's Statement.

If you wish to sell the Sovereign Gold Securities you receive under the Offer, you should contact your stockbroker to discuss how to arrange the sale.

### **CONDITIONS OF THE OFFER**

In summary, the Offer is conditional on:

- (a) Sovereign Gold and its Associates having a Relevant Interest in at least 80% (by number) of all PMR Shares;
- (b) the Offer being declared unconditional before the end of the Offer Period;
- (c) receipt of all required regulatory approvals;
- (d) no legal restraint or prohibition adversely affecting the Offer;

---

<sup>1</sup> Valuation is based on an implied value of the Offer of 25.2 cents per PMR Share, which is calculated based on the closing price of Sovereign Gold Shares on 9 July 2012, (being the last ASX trading day before each company announced the proposed Merger), the issued share capital of PMR on that same date, and taking into account the ratio of Sovereign Gold Shares to PMR Shares offered under the Offer. Note the implied value of the Offer will fluctuate with movements in the market value of Sovereign Gold Shares.

## SUMMARY OF THE SOVEREIGN GOLD OFFER Cont.

- (e) PMR conducting its business in the ordinary course;
- (f) no material adverse change in relation to PMR;
- (g) no prescribed occurrence in relation to PMR; and
- (h) representations regarding PMR's issued securities remaining true and correct.

If the conditions of the Offer are not satisfied or waived by the Closing Date, the Offer will lapse and you will retain your PMR Shares.

See section 13 of the Bidder's Statement for the full details of the conditions of the Offer.

### INDEPENDENT EXPERT'S REPORT

The Independent Expert, Alpha Securities Pty Ltd, has concluded that the Offer is fair and reasonable to PMR Shareholders (see Independent Expert's Report in Appendix B of this Target's Statement).

### INDEPENDENT DIRECTORS' RECOMMENDATION

The Independent Directors of PMR recommend that you **ACCEPT** the Offer subject to there being no Superior Proposal, and no Material Adverse Event having occurred.

### CLOSING DATE

The Offer is due to close at 7:00 pm (AEST) on 27 August 2012 unless it is withdrawn or extended by Sovereign Gold.

### FURTHER INFORMATION

Sovereign Gold has set up an information line for PMR Shareholders to address any questions you may have in relation to the Offer (see the Bidder's Statement). If you require further information, please call +61 2 9251 7177.

### ESTIMATED DATES FOR KEY EVENTS

Key Events	Estimated Date
Announcement of the proposed Merger	10 July 2012
Date of Bidder's Statement	20 July 2012
Register Date	23 July 2012, 7:00pm (AEST).
Date of Target's Statement	25 July 2012
Bidder's Statement and Target's Statement to be sent to PMR Shareholders	27 July 2012
Conditions Notice Date	17 August 2012
Scheduled closing date of Offer	27 August 2012, 7:00pm (AEST).



## **HOW TO ACCEPT THE OFFER**

You should read this Target's Statement and the Bidder's Statement in full before making a decision on whether to accept the Offer.

### **ADDRESS FOR ACCEPTANCE OF OFFER**

The Bidder's Statement contains a personalised Acceptance Form and reply paid envelope. The completed Acceptance Form and all other documents required by the instructions on the Acceptance Form should be sent to:

Computershare Investor Services Pty Limited  
GPO Box 52  
Melbourne VIC 3001 Australia

### **HOW TO ACCEPT THE OFFER**

If your PMR Shares are held on a CHESSE sub-register (ie. your Holder Identification Number commences with an 'X'), do one of the following:

- (a) contact your Controlling Participant (typically your stockbroker) and instruct them to initiate acceptance on your behalf; or
- (b) complete and sign the Acceptance Form in accordance with the instructions on it and mail it, together with all other documents required by the instructions on the Acceptance Form, to the address shown above.

If your PMR Shares are held on an issuer-sponsored sub-register (ie. your Security Holder Reference Number commences with an "1"), complete and sign the Acceptance Form in accordance with the instructions on it and mail it, together with all other documents required by the instructions on the Acceptance Form, to the address shown above.

See section 12.6 of the Bidder's Statement for full details on how to accept the Offer.

### **CLOSING DATE FOR ACCEPTANCE**

Your acceptance of the Offer must be completed before the end of the Offer Period (i.e. before 7:00 pm (AEST) on 27 August 2012), unless the Offer Period for the Offer is extended.

You should be aware that if you accept the Offer, you will give up your rights to sell the corresponding PMR Shares that you hold on the ASX, or otherwise deal in those PMR Shares, including by way of acceptance of any superior offer that may emerge, unless the Offer is withdrawn or, in certain limited circumstances, you are allowed to withdraw your acceptance.

## **1. WHY YOU SHOULD ACCEPT THE OFFER**

---

### **1.1 Summary of Reasons**

The Independent Directors of PMR recommend that PMR Shareholders **ACCEPT** the Offer, subject to there being no Superior Proposal, and no Material Adverse Event having occurred, for the following reasons:

- (a) the Offer represents premium to the value of PMR Shares prior to the Announcement;
- (b) the Independent Expert has concluded that the Offer is fair and reasonable to PMR Shareholders;
- (c) if the Merger succeeds, it will give PMR Shareholders the full benefit of Sovereign Gold's portfolio of projects, and a more diversified risk profile;
- (d) if the Merger succeeds, PMR Shareholders are likely to benefit from being a Security Holder in a larger more widely held company that has greater resources to manage both companies' projects;
- (e) Sovereign Gold is likely better placed to raise development capital required to develop PMR's projects;

Each of the Directors currently intend to accept or procure acceptance of the Offer in respect of all the PMR Shares they own or control, subject to there being no Superior Proposal, and no Material Adverse Event having occurred, for the reasons outlined above.

Each of these reasons is discussed in more detail below.

### **1.2 The Offer represents a premium to the value of PMR Shares prior to the Announcement**

The consideration under the Offer comprises 9 Sovereign Gold Shares for every 10 PMR Shares.

Based on the closing price of Sovereign Gold Shares on the ASX on 9 July 2012, being the last ASX trading day before each company announced the proposed Merger (**Last Trading Day**), the implied value of the Offer is 25.2 cents per PMR Share, which represents:

- (a) a 14.55% premium to 22.0 cents, the closing price of PMR Shares on the ASX on the Last Trading Day;
- (b) a 14.62% premium to 22.0 cents, the VWAP of PMR Shares on the ASX for the 30 ASX trading days up to and including the Last Trading Day;
- (c) a 18.70% premium to 21.2 cents, the VWAP of PMR Shares on the ASX for the 60 ASX trading days up to and including the Last Trading Day; and
- (d) a 17.15% premium to 21.5 cents, the VWAP of PMR Shares on the ASX for the 90 ASX trading days up to and including the Last Trading Day.

PMR Shareholders should be aware that the prices of PMR and Sovereign Gold Shares (and the implied value of the Offer) might fluctuate upwards or downwards prior to the close of the Offer.

### **1.3 The Independent Expert has concluded that the Offer is fair and reasonable**

PMR engaged Alpha Securities Pty Ltd as an independent expert to provide a report as to whether the Offer is fair and reasonable to PMR Shareholders. The Independent Expert assessed the value of 10 PMR Shares to be \$2.35, and assessed the value of the consideration (9 Sovereign Gold Shares) to be \$2.52.

As the value of the consideration to be received by PMR Shareholders under the Offer equals or exceeds the value of PMR Shares, in the opinion of the Independent Expert, the Offer is fair and, consistent with ASIC Regulatory Guide 111, also reasonable.

The Independent Expert's Report dated 16 July 2012 is set out in Appendix B to this Target's Statement.

**1.4 The Merger will give PMR Shareholders the full benefit of Sovereign Gold's portfolio of projects, and a more diversified risk profile**

If the Merger succeeds, PMR Shareholders will have the full benefit of Sovereign Gold's portfolio of projects. This will include all tenements held by Sovereign Gold or which it has rights in respect of.

Please refer to section 3 of the Bidder's Statement for more detailed information about Sovereign Gold's projects.

**1.5 Sovereign Gold has greater resources**

Sovereign Gold maintains its own drill rig and is able to mobilise and conduct drilling programs under its control independently and without reliance on outside contractors.

Sovereign Gold has greater resources and is likely better placed to raise capital.

Sovereign Gold has greater resources available to it to manage and advance PMR's projects.

## **2. PMR DIRECTORS RECOMMENDATION**

---

### **2.1 The PMR Directors**

As at the date of this Target's Statement, the PMR Directors are:

<u>Name</u>	<u>Position</u>
John Foley	Chairman
Peter Kennewell	Director / CEO
Bruce Dennis	Director
Peter Meers	Director
Michael Leu	Director

### **2.2 Recommendation**

The Independent Directors of PMR recommend that you **ACCEPT** the Offer in respect of all your PMR Shares, subject to there being no Superior Proposal, and no Material Adverse Event having occurred. The reasons for this recommendation are set out in section 1 of this Target's Statement.

Peter Meers has abstained from making a recommendation in relation to the Offer as he holds directorships and options in each of Sovereign Gold and PMR, and therefore considers that it is not appropriate to make a recommendation to PMR Shareholders in relation to the Offer.

Michael Leu has abstained from making a recommendation in relation to the Offer as he holds directorships, shares and options in each of Sovereign Gold and PMR, and therefore considers that it is not appropriate to make a recommendation to PMR Shareholders in relation to the Offer.

### **2.3 Directors' current intentions**

Each of the PMR Directors currently intend to accept or procure acceptance of the Offer in respect of all the PMR Shares they own or control, subject to there being no Superior Proposal, and no Material Adverse Event having occurred.

### **2.4 Personal circumstances**

It is not possible for the directors' recommendation to take into account your personal circumstances, such as the size or nature of your PMR Security holding, your investment strategy or your tax position.

Accordingly, and particularly if you are a smaller PMR Security Holder, you should seek advice from your financial, taxation or other professional adviser before making any decision in relation to your holding of PMR Shares.

In considering whether to accept the Offer, the PMR Directors encourage you to:

- (a) read the whole of this Target's Statement and the Bidder's Statement;
- (b) have regard to your individual risk profile, portfolio strategy, tax position and financial circumstances;
- (c) ensure that you understand the consequences of accepting the Offer;
- (d) consider the choices available to you, as detailed in section 3 of this Target's Statement;
- (e) obtain financial advice from your broker or financial adviser in relation to the Offer; and
- (f) obtain taxation advice on the effect of accepting the Offer.

### 3. YOUR CHOICES AS PMR SHAREHOLDERS

---

#### 3.1 Choices for PMR Shareholders

If you are a PMR Shareholder, you have three choices available to you in relation to the Offer for the PMR Shares you hold. These choices are summarised below.

Note that the Independent Directors of PMR recommend that you **ACCEPT** the Offer for all of your PMR Shares subject to there being no Superior Proposal, and no Material Adverse Event having occurred.

Each of the Directors currently intend to **ACCEPT** the Offer in respect of the PMR Shares they own or control subject to there being no Superior Proposal, and no Material Adverse Event having occurred.

(a) **Accept the Offer for all or any number of your PMR Shares**

You may elect to accept the Offer and receive 9 Sovereign Gold Shares for every 10 PMR Shares held.

See section 4.10 of this Target's Statement for explanation on how fractional entitlements will be dealt with.

If you accept the Offer and send in all documents required by the Acceptance Form you will receive your Sovereign Gold Shares up to one month after that acceptance, unless the Offer is still conditional when acceptance occurs, and in that case Sovereign Gold Shares will be received up to one month after the Offer becomes unconditional. In any event Sovereign Gold Shares under the Offer will be received no later than 21 days after the end of the Offer Period, provided the Offer becomes unconditional.

If you accept the Offer you will not be able to sell your PMR Shares to anyone else, either on the ASX or by accepting any Superior Proposal that may emerge unless either the Offer is unsuccessful or the Offer is extended by a period of more than one month while it is still conditional (refer to section 4.11 of this Target's Statement).

The tax implications of accepting the Offer depends on a number of factors and will vary according to your personal circumstances. A general description of the taxation consequences of accepting the Offer is set out in section 10 of the Bidder's Statement and referred to in section 7.4 of this Target's Statement.

(b) **Sell your PMR Shares on market through the ASX**

During the Offer Period, you may elect to sell your PMR Shares on market through the ASX for cash, provided you have not already accepted the Offer for those PMR Shares. If you sell your PMR Shares on market through the ASX, you will receive a cash amount according to the prevailing market value of the PMR Shares, less any brokerage payable.

If you elect to sell your PMR Shares on market through the ASX you will lose the right to participate in the Offer or any other proposal that may emerge (with respect to those PMR Shares that have been sold), and may receive less than the value of the Sovereign Gold Shares offered pursuant to the Offer.

If you sell your PMR Shares on market through the ASX you may be liable for capital gains tax on the sale (consult your financial and taxation adviser for further information in relation to this) and may incur a brokerage charge.

(c) **Take no action**

If you do not wish to accept the Offer in relation to your PMR Shares and do not wish to sell your PMR Shares on market through the ASX you may do nothing, in which case you will have rejected the Offer.

If you choose to do nothing and Sovereign Gold becomes entitled to compulsorily acquire your PMR Shares under the Corporations Act (as it intends to do, as discussed in section 7 of the Bidder's Statement), you would receive the same consideration as PMR Shareholders who accepted the Offer, but some time later. Refer to section 4.13 of this Target's Statement for details on compulsory acquisition.

## **4. IMPORTANT INFORMATION ABOUT SOVEREIGN GOLD'S OFFER**

---

### **4.1 Sovereign Gold's Offer**

Sovereign Gold is offering to acquire all of your PMR Shares, including any PMR Shares which become registered in your name in the register of shareholders of PMR during the period from the Register Date to the end of the Offer Period due to the conversion of, or exercise of rights attached to, other securities convertible into PMR Shares which are on issue on the Register Date, for the consideration detailed in section 4.2 and on and subject to the terms and conditions of Sovereign Gold's Offer, which are set out in section 13 of the Bidder's Statement.

The Offer extends to any person who becomes registered or entitled to be registered as the holder of any of your PMR Shares during the period from the Register Date to the end of the Offer Period.

### **4.2 Sovereign Gold Offer consideration**

The consideration being offered by Sovereign Gold under the Offer is 9 Sovereign Gold Shares for every 10 PMR Shares.

### **4.3 Conditions of the Offer**

The Offer is subject to certain conditions, the full details of these conditions are set out in section 13 of the Bidder's Statement. In summary, the Offer is subject to the following conditions:

- (a) Sovereign Gold and its Associates having a Relevant Interest in at least 80% of the PMR Shares;
- (b) the Offer being declared unconditional before the end of the Offer Period;
- (c) receipt of all required regulatory approvals;
- (d) no legal restraint or prohibition adversely affecting the Offer;
- (e) PMR conducting its business in the ordinary course;
- (f) no material adverse change in relation to PMR;
- (g) no prescribed occurrence occurs in relation to PMR without the prior written approval of Sovereign Gold; and
- (h) representations regarding PMR's issued securities continue to be true and correct.

As at the date of this Target's Statement, the PMR Directors are not aware of any matter which would cause a breach of any of the conditions attaching to the Offer.

### **4.4 Notice of status of conditions**

Sections 12.15 of the Bidder's Statement indicate that Sovereign Gold will give a Notice of Status of Conditions for the Offer to the ASX and PMR on 17 August 2012. Sovereign Gold is required to set out in its Notice of Status of Conditions:

- (a) whether the Offer is free of any or all of the conditions;
- (b) whether, so far as Sovereign Gold knows, any of the conditions have been fulfilled; and
- (c) Sovereign Gold's voting power in PMR.

If the Offer Period for the Offer is extended by a period before the time by which the Notice of Status of Conditions is to be given, the date for giving the Notice of Status of Conditions for the Offer that has been extended will be taken to be postponed for the same period. In the event of such extension, Sovereign Gold will be required to give notice to ASX and PMR that states the new date for the giving of the Notice of Status of Conditions.

## 4 – IMPORTANT INFORMATION ABOUT SOVEREIGN GOLD'S OFFER Cont.

If a condition is fulfilled (so that the Offer becomes free of that condition) during the Offer Period for the Offer but before the date on which the Notice of Status of Conditions is required to be given, Sovereign Gold must, as soon as practicable, give the ASX and PMR a notice that states that the particular condition has been fulfilled.

### 4.5 Lapse of Offer

The Offer will lapse if the Offer conditions are not freed or fulfilled by the end of the Offer Period. If the Offer lapses, all contracts resulting from the acceptance of that Offer and all acceptances that have not resulted in binding contracts will be void and you will be free to deal with the corresponding PMR Shares that you hold as you see fit.

### 4.6 Strategy of Sovereign Gold following the proposed Merger

The information contained in this section 4.6 is extracted from section 7 of the Bidder's Statement (with necessary changes made). The PMR Directors have no information which suggests to them that this information may be inaccurate or misleading. The Bidder's Statement contains more detailed information than is contained in this section 4.6.

#### (a) Overview of intentions

This section sets out the intentions of Sovereign Gold on the basis of the facts and information concerning PMR which are available to Sovereign Gold at the time of preparation of the Bidder's Statement and the existing circumstances affecting the business of PMR so far as they are known to Sovereign Gold, in relation to the following:

- i. the continuation of, and changes to, PMR's business and assets;
- ii. the compulsory acquisition of PMR's Shares and delisting of PMR; and
- iii. the future employment of present employees of PMR.

All statements of intention in this section are statements of current intention only and may change as new information becomes available and/or circumstances change.

#### (b) Background to intentions

It is Sovereign Gold's current intention to maintain PMR's tenements and work towards the development of its resources. These assets, if brought to development, may be valuable for Sovereign Gold and the Merged Group.

The exploration tenements that PMR holds in its own right have good potential for base metal mineralisation. Sovereign Gold will aim to conduct exploration for these base metals on the PMR exploration licenses.

#### (c) Intentions following Sovereign Gold acquiring 90% or more of PMR Shares

If Sovereign Gold acquires a relevant interest in 90% or more of the PMR Shares, it has the following intentions:

##### i. Corporate Matters

- A. proceed with the compulsory acquisition of the outstanding PMR Shares in accordance with the provisions of the Corporations Act; and
- B. make arrangements for PMR to be removed from the official list of ASX.

##### ii. Operations, developments and exploration

Sovereign Gold will manage PMR's activities internally once the Merger is complete and accounting systems adjusted to track the costs associated with PMR as a division of Sovereign Gold.

#### 4 – IMPORTANT INFORMATION ABOUT SOVEREIGN GOLD'S OFFER Cont.

The staff and executive directors of Sovereign Gold will manage and carry out work on PMR's projects, as Sovereign Gold management considers appropriate.

##### iii. PMR management

One geologist works in PMR. It is Sovereign Gold's intention that the employee will be transferred to Sovereign Gold. No loss of knowledge is anticipated.

#### (d) Intentions if Sovereign Gold acquires less than 90% of PMR Shares

If Sovereign Gold does not acquire 90% or more of the PMR Shares on issue then Sovereign Gold has the following intentions.

##### i. Corporate matters

Sovereign Gold intends to maintain PMR's listing on ASX while it meets ASX requirements for maintaining a listing and it is cost effective to do so. If Sovereign Gold becomes entitled at some later time to exercise general compulsory acquisition rights under the Corporations Act, it would exercise those rights.

##### ii. Assumption of control of Board and management

Subject to the Corporations Act and the constitution of PMR, Sovereign Gold will seek to add additional members to the Board of PMR to reflect Sovereign Gold's proportionate ownership interest in PMR. Sovereign Gold will seek, through its nominees on the board of PMR, to implement the intentions detailed in section 7.3 of the Bidder's Statement to the extent that they are consistent with PMR being a controlled entity of Sovereign Gold and are considered to be in the best interests of all PMR Shareholders.

#### (e) Other intentions

Subject to the above, it is the present intention of Sovereign Gold on the basis of the information concerning PMR which is known to it at the date of the Bidder's Statement and the existing circumstances affecting the business of PMR, that:

- i. the business of PMR will otherwise continue in substantially the same manner as it is presently being conducted;
- ii. no other major changes will be made to the business of PMR;
- iii. there will not be any other redeployment of the fixed assets of PMR; and
- iv. the present employees of PMR will be employed by Sovereign Gold.

#### 4.7 Offer Period

Unless the Offer is extended or withdrawn, the Offer will be open for acceptance from 27 July 2012 until 7:00 pm (AEST) on 27 August 2012.

The circumstances in which Sovereign Gold may extend or withdraw the Offer are set out in sections 4.8 and 4.9 of this Target's Statement.

#### 4.8 Extension of Offer Period

Sovereign Gold may extend the Offer Period at any time before giving the Notice of Status of Conditions in respect of the Offer (referred to in section 4.4 of this Target's Statement) while the Offer is subject to conditions. However, if all the conditions are satisfied or waived, Sovereign Gold may extend the Offer Period at any time before the end of the Offer Period.

Additionally, the Offer Period will be automatically extended if, within the last 7 days of the Offer Period Sovereign Gold improves the consideration offered under that Offer. If this occurs, the Offer Period for will



#### 4 – IMPORTANT INFORMATION ABOUT SOVEREIGN GOLD'S OFFER Cont.

be automatically extended so that it ends 14 days after the date Sovereign Gold improves the consideration offered under the Offer.

#### 4.9 Withdrawal of Offer

Sovereign Gold may not withdraw the Offer if you have already accepted it. Before you accept the Offer, Sovereign Gold may withdraw the Offer with the written consent of ASIC and subject to the conditions (if any) specified in such consent. If Sovereign Gold withdraws the Offer, all contracts arising from its acceptance will automatically be void.

#### 4.10 Fractional Entitlements

If, as a result of accepting the Offer, you become entitled to a fraction of a Sovereign Gold Share then your entitlement will be rounded down to the nearest whole Sovereign Gold Share. Refer to section 12.2 of the Bidder's Statement for further details.

#### 4.11 Effect of acceptance

The effect of acceptance of the Offer is set out in sections 12.7 of the Bidder's Statement. You should read these provisions in full to understand the effect which acceptance will have on your ability to exercise the rights attaching to your PMR Shares and the representations and warranties which you give by accepting one or both of the Offer.

In particular you should note that once you accept the Offer, you will only be able to withdraw that acceptance in very limited circumstances. Specifically, you may only withdraw acceptance of the Offer if:

- (a) the Offer is still subject to a defeating condition; and
- (b) Sovereign Gold varies the Offer in a way that postpones, for more than one month, the time when Sovereign Gold needs to meet its obligations under the Offer. This will occur if Sovereign Gold extends the Offer Period by more than one month whilst the Offer is still subject to conditions.

#### 4.12 When you will receive consideration (in the form of Sovereign Gold Securities) for your PMR Shares if you accept the Offer

In the usual case, you will be allocated the Sovereign Gold Securities in consideration for the sale of your PMR Shares on or before the later of:

- (a) one month after the date the Offer becomes or is declared unconditional; and
- (b) one month after the date you accept the Offer if the Offer is, at the time of acceptance, unconditional,

but in any event (assuming the Offer becomes or is declared unconditional), no later than 21 days after the end of the Offer Period. There are, however, certain exceptions to the above time frames for receiving the Offer consideration. Refer to sections 12.8 of the Bidder's Statement for full details of when you will receive the Offer consideration.

#### 4.13 Compulsory Acquisition

If during or at the end of the Offer Period Sovereign Gold has (together with its associates) a Relevant Interest in at least 90% (by number) of PMR Shares, then pursuant to Part 6A.1 Division 1 of the Corporations Act, Sovereign Gold will be entitled to compulsorily acquire any PMR Shares in respect of which it has not received acceptance of the Offer.

You should be aware that, if your PMR Shares are compulsorily acquired, you are not likely to receive payment until at least one month after the compulsory acquisition notices are dispatched to you.

If Sovereign Gold does not become entitled to compulsorily acquire PMR Shares in accordance with Part 6A.1 Division 1 of the Corporations Act, it may nevertheless become entitled to exercise general compulsory acquisition rights under Part 6A.2 Division 1 of the Corporations Act.

#### 4 – IMPORTANT INFORMATION ABOUT SOVEREIGN GOLD'S OFFER Cont.

Sovereign Gold has indicated in section 7 of the Bidder's Statement that it intends to proceed to compulsory acquisition of the outstanding PMR Shares if it meets the required thresholds.

##### **4.14 Foreign Holders**

If you are a Foreign Holder, you should be aware that the Offer in jurisdictions outside Australia may be restricted by law, and you should seek advice and observe any such restrictions. Any such failure to comply with such restrictions may constitute a violation of applicable securities laws.

The Offer does not constitute an offer in any place in which, or to persons to whom, it would not be lawful to make the offer. Sovereign Gold in its absolute discretion will determine whether to issue Sovereign Gold Securities to Foreign Holders as consideration for the Offer, having regard to any such restrictions.

In respect of those Sovereign Gold Securities which Foreign Holders would have become entitled to receive but for the restrictions outlined above, Sovereign Gold will:

- (a) arrange for the Sovereign Gold Securities to which you and all other Foreign Holders under the Offer would have been entitled but for section 12.9 of the Bidder's Statement to be issued to a nominee approved by ASIC;
- (b) cause the nominee to offer for sale those Sovereign Gold Securities within 30 Business Days after the end of the Offer Period in such a manner, at such a price and on such other terms and conditions as are determined by the nominee;
- (c) pay or procure the payment to you the amount ascertained in accordance with section 12.9 of the Bidder's Statement.

Refer to section 12.9 of the Bidder's Statement for a more detailed description on how entitlements will be calculated, the timing of the payment to Foreign Holders and any applicable restrictions.

## **5. ABOUT SOVEREIGN GOLD**

---

### **5.1 Sources of information**

Sovereign Gold Company Limited (**Sovereign Gold**) is a "disclosing entity" for the purposes of the Corporations Act and as such is subject to Australian Securities Exchange (**ASX**) continuous reporting and disclosure obligations.

Sovereign Gold will provide, free of charge, a copy of Sovereign Gold's Annual Financial Statements for the year ended 31 December 2011 to any PMR Security Holder who requests a copy during the Offer Period.

The following information is extracted from ASX reports made by Sovereign Gold.

### **5.2 Introduction**

Sovereign Gold is an ASX listed junior explorer, exploring for gold and other precious metals in Australia and Malaysia. Sovereign Gold was officially admitted to the ASX on 29 November 2010 and quoted on the ASX on 3 December 2010.

### **5.3 Sovereign Background**

Sovereign Gold is exploring large Intrusion-Related Gold Systems (**IRGS**) at the Rocky River-Uralla Goldfield in New South Wales and in the Eastern and Central Gold Belts of Peninsular Malaysia.

Sovereign Gold's Rocky River-Uralla Goldfield Project covers 2,400 square kilometers.

The project is located around the township of Uralla, 21km southwest of Armidale, New South Wales, Australia, with superb infrastructure logistics. It is close to major roads, rail, airport, labour source, university, power, and engineering.

Sovereign Gold's exploration objective is to locate the hard rock gold sources.

### **5.4 Sovereign Gold Projects and Exploration**

Comprehensive details of Sovereign Gold's projects and exploration highlights can be found in section 3 of the Bidder's Statement.

## **6. ABOUT PMR**

---

### **6.1 Background**

PMR is an exploration company; its projects are the granted tenements in NSW, EL 4474, EL 5339 and EL 7679, located at Halls Peak, 80 km south-east of Armidale and EL 7920 at Tarago.

Halls Peak is the inferred volcanic centre for extensive small but high grade Volcanic Massive Sulphide (VMS) deposits rich in copper, lead, zinc and silver, with variable but largely untested gold values. Exploration aims to locate the right depositional environment to host a high-grade deposit of between 30,000 and 170,000 tonnes within a global exploration target of 5 – 70 million tonnes<sup>2</sup> of mixed grade mineralisation. Several geochemical and geophysical anomalies are also present that should identify further high grade, near-surface sulphides.

Additional to the VMS prospectivity, there are indications for the presence of orogenic gold from breccia floaters and small pods of Au-rich quartz on the tenements carrying 1 to 10 grams per tonne Au.

A substantial body of exploration data has been generated over the years by the Geological Survey of NSW and a number of major mining companies including, BHP Ltd., MIM Ltd., The Zinc Corporation, Allstate Exploration NL, Carpentaria Exploration Co. Ltd., CRA Exploration Limited and Amoco Minerals Australia Co.

PMR is expanding on this work, unhindered by the plethora of small prospectors that originally held prime areas.

PMR is implementing exploration work programs focusing on the three key known sulphide bodies initially aiming to bring them to a proven resource stage quite rapidly through a diamond and reverse circulation drilling program.

Investors should refer to PMR's Quarterly Activities Reports and Yearly Annual Report for the period ending 31 December 2011 for the recent operating and financial history of PMR, available at PMR's website at [www.pmr.com.au](http://www.pmr.com.au).

### **6.2 Current Exploration Program**

Resampling and reassaying of approximately 4,000 metres of existing core from 39 holes drilled between 1969 and 1974 on the PMR Tenements is underway. Initial results demonstrate that previous explorers did not assay some cores now found to contain high grades of silver and base metals. This was due to the mineralised rocks looking almost identical with those not carrying mineralisation.

Resampling and reassaying of Allstate Exploration's diamond drill hole DDH 6 (Allstate DDH 6), drilled in 1969 has identified high grades of silver and base metals adjacent to the previously recognised mineralisation in this hole. These are present in mineralised rocks looking almost identical to those not carrying mineralisation.

Testing of core from this hole by Australian Laboratory Services in Queensland has returned assays with grades of up to 122 ounces of silver per tonne and 16.3% zinc.

The fine-grained mineralisation is present within rocks described as argillites, which are fine-grained sedimentary rock composed predominantly of indurate clay particles resembling black shales and are present in beds extending within an area 5 km by 7km. They are at least two hundred metres thick in several places.

Assaying of the unassayed cores is identifying further unrecognised mineralisation.

PMR's exploration program will determine whether the PMR black shales are similar to those occurring in other parts of the world, which host world class base metal deposits.

Duplicate sampling is also confirming the validity of the historic data.

---

<sup>2</sup> The potential quantity and grade of exploration targets is conceptual in nature. There has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource.

PMR recently undertook a Versatile Time-Domain Electromagnetic geophysical survey over its base metal project at Halls Peak, NSW.

The helicopter borne survey was being conducted to identify further base metal drilling targets on the Halls Peak Base Metal field. All targets located by the survey will be computer modelled, tested and then drilled.

### 6.3 PMR Proposed Exploration and Development Program

Exploration will focus on the three key known sulphide bodies initially and bring them to a proven resource stage quite rapidly through a diamond and reverse circulation-drilling program.

The principal exploration objective will be to pattern drill the Gibsons Mine area, specifically the Gibson's No. 1 Lode. This near-surface mine area was diamond drilled in 1970 by Allstate Exploration and interpretation of drillhole data showed apparent widths of 3-5m, possibly open to the northwest. Mineralisation will most probably consist of a series of lensoid, discontinuous sulphide pods rather than a coherent structure.

Exploration will also extend over the numerous superficially explored lodes (e.g. the Swedes Tunnel Lode and the sulphide bodies at Devils Drop and Sunnyside Field, etc.) and prospective gossans and geochemical and geophysical anomalies.

### 6.4 Mining

Currently, the main areas of interest are the Gibsons Mine Area, Faints-Firefly and Khans Creek Lode, which at today's prices are highly attractive targets. The sulphide lenses outcrop and only short adits were required to access the sulphide, e.g. BHP's adit (1973) was developed for only 27m to intersect the sulphides at Khans Creek. The Silver Tunnel is accessible at surface via a direct drive on the sulphides and all lodes are accessible by existing dirt roads, however the topography is steep and the width of the roads currently limits the size of trucks able to haul the ore. Haulage will be limited to low-profile vehicles to a 5 tonne capacity for approximately 2 kms where the ore will be transferred to larger vehicles.

In the Gibsons Mine Area, there is the possibility that pattern drilling may reveal a sufficient density of small stacked stratabound VMS bodies to support open cut mining. As these essentially occur at surface, only a short adit is needed to access the sulphide. If the general grade of potential ore lenses at Halls Peak have a gold equivalent of 0.7 to 2 oz/t, as currently indicated, then shallow narrow vein mining should be cost effective. The intention is to ship unprocessed ore to off-take buyers for direct smelting.

An independent engineering study will be commissioned to review the mine development costs, (capital costs), exploration and mine production costs, infrastructure costs, transport costs, and port costs, to direct ship Gibson's ore.

To produce direct shipping ore from the Gibson's and Milking Cow lodes will require an engineering feasibility study covering stockpiling, blending, stripping ratio and waste disposal.

### 6.5 Metallurgy and Treatment

Fine grinding and flotation tests will be undertaken to establish if saleable concentrates of galena (lead), sphalerite (zinc), copper (chalcopyrites) and silver can be produced from the ores. If successful, the company will be able to generate a cash flow early in the exploration program that underpins the initial capital investment. Alternatively, the Run-of-Mine ore can be crushed to ½ inch and concentrated on tables for direct shipping.

### 6.6 PMR Granted Tenements

Licence No	Status	Date Granted	Expiry Date	Units / Blocks	Area Ha	Size Sq km	Holder
EL 5339	Granted	15 August 1997	29 January 2012*	5	1,500	15Km <sup>2</sup>	PMR1 Pty Ltd
EL 4474	Granted	13 January 1993	12 January 2013	4	1,200	12Km <sup>2</sup>	PMR1 Pty Ltd
EL 7679	Granted	11 January 2011	11 January 2013	32	9,600	96Km <sup>2</sup>	PMR1 Pty Ltd
EL 7920	Granted	5 April 2012	4 April 2014	100	30,000	300Km <sup>2</sup>	PMR1 Pty Ltd

\* Pending Renewal

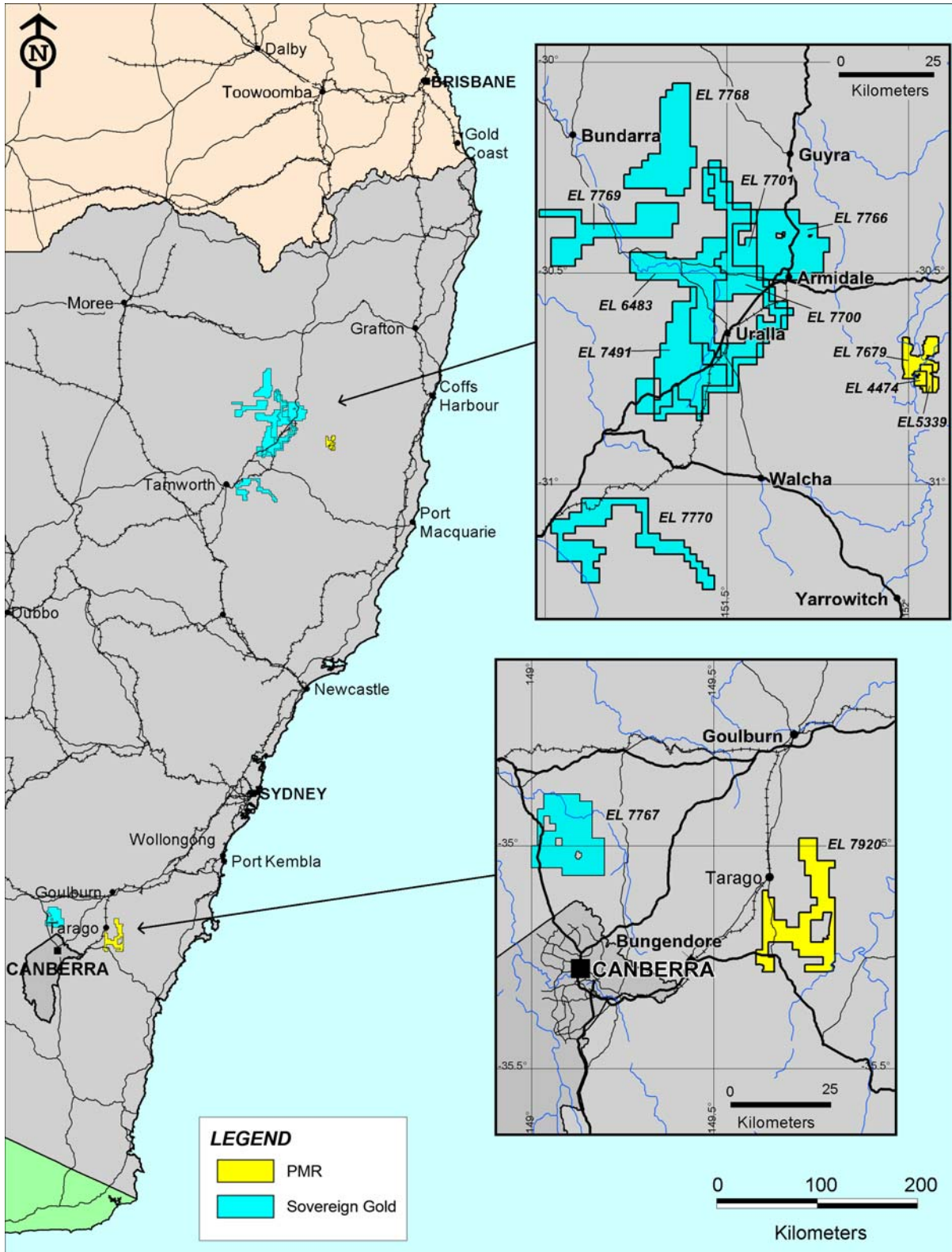


Figure 1 – The Sovereign Gold and PMR granted tenements are located in New South Wales, Australia.

## 7. OTHER IMPORTANT CONSIDERATIONS FOR PMR SHAREHOLDERS

---

All the information set out in this Target's Statement should be carefully considered, together with the risks normally associated with companies of a similar nature to Sovereign Gold and, in particular, those risks described in section 9 of the Bidder's Statement.

This section 7 outlines some of the other important considerations and risks for PMR Shareholders who choose to accept the Offer as recommended by the Independent Directors of PMR subject to there being no Superior Proposal and no Material Adverse Event having occurred. If any one of the risks identified in the Bidder's Statement or any of the following risks materialise, then Sovereign Gold's financial condition, prospects and share price could be materially and adversely affected.

### 7.1 The value of the Offer is not fixed

In making their recommendation, the Independent Directors of PMR have considered, among other things, the implied value of the Offer. As at the following dates or periods, the implied value of the Offer was:

- (a) 25.2 cents per PMR Share as at 9 July 2012 (**Last Trading Day**);
- (b) 21.9 cents per PMR Share for the 30 ASX trading days up to and including the Last Trading Day;
- (c) 24.0 cents per PMR Share for the 60 ASX trading days up to and including the Last Trading Day;
- (d) 24.0 cents per PMR Share for the 90 ASX trading days up to and including the Last Trading Day; and
- (e) 22 cents per PMR Share as at 24 July 2012<sup>3</sup>.

The implied value of the Offer has been calculated taking into account the terms of the Offer and the price of the Sovereign Gold Shares and PMR Shares quoted on the ASX as at the above specified dates or for the above specified periods.

Please note that the implied value of the Offer as stated in this Target's Statement is calculated as at particular dates but the implied value of the Offer will fluctuate with movements in the market value of Sovereign Gold Shares. The market value of Sovereign Gold Shares will change over time and may fluctuate for a variety of reasons, including movements in the price of iron ore, copper, gold and other commodities, exchange rate movements, changes in the operating performance of Sovereign Gold's assets, changes in the political risk profile of Sovereign Gold's assets, or other factors which impact the operating or financial performance of Sovereign Gold. PMR Shareholders are urged to obtain updated quotes on the price of PMR Shares and Sovereign Gold Shares. You can access these prices online and free of charge as follows:

PMR:	Australian Stock Exchange, code PMR	<a href="http://www.asx.com.au">www.asx.com.au</a>
Sovereign Gold:	Australian Stock Exchange, code SOC	<a href="http://www.asx.com.au">www.asx.com.au</a>

The implied value of the Offer at any given time can be calculated using this simple formula:

$$\text{Implied Value} = (\text{NSS}/\text{NPS}) \times \text{Sovereign Gold Share price}$$

Where: **NSS** is the number of Sovereign Gold Shares offered under the Offer (i.e. 9)

**NPS** is the number of PMR Shares to be exchanged under the Offer (i.e. 10)

For example, the implied value of the Offer of \$0.252 per PMR Share was obtained using this calculation:

$$\frac{(9/10) \times \$0.28 \text{ (Sovereign Gold Share price on 9 July 2012 - the Last Trading Day)}}{\phantom{}}$$

<sup>3</sup> Being the last trading day prior to the date of this Target's Statement.

## **7.2 Form of consideration offered to PMR Shareholders**

Sovereign Gold has not included a cash component in the Offer. Therefore, if you accept the Offer you will not immediately realise value on your investment. Rather, Sovereign Gold is offering Sovereign Gold Securities as consideration for PMR Shares. As a result, the value of the Offer to PMR Shareholders will be affected by an increase or decrease in the price of Sovereign Gold Securities.

There are risks associated with any investment in the share market and you should be aware you will bear the risk of an investment in Sovereign Gold Securities if you accept the Offer.

The price of Sovereign Gold Securities may be affected in the short term due to the issue of Sovereign Gold Securities to accepting PMR Shareholders. This will depend on factors that cannot be predicted by the PMR Directors, such as how the market perceives the proposed Merger in terms of adding value to Sovereign Gold and how many PMR Shareholders attempt to realise their investment by selling their Sovereign Gold Securities.

If you accept the Offer you will not receive your Sovereign Gold Securities immediately. Sovereign Gold Securities under the Offer will be received up to one month after acceptance, unless the Offer is still conditional when acceptance occurs, and in that case Sovereign Gold Securities will be received up to one month after the Offer becomes unconditional. In any event Sovereign Gold Securities under the Offer will be received no later than 21 days after the end of the Offer Period (provided the Offer becomes unconditional). If you elect to accept the Offer, then during the period from when you accept the Offer, you will not be able deal in your PMR Shares or in the Sovereign Gold Securities to be received under the Offer.

The Independent Directors of PMR consider that the Offer is attractive despite these risks because of the size of the premiums referred to in section 7.1 above and other benefits described in section 1 of this Target's Statement.

The latest price for Sovereign Gold Shares can be obtained from the ASX website ([www.asx.com.au](http://www.asx.com.au)) using the code "SOC".

## **7.3 Other risks of the Offer**

In the Bidder's Statement Sovereign Gold has identified a number of risk factors in relation to the proposed Merger. Please refer to section 9 of the Bidder's Statement for further details in relation to these risk factors. If any one of these risks materialises, Sovereign Gold's and the Merged Group's business, financial condition, prospects and share price could be materially and adversely affected.

If the Merger does not succeed, there is no assurance that PMR will be able to raise the capital it requires or that it will be able to find a funding partner when additional funding is required or that the terms associated with providing such funding will be satisfactory to PMR. In the event that PMR fails to obtain sufficient funding when required, PMR may be forced to delay or eliminate plans for further exploration of its tenements, sell existing assets or reduce its general operations.

## **7.4 PMR security holder tax issues**

The Australian taxation consequences of accepting the Offer in relation to your PMR Shares are set out in section 10 of the Bidder's Statement. Please note that the taxation information provided in the Bidder's Statement is a general description of the Australian taxation consequences and does not take into account the specific consequences of any particular PMR Security Holder. It is recommended that PMR Shareholders seek their own professional advice in relation to the tax consequences applicable to their individual circumstances.



## 8. ADDITIONAL INFORMATION

### 8.1 PMR Directors' Relevant Interests and dealings in PMR Securities

#### (a) Relevant Interests in PMR Securities

The only PMR Securities on issue are PMR Shares and PMR Options. As at the date of this Target's Statement, your Directors had a Relevant Interest in the following PMR Securities:

Name of Director	Number of PMR Shares	Number of PMR Options
John Foley	Nil	250,000
Peter Kennewell	Nil	500,000
Bruce Dennis	2,500,000	250,000
Peter Meers	Nil	250,000
Michael Leu	2,500,000	250,000

All PMR Shares and PMR Options held by PMR Directors are restricted securities as provided in Chapter 9 of the ASX Listing Rules (**Restricted Securities**).

PMR will seek the consent of the ASX for the holding lock on the restricted securities to be removed in accordance with LR 9.17 upon meeting the conditions to the extent that they are applicable in LR 9.18.

#### (b) Dealings in PMR Securities

No PMR Director has acquired or disposed of a Relevant Interest in any PMR Securities within the period of four months immediately preceding the date of this Target's Statement.

### 8.2 PMR Directors' Relevant Interests and dealings in Sovereign Gold Securities

#### (a) Relevant Interests in Sovereign Gold securities

As at the date of this Target's Statement, your Directors had a Relevant Interest in the following Sovereign Gold securities:

Name of Director	Number of Sovereign Gold Shares	Number of Sovereign Gold Options
John Foley	Nil	Nil
Peter Kennewell	Nil	Nil
Bruce Dennis	Nil	Nil
Peter Meers	Nil	Nil
Michael Leu	4,875,000	750,000

**(b) Dealings in Sovereign Gold securities**

No PMR director has acquired or disposed of a Relevant Interest in any Sovereign Gold securities within the period of four months immediately preceding this Target's Statement.

**8.3 Benefits and Agreements with PMR Directors**

**(a) Benefits in connection with retirement from office**

As a result of the Offer no benefit (other than a benefit which can be given without member approval under the Corporations Act) has been or will be given to a person in connection with the retirement of that person, or someone else, from a board or managerial or executive office in PMR or a related body corporate of PMR.

**(b) Agreements connected with or conditional on the Offer**

There is no agreement made between any Director and any other person in connection with or conditional on the outcome of the Offer other than in the Directors' capacity as holders of PMR securities or Sovereign Gold securities.

**(c) Benefits from Sovereign Gold**

None of the Directors of PMR have agreed to receive, or is entitled to receive, any benefit from Sovereign Gold in connection with or which is conditional on the outcome of the Offer other than in their capacity as a holder of PMR securities and Sovereign Gold securities.

**(d) Interest of Directors in contracts with Sovereign Gold**

None of the Directors have any interest in any contract entered into by Sovereign Gold other than Michael Leu:

Sovereign Gold entered into a geological services agreement with Michael Leu on 17 August 2010 pursuant to which he has agreed to provide the services of Chief Geologist of Sovereign Gold as an independent contractor.

The material terms are set out below.

The services he is to provide to Sovereign Gold include:

- i. provision of services generally provided in the capacity of Chief Geologist;
- ii. provision of Investor and Community Relations services;
- iii. new business assessment and development;
- iv. liaison with directors, executive staff, Company officers, corporation regulators, share registries, contractors, joint venture partners, associates, investors and shareholders;
- v. Implementation of corporate policies;
- vi. liaison with and coordination of legal, financial and public relation advisers and consultants; and
- vii. assistance in the provision of other services and business development for the benefit of Sovereign Gold and its Related Body Corporates.

The term of the contract is 2 years from the Official Quotation of Sovereign Gold on the ASX (3<sup>rd</sup> December 2010).

At the conclusion of the term either party can, upon 6 months written notice to the other party, terminate the engagement. In the event that Sovereign Gold terminates the agreement on this basis, Sovereign Gold may in lieu of notice pay an amount being 6 times

the monthly average of the previous six months paid to or billable by Michael Leu for all services performed under the agreement.

Sovereign Gold may also terminate the agreement by giving notice in writing to Michael Leu, which termination shall take immediate effect, if any of the following occurs:

- (i) Michael Leu commits a breach of this document which is not rectifiable;
- (ii) Michael Leu fails to rectify a breach of this document which is rectifiable for 30 days after receiving a written notice from Sovereign specifying the breach and requiring the Consultant to rectify it; or
- (iii) Michael Leu is guilty of serious misconduct or any other conduct which affects or is likely to adversely affect the interests of Sovereign Gold.

Remuneration is fixed at \$600 per day (exclusive of GST). In addition Sovereign Gold must reimburse Michael Leu (on production of vouchers or other evidence as Sovereign Gold may require) the amount of all travelling and other expenses properly and reasonably incurred by him in the course of the agreement.

The Sovereign Gold directors considered the terms to be reasonable as they enabled Sovereign Gold to obtain his expertise both as a qualified and experienced geologist and his specific knowledge of the SGC Project Tenements at a reasonable cost. The directors between them have considerable experience in the exploration industry and in their view the terms of the Geological Services Agreement are on arm's length terms for someone with Michael Leu's experience and expertise.

#### **8.4 Composition of the Boards**

Peter Meers holds directorships and options in each of Sovereign Gold and PMR.

Michael Leu holds directorships shares and options in each of Sovereign Gold and PMR.

Peter Meers and Michael Leu have not, on behalf of Sovereign Gold, participated, attended meetings of the board of directors of Sovereign Gold, or been involved in any negotiations relating to the Takeover Bid Implementation Agreement, the Offer or the preparation of the Bidder's Statement.

Similarly, Peter Meers and Michael Leu have not participated, attended Board meetings, or been involved in any negotiations relating to the Takeover Bid Implementation Agreement, the Offer, or the adoption of this Target's Statement on behalf of PMR.

Each company has sought its own independent legal advice with respect to the Offer.

For the reasons outlined above, Peter Meers and Michael Leu are of the opinion that it is not appropriate for them to make a recommendation to PMR Shareholders in relation to the Offer, and as such, have abstained from making any such recommendation.

#### **8.5 Issued capital**

As at the date of this Target's Statement, PMR's issued capital consisted of 85,000,000 fully paid ordinary Shares.

PMR also had 3,600,000 PMR Options on issue as at the date of this Target's Statement, as follows:

- (a) 1,950,000 PMR Options with an exercise price of 30 cents and an expiry date of 24/10/2016; and
- (b) 1,650,000 PMR Options with an exercise price of 30 cents and an expiry date of 6/12/2014.

#### **8.6 PMR Employee Options**

The PMR Options are not included in the Offer.

However, any person who becomes registered or entitled to be registered as the holder of PMR Shares during the period from the Register Date to the end of the Offer Period due to the conversion of or exercise of rights attached to other securities convertible into PMR Shares which are on issue on the Register Date may participate in the Offer.

### **8.7 Substantial holders**

Based on the substantial holding notices provided to PMR as at the day prior to the date of this Target's Statement, the substantial holders of PMR Shares are:

- (a) Raffles Capital Limited holding 51,250,000 PMR Shares, representing 60.29% of PMR's issued share capital.
- (b) Code Nominees Pty Ltd holding 5,000,000 PMR Shares, representing 5.88% of PMR's issued share capital.

### **8.8 Continuous disclosure**

PMR is a disclosing entity under the Corporations Act and is subject to regular reporting and disclosure obligations under the Corporations Act and the Listing Rules. These obligations require PMR to notify the ASX of information about specified matters and events as they occur for the purpose of making that information available to the market. In particular, PMR has an obligation (subject to limited exceptions) to notify the ASX immediately on becoming aware of any information which a reasonable person would expect to have a material effect on the price or value of PMR Shares.

Copies of the documents filed with the ASX may be obtained from the ASX website at [www.asx.com.au](http://www.asx.com.au) and PMR's website at [www.pmrl.com.au](http://www.pmrl.com.au).

In addition, PMR will make copies of the following documents available for inspection at PMR's offices, which are located at Level 2, 131 Macquarie Street Sydney, NSW 2000 (between 9:00 am and 5:00 pm on Business Days):

- (a) Annual Report 2011, lodged with the ASX on 29 March 2012;
- (b) PMR's Constitution, lodged with the ASX on 2 December 2011; and
- (c) any document lodged by PMR with the ASX between the lodgement of the Annual Report 2011 and the date of this Target's Statement.

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

### **8.9 Changes in financial position**

So far as is known to any PMR Director, the financial position of PMR has not materially changed since 31 December 2011<sup>4</sup> and the date of this Target's Statement, other than due to the impact of:

- (a) the retention of the Independent Expert to prepare the Independent Expert's Report in Appendix B of this Target's Statement at a cost of \$15,000.
- (b) legal fees payable to Goldie Corporate Counsel for advice in relation to the Takeover Bid Implementation Agreement and the Offer and preparation of this Target's Statement estimated to be \$15,000; and
- (c) normal field and operating expenses, including drilling and rehabilitation expenses, and salaries and wages of employees, estimated to be \$500,000.

---

<sup>4</sup> Being the date of PMR's most recent audited financial report (Annual Accounts for the period ending 31 December 2011), lodged with ASX on 29 March 2012.

### **8.10 Takeover Bid Implementation Agreement**

PMR has entered into a Takeover Bid Implementation Agreement with Sovereign Gold dated 9 July 2012 (TBIA), under which Sovereign Gold agreed to make the Offer, PMR agreed to comply with certain exclusivity obligations and the parties agreed to exchange confidential information for the purposes of preparing the Bidder's Statement and this Target's Statement.

The key terms of the TBIA are summarised in Appendix A of this Target's Statement.

### **8.11 Material Contracts**

PMR has not identified any material contracts to which PMR is a party as containing change of control or change of ownership provisions which may be triggered as a result of the Offer or which may be terminated if the Merger succeeds.

### **8.12 Other information reasonably required by PMR Shareholders and their professional advisers to make an informed assessment**

- (a) This Target's Statement is required to include all the information that PMR Shareholders and their professional advisers would reasonably require to make an informed assessment of whether to accept the Offer, but:
  - i. only to the extent to which it is reasonable for investors and their professional advisers to expect to find this information in this Target's Statement; and
  - ii. only if the information is known to any of the PMR Directors.
- (b) The PMR Directors (with the exception of Peter Meers and Michael Leu, who have not been involved in consideration or the negotiation of the Offer on behalf of PMR) are of the opinion that the information that PMR Shareholders and their professional advisers would reasonably require to make an informed assessment of whether to accept the Offer is:
  - i. the information contained in the Bidder's Statement dated 25 July 2012;
  - ii. the information contained in this Target's Statement;
  - iii. PMR's Yearly Report for the period ending 31 December 2011; and
  - iv. the information contained in PMR's releases to the ASX prior to the date of this Target's Statement and news releases and public announcements made by Sovereign Gold to the ASX since the Announcement Date.

### **8.13 ASIC modifications**

PMR has not sought any modifications to, or exceptions from, the Corporations Act by ASIC in respect of the Offer or this Target's Statement.

### **8.14 Consents**

#### **(a) Goldie Corporate Counsel**

Goldie Corporate Counsel has given and not withdrawn its consent before the date of this Target's Statement to being named in this Target's Statement as legal adviser to PMR in the form and context in which it is so named. Goldie Corporate Counsel does not make or purport to make any statement that is included in this Target's Statement and there is no statement in this Target's Statement which is based on any statement of Goldie Corporate Counsel. Goldie Corporate Counsel specifically disclaims responsibility for any statement included in this Target's Statement.

#### **(b) Independent Expert**

The Independent Expert has consented to the:

- i. inclusion of the Independent Expert's Report as Appendix B to this Target's Statement; and
- ii. inclusion in this Target's Statement of statements made by the Independent Expert or said to be based on the Independent Expert's Report, and to all references to those statements, in the form and context in which they are respectively included, and has not withdrawn that consent as at the date of this Target's Statement.

The Independent Expert has not caused or authorised the issue of this Target's Statement and takes no responsibility for any part of it other than the Independent Expert's Report and the references to its name.

**(c) Competent persons statements**

Mr Peter Kennewell compiled PMR's technical exploration and mining information contained in this Target's Statement. Mr Kennewell is a member of the Australian Institute of Mining and Metallurgy and is employed by the Company. Mr Kennewell has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration to qualify as a Competent Person as defined in the JORC Code 2004. Mr Kennewell consents to the inclusion in this Target's Statement of the matters based on his information in the form and context in which it appears, and has not withdrawn that consent as at the date of this Target's Statement.

**(d) Directors**

This Target's Statement contains statements which are made by, or statements said to be based on statements made by PMR Directors. Each of the PMR Directors has consented to the inclusion of each statement they have made in the form and context in which the statement appears and have not withdrawn that consent as at the date of this Target's Statement.

**(e) ASIC Class Order 01/1543**

As permitted by ASIC Class Order 01/1543 this Target's Statement contains statements which are made, or based on statements made, in documents lodged by Sovereign Gold with ASIC or given to the ASX, or announced on the Company Announcements Platform on the ASX, by Sovereign Gold.

Pursuant to the Class Order, the consent of Sovereign Gold is not required for the inclusion of such statements in this Target's Statement. Any PMR Security Holder who would like to receive a copy of any of those documents may obtain a copy (free of charge) during the Offer Period by contacting the Sovereign Gold shareholder line on +61 2 9251 7177.

As permitted by ASIC Class Order 03/635, this Target's Statement may include or be accompanied by certain statements:

- i. fairly representing a statement by an official person; or
- ii. from a public official document or a published book, journal or comparable publication.

In addition, as permitted by ASIC Class Order 07/429, this Target's Statement contains share price trading data sourced from the ASX and historical geological report references without consent.

## 9. GLOSSARY

---

### 9.1 Defined Terms

In this Target's Statement, the following words have these meanings unless the contrary intention appears:

**Acceptance Form** means the form entitled "Acceptance Form" which you will have received in the package which contained this Target's Statement and the Bidder's Statement.

**AEST** means Australian Eastern Standard Time

**Announcement Date** means 10 July 2012 being the date the Announcement was lodged with ASX.

**Announcement** means the announcement issued by PMR entitled 'Takeover Bid Implementation Agreement with PMR' dated 10 July 2012.

**ASIC** means the Australian Securities and Investments Commission.

**Associate** has the meaning given in Division 2 of Part 1.2 of the Corporations Act as if section 12(1) of the Corporations Act includes reference to the Takeover Bid Implementation Agreement.

**ASX** means ASX Limited or the financial market operated by it, as the context requires.

**Bidder's Statement** means Sovereign Gold's Offer Document and Bidder's Statement dated 20 July 2012.

**Board** means the Board of Directors of PMR.

**CHESS sub-register** means Clearing House Electronic Sub-register System, an electronic book-entry register of holdings of approved securities, managed by ASX Settlement Corporation Pty Ltd, a wholly owned subsidiary of the Australian Securities Exchange.

**Competing Proposal** means a bona fide proposal or offer by any person with respect to any transaction (by purchase, scheme of arrangement, takeover bid or otherwise) that may result in any person (or group of persons) other than Sovereign Gold or its related entities or associates:

- (a) acquiring a voting power of more than 20% in PMR or any subsidiary of PMR;
- (b) acquiring an interest in all or a substantial part of the assets of PMR or any subsidiary of PMR; or
- (c) otherwise acquiring control within the meaning of section 50AA of the Corporations Act of, or merging or amalgamating with, PMR or any subsidiary of PMR.

**Conditions Notice Date** means the conditions notice date under the Offer.

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

**Director** means a Director of PMR.

**Foreign Holder** means a holder of PMR Securities whose address shown in the PMR register of members is in a place outside of Australia and its external territories and New Zealand.

**Independent Directors** means PMR directors John Foley, Peter Kennewell and Bruce Dennis.

**Independent Expert** means Alpha Securities Pty Ltd ACN 124 327 064.

**Independent Expert's Report** means the report in Appendix B of this Target's Statement.

**Insolvency Event** means being in liquidation or provisional liquidation or bankruptcy or provisional bankruptcy or under administration, having a controller, receiver, receiver and manager or analogous person appointed to it or any of its property, being taken under section 459F(1) of the Corporations Act (or its statutory equivalent in any other jurisdiction) to have failed to comply with a statutory demand, being unable to pay its debts or otherwise insolvent, dying, ceasing to be of full legal capacity or otherwise becoming incapable of managing its own affairs for any reason, becoming an insolvent under

administration (as defined in section 9 of the Corporations Act (or its statutory equivalent in any other jurisdiction)), entering into a compromise or arrangement with, or assignment for the benefit of, any of its members or creditors or any analogous event, the making of an order by a court for the winding up of a person, or a person resolving that it be wound up.

**Issuer Sponsored Holding** means those shares held on the register that records uncertificated holdings of shares under Listing Rule 8.2.

**JORC Code** means the code published by the Joint Ore Reserves Committee, which provides minimum standards for public reporting.

**Listing Rules or LR** means the Listing Rules of the ASX.

**Material Adverse Event** means any change, event, effect, occurrence or state of facts that is, or would reasonably be expected to be, material and adverse to the assets, liabilities (including contingent liabilities that may arise through outstanding, pending, or threatened litigation or otherwise), business, operations, financial condition or prospects of Sovereign Gold or any of its subsidiaries taken as a whole.

**Merged Group** means Sovereign Gold and each of its subsidiaries following its acquisition of all or a majority of the PMR Shares not held by Sovereign Gold.

**Merger** means the proposed off-market takeover of PMR by Sovereign Gold.

**Notice of Status of Conditions** in respect of the Offer, means Sovereign Gold's notice disclosing the status of the conditions to the Offer, which is required to be given by section 630(3) of the Corporations Act.

**Offer** means the offer by Sovereign Gold to acquire PMR Shares that Sovereign Gold does not control, including all PMR Shares on issue as at the end of the Offer Period on the Offer Conditions as set out in section 13 of the Bidder's Statement.

**Offer Period** means the period during which the Offer will remain open for acceptance in accordance with the terms of the Offer.

**Official List** means the Official List of ASX.

**PMR** means Precious Metal Resources Limited (ACN 145 154 148) of Level 2 131 Macquarie Street Sydney NSW 2000.

**PMR Directors** means all the Directors of PMR collectively, from time to time.

**PMR Option** means an option to subscribe for a PMR Share.

**PMR Securities** means PMR Shares and/or PMR Options.

**PMR Shareholder** means the holder of a PMR Share.

**PMR Share** means one fully paid ordinary share in the issued capital of PMR.

**Register Date** means the date set by Sovereign Gold under section 633(2) of the Corporations Act, being 23 July 2012 at 7:00pm (AEST).

**Related Body Corporate** has the meaning given in section 50 of the Corporations Act.

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

**Restricted Securities** means those PMR Securities subject to ASX imposed restrictions.

**Sovereign Gold** means Sovereign Gold Company Limited (ACN 145 184 667) of Level 2, 131 Macquarie Street, Sydney NSW 2000.

**Sovereign Gold Option** means an option to subscribe for a Sovereign Gold Share.



**Sovereign Gold Prescribed Occurrence** means:

- (a) Sovereign Gold converting all or any of its shares into a larger or smaller number;
- (b) Sovereign Gold or a subsidiary of Sovereign Gold (other than PMR) resolving to reduce its share capital in any way or reclassifying, combining, splitting or redeeming or repurchasing directly or indirectly any of its shares;
- (c) Sovereign Gold or a subsidiary of Sovereign Gold (other than PMR):
  - i. entering into a buy-back agreement; or
  - ii. resolving to approve the terms of a buy-back agreement under the Corporations Act;
- (d) Sovereign Gold or a subsidiary of Sovereign Gold (other than PMR) issuing shares, securities or other instruments convertible into shares, debt securities or granting an option over its shares, or agreeing to make such an issue or grant such an option other than issuing shares pursuant to the exercise of existing convertible securities; or
- (e) Sovereign Gold or a subsidiary of Sovereign Gold (other than PMR) making any change or amendment to its constitution;
- (f) an Insolvency Event occurring in relation to Sovereign Gold or a subsidiary of Sovereign Gold (other than PMR) provided that a Sovereign Gold Prescribed Occurrence will not include any matter:
  - i. fairly disclosed to PMR on or before the date of the Takeover Bid Implementation Agreement (including as a result of disclosures made to ASX);
  - ii. occurring as a result of any matter, event or circumstance required by the Takeover Bid Implementation Agreement, the Offer or the transactions contemplated by them; or
  - iii. approved in writing by PMR.

**Sovereign Gold Securities** means Sovereign Gold Shares.

**Sovereign Gold Share** means a fully paid ordinary share in the issued capital of Sovereign Gold.

**Sovereign Gold Shareholder** means the holder of a Sovereign Gold Share.

**Superior Proposal** means a Competing Proposal that in the opinion of the Board acting in good faith and on the basis of financial advice that supports the determination of the Board:

- (a) is reasonably capable of being valued and completed, taking into account both the nature of the Competing Proposal and the person or persons making it; and
- (b) is more favourable to PMR Shareholders than the Offer, taking into account all terms and conditions of the Competing Proposal.

**Takeover Bid Implementation Agreement** means the agreement dated 9 July 2012, described in section 8.11 of this Target's Statement and summarised in Appendix A.

**Takeover Bid** means Sovereign Gold's offer to acquire all the PMR Shares.

**Target's Statement** means this Target's Statement dated 25 July 2012 given by PMR in response to the Bidder's Statement dated 20 July 2012.

**VWAP** means volume weighted average closing price of a security.

## 9.2 Interpretation

The following rules of interpretation apply unless the context requires otherwise:

- (a) unless specified otherwise, all words and phrases in this Target’s Statement shall have the meanings given to them (if any) in the Corporations Act;
- (b) a gender includes all genders and wording denoting the singular includes the plural and vice versa;
- (c) a reference to a person includes a body corporate, an unincorporated body or other entity and conversely;
- (d) the table of contents and headings are used for convenience only and do not affect interpretation;
- (e) a reference to any instrument (such as an agreement, announcement or statement) is to that instrument (or, if required by the context, to a part of it) as amended, novated, substituted or supplemented from time to time;
- (f) where an expression is defined, another part of speech or grammatical form of that expression has a corresponding meaning and “including” and similar expressions are not and must not be treated as words of limitation;
- (g) \$ or A\$ is a reference to the lawful currency of Australia;
- (h) all references to time in this Target’s Statement are to Sydney (AEST) time, unless otherwise stated.

**10. APPROVAL**

---

Signed for and on behalf of Precious Metal Resources Limited by a Director authorised to sign this Target's Statement pursuant to a resolution passed by the PMR Directors on 24 July 2012:

DATED: 25 July 2012

A handwritten signature in black ink, appearing to read 'P. Kennewell', written in a cursive style.

Peter Kennewell

**Director  
Precious Metal Resources Limited**

## **APPENDIX A . KEY TERMS OF TAKEOVER BID IMPLEMENTATION AGREEMENT**

In summary, the key terms of the Takeover Bid Implementation Agreement entered into between PMR and Sovereign Gold on 9 July 2012 are as follows:

### **1. No Solicitation**

From the date of execution of the Takeover Bid Implementation Agreement until the end of the Offer Period, PMR and its officers, employees, agents and professional advisers must not solicit, initiate, participate in any discussions or disclose any non-public information relating to a proposal that may result in another person (or entity) other than Sovereign Gold:

- a. acquiring voting power of more than 20% in PMR;
- b. acquiring a substantial interest in the assets of PMR; or
- c. otherwise acquiring control of (or merging with) PMR (Competing Proposal).

The 'No Solicitation' clause referred to above does not prohibit any action or inaction by PMR if compliance with the clause would, in the opinion of the Board of PMR, constitute a breach of any of the statutory or fiduciary duties of the Directors of PMR, provided that the approach by the third party was not facilitated by or as a result of a breach of the 'No Solicitation' clause.

Until the end of the Offer Period, PMR must immediately notify Sovereign Gold if it receives a Competing Proposal.

### **2. Takeover Offer**

- a. As soon as reasonably practicable after the Announcement Date, Sovereign Gold must serve on PMR the Bidder's Statement which includes an offer on the terms and conditions no less favourable to security holders than the Offer Terms outlined in the schedule to the Takeover Bid Implementation Agreement, and must use its reasonable endeavours to co-ordinate despatch of the Bidder's Statement to PMR Shareholders at the same time as the Target's Statement is despatched.
- b. The Independent Directors of PMR will recommend that PMR Shareholders accept Sovereign Gold's Offer; and the Directors of PMR will announce that they will accept Sovereign Gold's Offer in respect of any PMR Shares they own or control, subject in each case to:
  - i. the Independent Expert stating that the Takeover Bid is fair and reasonable to PMR Shareholders other than Sovereign Gold;
  - ii. there being no Superior Proposal; and
  - iii. no Material Adverse Event having occurred in respect of Sovereign Gold.

### **3. Facilitation Of Offer**

- a. During the Offer Period, PMR will support and promote the Takeover Bid, including meeting with shareholders, analysts, management, customers, press and other parties if requested to do so by Sovereign Gold, subject to:
  - i. the Independent Expert stating that the Takeover Bid is fair and reasonable to PMR Shareholders other than Sovereign Gold;
  - ii. there being no Superior Proposal; and
  - iii. no Material Adverse Event having occurred in respect of Sovereign Gold.
- b. PMR agrees not to do anything which will be likely to result in any of the conditions of the Takeover Bid being breached (or not being capable of being satisfied).
- c. From the date of execution of the Takeover Bid Implementation Agreement until the end of the Offer Period, each of Sovereign Gold and PMR must:

- i. conduct its business in the usual and ordinary course consistent with past practice;
- ii. maintain the value of its business, assets and relationships with suppliers, customers and employees; and
- iii. not dispose of the whole or any part of its business for an amount greater than \$500,000 in the case of PMR and \$1,000,000 in the case of Sovereign Gold.

#### **4. Termination**

- a. The Takeover Bid Implementation Agreement may be terminated by a party (by immediate notice to the other party) if:
  - i. the other party is in material breach of the Takeover Bid Implementation Agreement, and that breach is not remedied within 10 business days of it receiving notice of the breach from the other party;
  - ii. Sovereign Gold withdraws the Offer, or the Offer lapse for any reason (including non-satisfaction of a condition of the Offer); or
  - iii. a Material Adverse Event occurs.
- b. The Takeover Bid Implementation Agreement may be terminated by PMR (by immediate notice to Sovereign Gold) if:
  - i. a Sovereign Gold Prescribed Occurrence occurs; or
  - ii. a Superior Proposal is made or publicly announced for PMR by a third party, which is recommended by the Independent Director, and Sovereign Gold does not offer to vary the terms of the Takeover Bid in a manner which the Board of PMR determines is more favourable to PMR Shareholders than the Superior Proposal, and implements that variation of the Takeover Bid.



www.alphasecurities.com.au  
info@alphasecurities.com.au  
Level 2, 22 Pitt Street,  
Sydney NSW, 2000  
Phone: +61 2 9299 9270  
Mobile: +61 411 277 667  
Fax: +61 2 9299 9276

16 July 2012

The Directors  
Precious Metal Resources Limited  
Level 2, 131 Macquarie Street  
SYDNEY NSW 2000

Dear Board Members,

**Offer by Sovereign Gold Limited to acquire all shares in  
Precious Metal Resources Limited**

**Executive Summary**

**1. Purpose of the Report**

The Directors of Precious Metal Resources Limited ("PMR" or the "Company") have requested us to provide an Independent Expert's Report to consider the fairness and reasonableness to non-associated shareholders of an offer by Sovereign Gold Company Limited ("SOC") to acquire all the shares in PMR.

Such a report is required to be submitted to non-associated shareholders of PMR in accordance with the Corporations Act.

The consideration offered is nine SOC shares for every ten PMR shares.

**2. Conclusion**

In our opinion, and for the reasons set out in this Report, the offer by SOC is fair and reasonable.

- a. The offer is fair as the value of the consideration offered by SOC exceeds the value PMR shares, the subject of the offer.
- b. The reasons why the offer is reasonable is that the PMR shareholders will receive shares in a diversified company with a broad portfolio of projects and resources to manage projects. Hence PMR shareholders will acquire shares which may increase in value, increasing returns to shareholders.

## **Background Information**

### **1. Background to SOC**

#### **1.1 Overview of SOC**

SOC is an ASX listed junior explorer, exploring for gold and other precious metals in Australia and Malaysia.

As at 30 April 2012, the substantial shareholder in SOC was Hudson Resources Ltd, which held 40 million shares, or 51.95% of issued shares in SOC.

#### **1.2 Financial Information**

Comparative Income Statements for the years then ended and Balance Sheets as at 31 December 2011 and 2010 are summarised below.

The financial information has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Interpretations, International Financial Reporting Standards and the Corporations Act.

Below are extracts from the audited consolidated Income Statements of SOC for the years ended 31 December 2011 and 2010.

	<b>Year ended 31/12/11 \$,000</b>	<b>Year ended 31/12/10 \$,000</b>
Revenue	184	10
Exploration expenses	(1,225)	(256)
Finance costs	(6)	(-)
Share based payments	-	(212)
<b>(Loss) before income tax</b>	<u>(1,047)</u>	<u>(458)</u>

Below are extracts from the audited consolidated Balance Sheets of SOC as at 31 December 2011 and 2010:

	<b>December 31 2011 \$,000</b>	<b>December 31 2010 \$,000</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	1,414	2,843
Receivables	761	363
Other	99	-
<b>Total Current Assets</b>	<u>2,274</u>	<u>3,206</u>
<b>Non-Current Assets</b>		
Plant	39	3
Mining tenements	1,957	173
<b>Total Non-Current Assets</b>	<u>1,996</u>	<u>170</u>
<b>Total Assets</b>	<u>4,270</u>	<u>3,379</u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Payables	51	129
<b>Total Current Liabilities</b>	<u>51</u>	<u>129</u>

	December 31 2011 \$,000	December 31 2010 \$,000
<b>Total Liabilities</b>	51	129
<b>Net Assets</b>	4,219	3250
<b>EQUITY</b>		
Contributed equity	5,383	3,367
Reserves	341	341
Accumulated losses	(1,505)	(458)
<b>Total Equity</b>	4,219	3,250

## 2. Background to Offer

SOC is offering nine of its shares for every ten PMR shares a shareholder owns.

## 3. Background to PMR

### 3.1 Overview of PMR

PMR is also an ASX junior explorer, exploring for copper, lead, zinc, silver and gold in Australia. Its projects are 3 granted tenants at Halls Peak New South Wales. Its substantial shareholder is Raffles Capital Limited, which holds 51.25 million shares or 60.29% of issued shares in PMR.

### 3.2 Financial Information

Comparative Income Statements for the years then ended and Balance Sheets as at 31 December 2011 and 2010 are summarised below.

The financial information has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Interpretations, International Financial Reporting Standards and the Corporations Act.

Below are extracts from the audited consolidated Income Statements of PMR for the years ended 31 December 2011 and 2010:

	December 31 2011 \$,000	December 31 2010 \$,000
Revenue	8	-
Administrative & exploration expenses	(401)	(8)
Shares based payment expenses	(97)	-
(Loss) before income tax	(490)	(8)

Below are extracts from the audited consolidated Balance Sheets of PMR as at 31 December 2011 and 2010:

	December 31 2011 \$,000	December 31 2010 \$,000
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	60	-
Receivables	1,782	20
<b>Total Current Assets</b>	1,842	20



	December 31 2011 \$,000	December 31 2010 \$,000
<b>Non-Current Assets</b>		
Receivables	638	-
Mining tenements	200	200
<b>Total Non-Current Assets</b>	<u>838</u>	<u>200</u>
<b>Total Assets</b>	<u>2,680</u>	<u>220</u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Payable	7,897	227
Employee benefits provision	5,687	-
<b>Total Current Liabilities</b>	<u>12,584</u>	<u>227</u>
<b>Non-Current Liabilities</b>		
Employee benefits provision	1,391	-
<b>Total Non-Current Liabilities</b>	<u>1,391</u>	<u>-</u>
<b>Total Liabilities</b>	<u>13,975</u>	<u>227</u>
<b>Net assets/(Deficiency in net assets)</b>	<u>2,665</u>	<u>(7)</u>
<b>EQUITY</b>		
Issued capital	2,985	1
Reserves	179	-
Accumulated losses	(499)	(8)
<b>Total Equity/(Deficiency in Total Equity)</b>	<u>2,665</u>	<u>(7)</u>

#### 4. Requirement for an Independent Expert's Report

ASIC Regulatory Guide 111 provides there is a general information requirement on directors which can be satisfied by providing an independent expert's report to consider the fairness and the reasonableness of the offer.

The Directors have appointed Alpha Securities Pty Ltd ("Alpha Securities") as the independent expert for the purposes of the Corporations Act.

We are required to:

- (a) determine whether the offer is fair and reasonable to non-associated shareholders;
- (b) fully explain the benefits of the offer; and
- (c) address in our report any other information which we know which is material to shareholder decisions on the offer.

What is fair and reasonable must be judged by the independent expert in all the circumstances of the offer. An offer is "fair" if the value of the consideration is equal to or greater than the value of the shares the subject of the offer, assuming 100% ownership of the "target". An offer is "reasonable" if it is fair. It might also be reasonable if the expert believes there are sufficient reasons for shareholders to accept the offer. This means taking into account the likely advantages and disadvantages for non-associated shareholders and comparing them with the advantages and disadvantages for those shareholders if it is not accepted.

## 5. Valuation of Shares in SOC and PMR

### 5.1 Valuation Methodologies

To determine if the issue is fair, we must derive an appropriate value of the shares of SOC and PMR.

The primary valuation methods commonly used for valuing a business and/or a company are the:

- (a) Market Based Methods
- (b) Income Based Methods; and
- (c) Asset Based Methods.

Each of these methodologies has application in different circumstances.

#### (a) Market Based Methods

Market-Based Methods estimate a company's fair market value by considering the market price of transactions involving guideline companies, or the market value of guideline publicly traded companies.

#### (b) Income Methods: Discounted Cash Flow ("DCF") Method

Under the DCF methodology, the value of an asset is calculated as the net present value of the estimated future cash flows including a terminal value, if appropriate. In order to arrive at the net present value, cash flows are discounted using a discount rate, which reflects the risks associated with the cash flow stream.

This approach is commonly used to value companies or where an asset has a finite life and the future cash flows can be forecast with a reasonable degree of confidence. Additionally, this methodology is adopted for the valuation of projects and assets where it is not possible to estimate "maintainable" earnings as the business is in a state of transformation, start-up or rapid growth. Both SOC and PMR have made losses, so this Method is not appropriate.

#### (c) Asset Based Methods

An Asset-Based methodology is applicable in circumstances where neither a capitalisation of earnings nor a DCF methodology is appropriate. It is commonly used in circumstances where the earnings of the company do not support the net asset base, for example, property holding companies or companies incurring losses. It can also be applied where a business is no longer a going concern or where an orderly realisation of assets and distribution of the proceeds is proposed.

Using this methodology, the value of the net assets of the company would be adjusted for the time, cost and taxation consequences of realising the company's assets.

### 5.2 Selection of Methodology – Shares in SOC and PMR

We have compared the Market Based Methods with Assets Based Methods to determine which is the most appropriate value to use to value the shares in SOC and PMR:

The Market Based Methods may be appropriate as SOC and PMR are listed public companies.

As disclosed in Sections 1 & 3 above, both SOC and PMR have incurred losses. Notwithstanding incurring losses, each company has a share price consistently above listing price. As a consequence, losses have not reflected detrimentally on the share price.

As a consequence, the Asset Based Methods are not more appropriate than Market Based Methods.

### **5.3 Valuation of Shares in SOC and PMR**

#### **5.3.1 Market Based Method**

As at 12 July 2012, the last sales of SOC and PMR were 28 and 23.5 cents per share respectively. We have reviewed the volume of shares sold since 1 January 2012. There are material volumes traded. As a result, these prices can be accepted to be within a reliable price range.

### **6. Conclusion as to Fairness**

Under the Market Based Method, the value of nine SOC shares is \$2.52 compared with ten PMR shares of \$2.35.

As the value results in consideration more than the value of PMR shares, the offer is fair to the non-associated shareholders of PMR.

### **7. Position if Offer is Accepted**

ASIC Regulatory Guide 111 states that the independent expert needs to consider whether the Proposal is fair and reasonable to the members of PMR as a whole. Therefore, we have considered the position if the offer is accepted and have taken into account the following advantages and disadvantages in this assessment.

We have weighed these advantages and disadvantages and have found the offer is reasonable.

#### **i. Advantages of Accepting the Offer**

- (a) PMR shareholders will receive a premium to its closing share price.
- (b) PMR shareholders will receive shares in SOC, a diversified company with a broad portfolio of projects and resources to manage projects. Hence they will acquire shares which may increase in value, increasing returns to shareholders.

#### **ii. Disadvantages of Accepting the Offer**

- (a) PMR shareholders will no longer be independent, as SOC will determine investment objectives.
- (b) The future share price of SOC could decline below the present share price of PMR, resulting in losses to PMR shareholders.

### **8. Sources of Information**

We have relied on the following information for the purposes of preparing this Report:

- Audited accounts of PMR and SOC for the years ended 31 December 2011 and 2010;
- Discussions with Management of PMR and SOC;
- Australian Financial Review;
- ASX website.

**9. Independence**

We are entitled to receive a fee of \$15,000 (excluding GST) for this Report. Except for the fee, we have not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this Report.

Prior to accepting this engagement, we considered our independence with respect to PMR with reference to the ASIC Regulatory Guide 112 titled "Independence of Experts". In our opinion, we are independent of PMR.

We do not have at the date of the Report, and have not had within the previous 2 years, any relationship with PMR beyond that of professional advisors.

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

In addition, we have been indemnified by PMR in respect of any claim arising from our reliance on information provided by PMR, including the non-provision of material information, in relation to the preparation of this Report.

**10. Qualifications**

Alpha Securities has experience in the provision of corporate financial advice.

The person specifically involved in preparation and reviewing this Report was Stuart Cameron. He has significant experience in the preparation of Independent Expert's Reports and valuations within Australia.

**11. Disclaimers and Consents**

This Report has been prepared at the request of PMR.

We hereby consent to this Report accompanying the Target Statement. 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 prior written consent.

We take no responsibility for the contents of the Target Statement other than this Report.

We have not independently verified the information and explanation supplied to us, nor have we conducted anything in the nature of an audit of PMR, but we have critically evaluated all relevant information obtained. However, we have no reason to believe that any of the information or explanation so supplied is false or that material information has been withheld.

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.

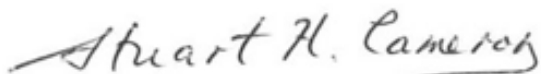
The terms of our engagement are such that we have no obligation to update this Report for events occurring subsequent to the date of this Report.

**12. Indemnity**

PMR has provided an indemnity for us for any claims arising out of any mis-statement or omission in any material or information provided to it in the preparation of this Report.

Yours sincerely

ALPHA SECURITIES PTY LTD



**Stuart H. Cameron**  
Authorised Representative

## FINANCIAL SERVICES GUIDE

Dated 16 July 2012

Alpha Securities Pty Ltd ACN 124 327 064 ("Alpha" or "we" or "us" or "ours as appropriate) has been given authority to issue general financial product advice in the form of a report to be provided to you.

### 1. FINANCIAL SERVICES GUIDE

In the above circumstances we are required to issue to you, as a retail client, a Financial Guide ("FSG"). This FSG is designed to help retail clients 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 Alpha are authorised to provide are by way of authority under their Australian Financial Services Licence, Licence No 330757;
- 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 complaints handling procedures and how you may access them.

### 2. FINANCIAL SERVICES WE ARE LICENCED TO PROVIDE

Alpha holds an Australian Financial Services Licence and is authorised to provide general financial product advice to retail and wholesale clients including the following classes of financial products:

- Derivatives limited to old law securities, options contracts and warrants;
- Securities; and
- Superannuation

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly, but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided under an authority given by a financial services licensee authorised to provide the financial product advice contained in the report.

### 3. GENERAL FINANCIAL PRODUCT ADVICE

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking 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. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider the statement before making any decision about whether to acquire the product.

### 4. FEES, COMMISSIONS AND OTHER BENEFITS THAT WE MAY RECEIVE

We have charged \$15,000 for providing this report.

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

### 5. 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.

### 6. 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.

### 7. ASSOCIATIONS AND RELATIONSHIPS

From time to time, Alpha may provide professional services, including financial advisory services, to financial product issuers in the ordinary course of its business under its authority.

### 8. COMPLAINTS RESOLUTION

#### 8.1 International Complaints Resolution Process

Having authority under a 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, Alpha Securities Pty Ltd, Level 2, 22 Pitt Street, Sydney NSW 2000.

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.

## **8.2 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 Industry Complaints Service Limited ("**FICS**"). FICS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Alpha is a member of the FICS Complaints Handling Tribunal No. E-473.

Further details about FICS are available at the FICS website [www.fics.asn.au](http://www.fics.asn.au) or by contacting them directly via the details set out below.

Financial Industry Complaints Service Limited

PO Box 579  
Collins Street West  
MELBOURNE VIC 8007

Toll free: 1300 780 808  
Facsimile: (03) 9621 2291

## **9. CONTACT DETAILS**

You may contact us using the details set out in paragraph 8.1 in this FSG.