

WELCOME STRANGER

MINING LIMITED

WELCOME STRANGER MINING LIMITED

ACN 007 670 386

NOTICE OF GENERAL MEETING

PROXY FORM

EXPLANATORY MEMORANDUM, and

INDEPENDENT EXPERT'S REPORT

Details of meeting

Time: 10.00am (AEDT)

Date: 26 May 2014

Place: Level 11, Suite 11.01, 60 Castlereagh Street, Sydney NSW 2000

This Notice of General Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

Important: The Independent Expert has determined that the acquisition of Capital Gold Pty Limited, Redridge Resources Corp and 40% of Masbate 13 Philippines Inc. (and issue of the Shares in consideration for the Acquisitions) is FAIR AND REASONABLE to non-associated shareholders. Please refer to the Independent Expert's Report attached to this Notice of General Meeting as Annexure A.

Should you wish to discuss the matters in this Notice of General Meeting, please do not hesitate to call +61 2 9571 8300.

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LETTER TO SHAREHOLDERS

Dear Shareholder,

As contemplated by the announcement to ASX on 3 January 2014 Welcome Stranger Mining Limited (**WSE** or the **Company**) has entered into several Sale and Purchase Agreements pursuant to which it will acquire:

- (a) 50% of all the issued and outstanding share capital of Redridge Resources Corp (**Redridge**), a new company to be incorporated and granted the exclusive rehabilitation, processing and operational rights in the Dizon Zambales copper silver gold tailings dam near San Marcelino in Zambales Province in the Philippines, currently held by Dizon Copper-Silver Mines Inc. (**Dizon**); and
- (b) all of the issued and outstanding capital of Capital Gold Pty Limited (**Capital Gold**), which on completion will own the remaining 50% of all the issued and outstanding capital of Redridge; and
- (c) 40% of the entire issued and outstanding share capital of Masbate 13 Philippines Inc. (**Masbate 13**) from Oregalore Inc. (**Oregalore**), a subsidiary of NiHAO Mineral Resources International Inc. (**NiHAO**) and the registered holder of an exploration licence in respect of a gold and copper prospect of a Mandaon tenement situated in the Municipality of Mandaon, Masbate Island, Philippines,

(collectively, the **Acquisitions** or **Transactions**).

Consideration for the proposed Acquisitions is as follows:

- (d) the current shareholders of Capital Gold shall receive 80 million Shares in WSE (post-Consolidation);
- (e) Dizon shall receive 90 million Shares in WSE (post-Consolidation);
- (f) Oregalore or its nominee shall receive 50 million Shares in WSE (post-Consolidation); and
- (g) WSE will pay to Oregalore cash consideration of USD\$250,000.

The Transactions are subject to a number of conditions precedent which have been outlined in the Explanatory Memorandum to the Notice, including compliance with Chapters 1 and 2 of the ASX Listing Rules.

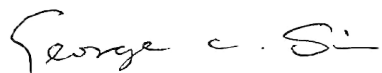
The Directors of the Company are of the opinion that the proposed Transactions are in the best interests of the Company and its Shareholders, and accordingly recommend Shareholders vote in favour of Resolutions 1-9 approving the Transactions (**Transaction Resolutions**).

The Directors unanimously recommend that you vote in favour of the Transaction Resolutions based on the following reasons:

- Since the current Directors were appointed under a recapitalisation proposal approved by Shareholders in 2010, they have been actively seeking opportunities to return the Company to operation and enhance shareholder value. The Directors believe that the Acquisitions represent such an opportunity;
- The independent expert, Hall Chadwick, has determined that the proposed Transactions are fair and reasonable to the non-associated shareholders of the Company;
- The new directors joining the Company in conjunction with the Transactions, Antonio Gregorio and Helen Tiu, are well-experienced industry professionals, who have a proven track record;
- If the Company does not proceed with the proposed Transactions, its cash reserves will continue to be eroded by on-going administrative and corporate costs;
- The Company's securities have been suspended from trading on ASX as ASX has formed the view that the Company's current operations do not warrant the quotation of the Company's securities. If the Transaction Resolutions are passed, the Company will seek to satisfy any conditions imposed by ASX to lift the suspension on the Company's shares from quotation on ASX; and
- The Company needs to change and grow if it is to succeed as a listed company.

The Company plans to raise capital to fund completion of the Transactions and investigate development of the newly acquired assets. The Company intends to do this by way of a public offer of new Shares as set out in the Explanatory Memorandum.

Yours sincerely

A handwritten signature in black ink that reads "George C. Sim". The signature is written in a cursive style with a large initial 'G' and a distinct 'C' and 'S'.

George Sim

Director

Welcome Stranger Mining Limited.

NOTICE OF GENERAL MEETING

Notice is given that a General Meeting of Shareholders of Welcome Stranger Mining Limited (**WSE** or the **Company**) will be held at Level 11, Suite 11.01, 60 Castlereagh Street, Sydney NSW 2000 at 10.00am (AEDT) on 26 May 2014.

The accompanying Explanatory Memorandum and Independent Expert's Report provide additional information relating to matters to be considered at the meeting, and form part of this Notice of General Meeting.

Certain terms and abbreviations used in this Notice of General Meeting and the accompanying Explanatory Memorandum have defined meanings that are explained in the accompanying Explanatory Memorandum.

AGENDA

1. Resolution 1—Consolidation of capital

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

"That, subject to the passing of Resolutions 2 to 9, and in accordance with section 254H of the Corporations Act and the Constitution and for all other purposes, the issued capital of the Company be consolidated on the basis that every 20 Shares in the capital of the Company be consolidated into one Share, with the Consolidation taking effect on a date announced to ASX in accordance with the ASX Listing Rules and where this consolidation results in a fraction of a share being held by a shareholder, the directors be authorised to round that fraction up to the nearest whole share."

2. Resolution 2—Approval of change of activities

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

"That, subject to Resolutions 1 and 3-9 being passed, for the purposes of ASX Listing Rule 11.1.2 and for all other purposes, approval is given for the Company to make a significant change in the nature of its activities from a secure payments systems company to a mineral resources development company, as set out in the Explanatory Memorandum accompanying this Notice."

Voting Exclusion

In accordance with the ASX Listing Rules, the Company will disregard any votes cast on Resolution 2 by a person who might obtain a benefit, except a benefit solely in the capacity of a security holder, if Resolution 2 is passed, and any associate of those persons. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by a person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

3. Resolution 3—Acquisition of Capital Gold

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

"That, subject to Resolutions 1, 2 and 4-9 being passed, pursuant to and in accordance with item 7 of section 611 of the Corporations Act and for all other purposes, the Company:

- (a) approves and authorises the Directors to allot and issue to the Capital Gold Vendors, in accordance with the Capital Gold SPA, a total of 80,000,000 Shares (on a post-Consolidation basis) to the Capital Gold Vendors; and*

(b) agrees to the acquisition by the Capital Gold Vendors, by way of allotment, of 80,000,000 Shares (on a post-Consolidation basis) referred to in paragraph (a) of this Resolution, in each case on the terms and conditions more particularly described in the Explanatory Memorandum accompanying this Notice of General Meeting.”

Independent Expert’s Report: Shareholders should carefully consider the Independent Expert’s Report prepared by Hall Chadwick for the purposes of the shareholder approval required under section 611 item 7 of the Corporations Act. The Independent Expert’s Report comments on the fairness and reasonableness of the acquisition of Capital Gold to the non-associated shareholders in the Company. Hall Chadwick has determined the acquisition of Capital Gold (and issue of the Shares in consideration for the acquisition) is FAIR AND REASONABLE to the non-associated shareholders of the Company.

Voting Exclusion

In accordance with the ASX Listing Rules, the Company will disregard any votes cast on this resolution by the Capital Gold Vendors, any person who may participate in the proposed issue, and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary shares, and any of their associates.

However, the Company need not disregard the votes if:

- it is cast by that person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

4. Resolution 4—Transaction in relation to Dizon tailings dam

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

“That, subject to Resolutions 1-3 and 5-9 being passed, pursuant to and in accordance with item 7 of section 611 of the Corporations Act and for all other purposes, the Company:

- (a) approves and authorises the Directors to allot and issue to Dizon, in accordance with the Dizon SPA, a total of 90,000,000 Shares (on a post-Consolidation basis) to Dizon; and*
- (b) agrees to the acquisition by Dizon, by way of allotment, of 90,000,000 Shares (on a post-Consolidation basis) referred to in paragraph (a) of this Resolution,*

in each case on the terms and conditions more particularly described in the Explanatory Memorandum accompanying this Notice of General Meeting.”

Independent Expert’s Report: Shareholders should carefully consider the Independent Expert’s Report prepared by Hall Chadwick for the purposes of the shareholder approval required under section 611 item 7 of the Corporations Act. The Independent Expert’s Report comments on the fairness and reasonableness of the transaction contemplated by Resolution 4 to the non-associated shareholders in the Company. Hall Chadwick has determined the transaction contemplated by Resolution 4 (and issue of the Shares to Dizon in consideration for the transaction) is FAIR AND REASONABLE to the non-associated shareholders of the Company.

Voting Exclusion

In accordance with the ASX Listing Rules, the Company will disregard any votes cast on this resolution by Dizon, any person who may participate in the proposed issue, and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary shares, and any of their associates.

However, the Company need not disregard the votes if:

- it is cast by that person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

5. Resolution 5—Transaction in relation to Masbate 13

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

“That, subject to Resolutions 1-4 and 6-9 being passed, pursuant to and in accordance with item 7 of section 611 of the Corporations Act and for all other purposes, the Company:

- (a) approves and authorises the Directors to allot and issue to Oregalore or its nominee, in accordance with the Masbate 13 SPA, a total of 50,000,000 Shares (on a post-Consolidation basis); and*
- (b) agrees to the acquisition by Oregalore or its nominee, by way of allotment, of 50,000,000 Shares (on a post-Consolidation basis) referred to in paragraph (b) of this Resolution,*

in each case on the terms and conditions more particularly described in the Explanatory Memorandum accompanying this Notice of General Meeting.”

Independent Expert’s Report: Shareholders should carefully consider the Independent Expert’s Report prepared by Hall Chadwick for the purposes of the shareholder approval required under section 611 item 7 of the Corporations Act. The Independent Expert’s Report comments on the fairness and reasonableness of the transaction contemplated by Resolution 5 to the non-associated shareholders in the Company. Hall Chadwick has determined the transaction contemplated by Resolution 5 (and issue of the Shares to Oregalore or its nominee in consideration for the transaction) is FAIR AND REASONABLE to the non-associated shareholders of the Company.

Voting Exclusion

In accordance with the ASX Listing Rules, the Company will disregard any votes cast on this resolution by Oregalore and/or any nominee of Oregalore, any person who may participate in the proposed issue, and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary shares, and any of their associates.

However, the Company need not disregard the votes if:

- it is cast by that person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

6. Resolution 6 —Authority to make placement of Shares

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

“That, subject to Resolutions 1-5 and 7-9 being passed, pursuant to and in accordance with Listing Rule 7.1 and for all other purposes, the Company approves and authorises the Directors issue and allot up to 25,000,000 Shares (on a post-Consolidation basis) at an issue price of at least \$0.20 each, to be issued and allotted pursuant to a prospectus, to such persons as the Directors in their absolute discretion may determine, and on the terms and conditions and in the manner set out in the Explanatory Memorandum accompanying this Notice.”

Voting Exclusion

In accordance with the ASX Listing Rules, the Company will disregard any votes cast on this resolution by any person who may participate in the proposed issue, and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary shares, and any of their associates.

However, the Company need not disregard the votes if:

- it is cast by that person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

7. Resolution 7 —Election of Antonio Gregorio as Director

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

“That, subject to Resolutions 1-6, 8 and 9 being passed, for the purpose of the Constitution and for all other purposes, Attorney Antonio Victoriano Gregorio III, being eligible to act as a Director, be elected as a Director on and from completion of the Acquisitions.”

8. Resolution 8 —Election of Helen Tiu as Director

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

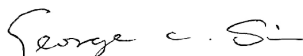
“That, subject to Resolutions 1-7 and 9 being passed, for the purpose of the Constitution and for all other purposes, Attorney Helen Tiu, being eligible to act as a Director, be elected as a Director on and from completion of the Acquisitions.”

9. Resolution 9 —Change of Company name

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

“That, subject to Resolutions 1-8 being passed, for the purpose of Section 157(1) of the Corporations Act and for all other purposes, approval is given for the name of the Company to be changed from Welcome Stranger Mining Limited to ‘NoA Mines Limited’ on completion of the Acquisitions.”

By order of the board.



George Sim
Director

Voting and the Proxy

For the purpose of determining the voting entitlements at the meeting, the directors have determined that shares in the Company will be taken to be held by the registered holders of those shares at 10.00am (Sydney time) on 24 May 2014 being not more than 48 hours before the meeting. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

A member entitled to attend and vote at the General Meeting of the Company may appoint a natural person as the member's proxy to attend and vote for the member at that meeting. If the member is entitled to cast two or more votes at the General Meeting, the member may appoint not more than two proxies. Where the member appoints more than one proxy, the member may specify the proportion or number of votes each proxy is appointed to exercise. If such proportion or number of votes is not specified, each proxy may exercise half of the member's votes. A proxy may, but need not be, a Shareholder of the Company.

Proxy Forms (and the power of attorney or other authority, if any, under which the Proxy Form is signed) or a copy or facsimile that appears on its face to be an authentic copy of the Proxy Form (and the power of attorney or other authority) must be deposited at or received by facsimile transmission at the registered office of the Company (Suite 8, Level 6, 55 Miller Street, Pyrmont NSW 2009) or by post to Suite 8, Level 6, 55 Miller Street, Pyrmont NSW 2009 or Facsimile (02) 9571 8200 if faxed from within Australia or +61 2 9571 8200 if faxed from outside Australia) not less than 48 hours prior to the time of commencement of the General Meeting in the place where the General Meeting is being convened.

For the convenience of members, a Proxy Form is enclosed with this Notice of General Meeting.

Interdependent Resolutions

The Resolutions are interdependent and none of them will be given effect to unless all those Resolutions are passed by the requisite majority.

EXPLANATORY MEMORANDUM

1. Introduction

This Explanatory Memorandum has been prepared for the information of Shareholders of Welcome Stranger Mining Limited (**WSE** or the **Company**) in connection with the business to be conducted at the General Meeting of Shareholders to be held at Level 11, Suite 11.01, 60 Castlereagh Street, Sydney NSW 2000, on 26 May 2014 at 10.00 am (AEDT) (**Meeting**).

This Explanatory Memorandum deals with the following special items of special business to be considered at the Meeting:

- (a) the consolidation of the Company's share capital on the basis that every 20 Shares held be consolidated into one Share (Resolution 1);
- (b) the change of activities of the Company to developer of minerals resources projects (Resolution 2);
- (c) the issue of 80,000,000 Shares on a post-Consolidation basis to the Capital Gold Vendors as consideration for the acquisition contemplated by the Capital Gold SPA (Resolution 3);
- (d) the issue of 90,000,000 Shares on a post-Consolidation basis to Dizon as consideration for the acquisition contemplated by the Dizon SPA (Resolution 4);
- (e) the issue of 50,000,000 Shares on a post-Consolidation basis to Oregalore or its nominee as consideration for the acquisition contemplated by the Masbate SPA (Resolution 5);
- (f) approval to place up to 25,000,000 Shares on a post-Consolidation basis at an issue price of at least \$0.20 per Share (Resolution 6);
- (g) the appointment of Antonio Gregorio and Helen Tiu as Directors on and from Completion of the Transactions (Resolutions 7-8); and
- (h) the change of the Company's name from Welcome Stranger Mining Limited to NoA Mines Limited on completion of the Transactions (Resolution 9).

An Independent Expert's Report prepared by Hall Chadwick comments on whether the Transactions that are the subject of Resolutions 3-5 are fair and reasonable to the non-associated shareholders of WSE and has been prepared to comply with the requirements of item 7 of section 611 of the Corporations Act and ASIC Regulatory Guides 74, 111 and 112.

Shareholders should note that Hall Chadwick has concluded that the Transactions that are the subject of Resolutions 3-5 are fair and reasonable to the non-associated shareholders of WSE.

Consequences of the Transaction not proceeding

The Transactions are dependent on the resolutions proposed being passed and the resolutions proposed are interdependent on each other being passed as follows:

- resolution 1 is dependent on resolution 2-9 being passed;
- resolution 2 is dependent on resolutions 1, and 4-9 being passed;
- resolution 3 is dependent on resolutions 1,2, and 4-9 being passed;
- resolution 4 is dependent on resolutions 1-3, and 5-9 being passed;
- resolution 5 is dependent on resolutions 1-4 and 6-9 being passed;
- resolution 6 is dependent on resolutions 1-5 and 7-9 being passed;
- resolution 7 is dependent on resolutions 1-6 and 8-9 being passed;
- resolution 8 is dependent on resolutions 1-7 and 9 being passed; and
- resolution 9 is dependent on resolutions 1-8 being passed.

Accordingly, if a resolution is not passed all resolutions will fail and the Transactions will not proceed.

If the Transaction is unable to proceed then the Company will:

- return all application money received under the prospectus in accordance with the prospectus;
- not proceed with the Transaction;
- advise ASX and announce to the market that the proposed change in activities will not proceed;
- not be required to comply with the relisting requirements under Chapters 1 and 2 of the ASX Listing Rules; and
- not proceed with the consolidation of its capital.

2. Resolution 1 - Consolidation

2.1 Background

Resolution 1 seeks Shareholder approval to consolidate the Company's issued capital by consolidating every 20 existing Shares into one new Share (**Consolidation**). The Consolidation is proposed by the Company in order to reduce the number of Shares on issue.

As at the date of this Notice, the Company has 182,409,044 Shares on issue. Accordingly, if Resolution 1 is passed the number of Shares on issue will be reduced from 182,409,044 to approximately 9,120,453 (subject to rounding up) following the Consolidation.

The Company does not currently have any options on issue.

2.2 Important Dates

The Important Dates that the Company will be following in accordance with Appendix 7A of the ASX Listing Rules for the Consolidation of capital are set out in Table 1. Important Dates for Consolidation of capital.

Table 1. Important Dates for Consolidation of capital.

Company announces the capital Consolidation by way of consolidating one for 20 Shares and fractions of Shares will be rounded up	26 May 2014
Record date to determine transfers on a pre-consolidated basis	4 June 2014
Registration of Shares on a post-consolidated basis	9 June 2014
Despatch Date	13 June 2014

As at the date of this Notice the Company's securities remain suspended.

2.3 Implementation of Consolidation

Resolution 1 seeks Shareholder approval to consolidate the Company's issued capital by consolidating every 20 existing Shares into one new Share, thereby reducing the number of Shares on issue to approximately 9,120,453 (subject to rounding up).

Section 254H of the Corporations Act provides that a company may, by resolution passed in general meeting, convert all or any of its shares into a larger or smaller number of shares. Accordingly, if Resolution 1 is passed, every 20 existing Shares will be consolidated into one Share. Table 2 below shows the number of Shares before and after the Consolidation.

Shareholders will, subject to rounding up, hold the same proportion of the Company's Share capital and net assets before and after the Consolidation. The current rights attaching to the Shares will not be affected by the Consolidation.

As from the effective date of the Consolidation (such date to be announced to ASX in accordance with the requirements of the Listing Rules), all holding statements for Shares will cease to have any effect except as evidence of entitlement to a certain number of post-Consolidation Shares.

After the Consolidation becomes effective, the Company will despatch a notice to Shareholders advising them of the number of Shares held by each Shareholder both before and after the Consolidation. The Company will also arrange for new holding statements to be issued to Shareholders.

2.4 Fractional entitlements

The Consolidation will result in any Shareholder whose existing holding is not a multiple of 20 receiving a fraction of a Share. These fractional entitlements will be rounded up as part of the Consolidation, so that the consolidated holding will be rounded up to the nearest whole number.

2.5 Capital structure of the Company

Assuming the Company's capital structure as at the date of this Notice remains the same until the date of the meeting, the Company's capital structure before and after the Consolidation is and will be as given in Table 2 below (see also Section 8.1).

Table 2. Number of Shares on issue both pre- and post-Consolidation (subject to rounding).

	Pre-Consolidation	Post-Consolidation
Shares	182,409,044	9,120,453

2.6 Proforma Balance Sheet

The table in Schedule 1 sets out the pro forma unaudited balance sheet for the Company as at 31 December 2013 and assuming Completion of the Transaction.

3. Brief history of the Company and background to Resolutions 2-9

Welcome Stranger Mining Limited was incorporated in 1967 as Welcome Stranger Mining Company NL and operated for many years as a gold prospecting and mining company. The Company operated for five months as WSM Limited before changing its name to Commsecure Limited in 2000 and operating as a provider of e-business billing and payment management solutions.

After suffering substantial losses, in August 2007 the Company's securities were suspended from trading on ASX. After several failed attempts to revive the company, in July 2009 the Company was placed into voluntary liquidation for the purposes of distributing cash (approximately \$1.5 million) to Shareholders.

On 7 May 2010, a proposal for the recapitalisation of the Company (**Billabong Proposal**) was put forward by the investment group Billabong Capital Partners Pty Limited (**Billabong**). The Company entered into a deed of company arrangement with Billabong and the Liquidator pursuant to the Billabong Proposal on that date. Shareholders voted in favour of the Billabong Proposal at a shareholders meeting held on 6 October 2010. As part of the Billabong Proposal, all the Directors of the Company at the time were removed, the current Directors were appointed, and funds raised as part of the Billabong Proposal were used to terminate liquidation of the Company. Furthermore, the Company's name was changed back to Welcomer Stranger Mining Limited.

After their appointment, the new Directors conducted a thorough assessment of the Company's existing business and have been seeking opportunities for the Company to undertake.

The Company's securities remain suspended from trading on ASX. ASX has indicated that, before the securities of the Company can be reinstated to official quotation, the Company must comply with the admission

requirements of Chapters 1, 2, 11 and 12 of the Listing Rules, which prescribe the conditions for official quotation (See Section 5.2).

The Company has entered into several agreements, pursuant to which the Company has agreed to acquire 100% of the fully paid ordinary shares in the capital of Capital Gold and Redridge, and 40% of Masbate 13 through which it will have control of certain Philippines mineral assets (**Acquisitions or Transactions**) (see section 6 for further details).

Among the conditions precedent to completion of the Transactions is a requirement that Shareholders of WSE approve the Transactions and that ASX approve re-quotation of the Company's Shares after the Transactions are completed.

Further details of the Philippines assets, and further details of the Transactions, are set out below.

3.1 Indicative timetable

Set out below in Table 3 is an indicative timetable relating to the proposed Transactions, which timetable remains subject to change.

Table 3. Indicative timetable for proposed Transactions.

Event	Date
Announcement of Acquisitions	24 September 2012
Masbate 13 SPA executed	31 December 2012
Dizon SPA executed	31 December 2013
Capital Gold SPA executed	31 December 2013
Annual General Meeting	26 May 2014
Lodgement of Prospectus with ASIC	26 May 2014
Opening of Offer under the Prospectus	2 June 2014
Closing Date of Offer under the Prospectus	24 June 2014
Completion of Transactions	30 June 2014
Anticipated date the suspension of trading is lifted and the Company's securities commence trading again on ASX (as 'NoA Mines Limited')	14 July 2014

4. Summary of the Transactions proposed in Resolutions 2-9

On completion of each of the Transactions, WSE will hold interests in two significant opportunities in the Philippines.

By way of its ownership of 100% of the shares of Redridge (50% of which will be held by Capital Gold and 50% held directly by WSE), WSE will have the exclusive rehabilitation, processing and operational rights to the Dizon Zambales copper silver gold tailings dam near San Marcelino in Zambales Province in the Philippines, including the rights to the proceeds of all minerals recovered during the rehabilitation process. This opportunity is described in more detail in Section 11.1.

WSE will also hold a 40% interest in Masbate 13, which is the registered holder of the exploration licence in respect of the gold, copper prospect of the Mandaon tenement situated in the Municipality of Mandaon, Masbate Island, Philippines. This opportunity is described in more detail in Section 11.2.

Significant future capital is required to be raised by WSE in order to assess and develop these opportunities, in excess of the capital raising proposed in this Explanatory Memorandum. The future capital raising requirements are described in more detail in Section 12.2.6.

4.1 Transaction Documents

The Transactions are given effect by a number of agreements:

Transaction documents where WSE is a party

- (a) a Sale and Purchase Agreement between Capital Gold Vendors and WSE whereby WSE purchases all of the shares of Capital Gold (**Capital Gold SPA**);
- (b) a Sale and Purchase Agreement between Dizon and WSE pursuant to which WSE purchases 50% of the shares of Redridge (**Dizon SPA**);
- (c) a Sale and Purchase Agreement between NiHAO, Oregalore and WSE pursuant to which WSE purchases 40% of the shares of Masbate 13 (**Masbate SPA**) (together the **Sale and Purchase Agreements**);
- (d) a Shareholders Agreement between the shareholders of Masbate 13;

Relevant documents where WSE is not a party:

- (a) a Consulting Services Agreement between Redridge and Dizon, pursuant to which Redridge is exclusively appointed to conduct the Rehabilitation Works at the Tailings Dam and granted the ability to sell any minerals recovered during that Rehabilitation (**Consulting Services Agreement**); and
- (b) a subscription agreement between Capital Gold, Redridge and Dizon pursuant to which Capital Gold has certain obligations and will be issued 50% of the shares of Redridge (**Subscription Agreement**).

The key terms and conditions of each of these documents is described further below.

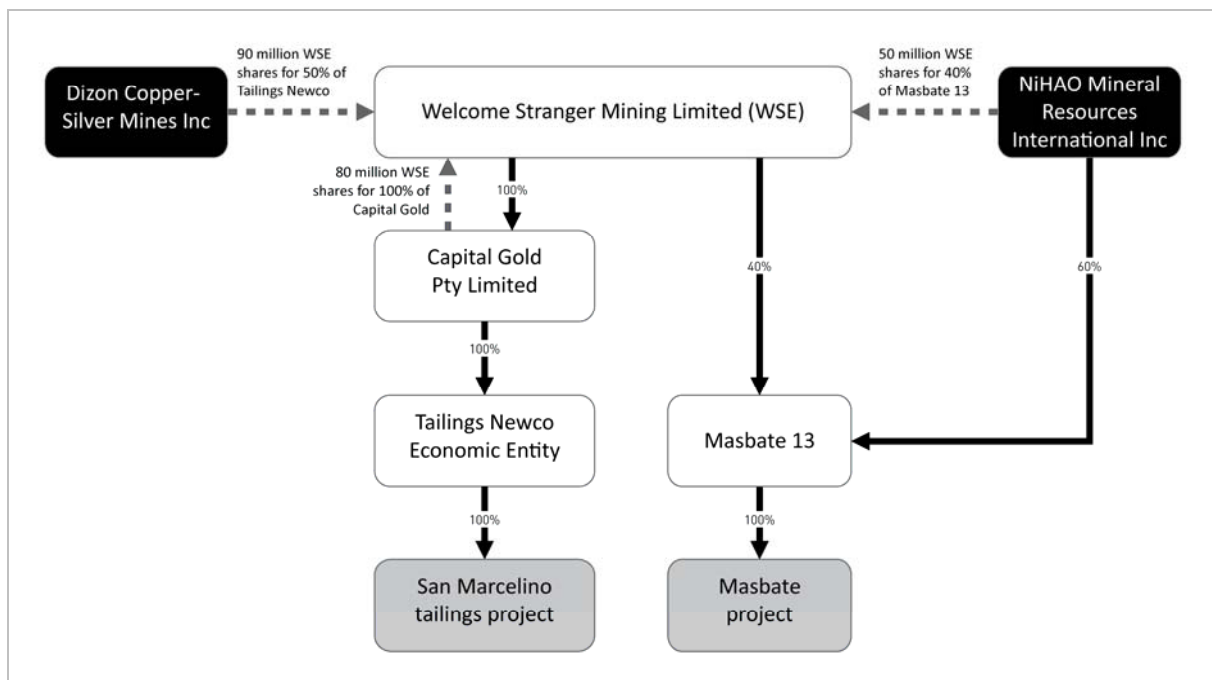


Figure 1. Structure of the proposed Transactions.

Each of the Sale Agreements contains a number of conditions precedent which both WSE and each of the Vendors must satisfy (as the case may be). These are summarised in Sections 8.1.1, 8.2 and 8.3.1.

5. Resolution 2—Approval of change in activities

Resolution 2 seeks shareholder approval to a change in activities of the Company from a secure payments systems company to a developer of minerals resources.

5.1 Listing Rule 11.1

Listing Rule 11.1 requires that the Company inform ASX of any proposed change in the scale or nature of its activities and the effect that this may have on the Company. Listing Rule 11.1 provides that ASX may require shareholder approval of the proposed change. ASX has indicated that the Company must obtain shareholder approval in relation to the change in activities described in this Explanatory Memorandum.

5.2 Suspension

As noted above, the Company's securities were suspended from quotation on ASX on 17 August 2007 in accordance with Listing Rule 17.3, pending the Company's compliance with Listing Rule 12.1. Listing Rule 17.3 gives ASX discretion to suspend an entity's securities in certain circumstances, and Listing Rule 12.1 provides that the level of an entity's operations must, in ASX's opinion, be sufficient to warrant the continued quotation of the entity's securities and its continued listing.

If the Shareholders approve the proposed change in the nature of the Company's activities, then before the securities of the Company can be reinstated to official quotation, ASX has indicated that the Company must comply with the admission requirements of Chapters 1, 2, 11 and 12 of the Listing Rules, which prescribe the conditions for official quotation. The Company will be required to issue a prospectus and successfully complete the Capital Raising referred to in this Explanatory Memorandum in order to satisfy the relevant Listing Rules.

6. Resolutions 3-5 Acquisition Agreements

6.1 Sale and Purchase Agreement with Capital Gold ("Capital Gold SPA")

On 31 December 2013, WSE entered into a Sale and Purchase Agreement with all of the shareholders of Capital Gold (**Capital Gold Vendors**) whereby WSE agreed to acquire all the issued and outstanding share capital of Capital Gold (**CG Shares**).

In consideration for the CG Shares, WSE will issue and allot 80,000,000 WSE shares to the Capital Gold Vendors on a post consolidation basis.

6.1.1 Conditions precedent to the Capital Gold SPA

Completion of the Capital Gold SPA is subject to a number of conditions precedent which both WSE and the Capital Gold Vendors must satisfy (as the case may be) (Capital Gold Conditions Precedent). These conditions precedent, include, but are not limited to:-

- (a) the Capital Gold Vendors providing certified copies of any governmental consent or contractual consents relating to the Capital Gold SPA and the transfer of the CG Shares from the Capital Gold Vendors to WSE;
- (b) that no material adverse change (a reduction of the annual amount of net assets of the party suffering the change of not less than \$50,000) occur in relation to WSE or the Capital Gold Vendors between the date of the Capital Gold SPA and its completion;
- (c) WSE receiving the approval of WSE's shareholders for each of the resolutions contained in this Notice of Meeting;

- (d) the Consolidation taking place;
- (e) WSE complying with the Listing Rules and any requirements of the Corporations Act in respect of the purchase of the CG Shares and the issue of the WSE shares to the Capital Gold Vendors;
- (f) evidence satisfactory to WSE that all outstanding amounts, loans and balances due to any related parties or related entities of Capital Gold have been repaid, forgiven, or otherwise discharged in full;
- (g) WSE providing evidence satisfactory to Capital Gold that all outstanding amounts, loans and balances due to any related parties or related entities of WSE have been repaid, forgiven, or otherwise discharged in full;
- (h) Completion of the Masbate 13 SPA;
- (i) Completion of the Dizon SPA;
- (j) Redridge being incorporated;
- (k) Capital Gold becoming the owner of 50% of all the issued and unissued shares of Redridge, free of any and all security interests pursuant to the Subscription Agreement;
- (l) the Consulting Services Agreement being entered into by Redridge and Dizon;
- (m) the Capital Raising occurring;
- (n) the execution of the Masbate 13 Shareholders Agreement by all parties to that agreement; and
- (o) WSE meeting all the requirements of Chapters 1, 2 and 11 of the Listing Rules as if it were applying for admission to the official list of the ASX; and
- (p) The Capital Gold Vendors delivering to WSE a duly executed restriction agreement in relation to the WSE shares issued to it under the Capital Gold SPA.

Either party may terminate the Capital Gold SPA if at any time before completion of the Capital Gold SPA, if the Capital Gold Conditions Precedent are not met by 30 July 2014 without liability for any antecedent breaches. Each of WSE and Capital Gold may in its absolute discretion waive any condition precedent (where such condition precedent is for its benefit).

The Capital Gold Vendors have made numerous customary warranties to WSE under the Capital Gold SPA.

6.2 Sale and Purchase Agreement with Dizon (“Dizon SPA”)

On 31 December 2013, WSE entered into a Sale and Purchase Agreement with Dizon. Pursuant to this agreement Dizon must incorporate a new entity, Redridge, for the purposes of, among other things, performing the Rehabilitation Works and commercialising the Tailings Rights. After incorporation of Redridge, Capital Gold will subscribe to shares equal to 50% of all the issued and outstanding share capital of Redridge pursuant to the Subscription Agreement, and Dizon will transfer all of the issued and outstanding share capital of Redridge held by it, which will be the remaining 50% of all of Redridge’s issued and outstanding share capital, to WSE pursuant to the Dizon SPA.

In consideration for the transfer of Redridge shares by Dizon to WSE will issue and allot 90,000,000 shares (on a post-consolidation basis) to Dizon. Due to timing issues involving the issue and transfer of shares in the

Philippines, WSE will issue these shares to Dizon prior to, and not simultaneous with, the transfer of the Redridge Shares to WSE.

6.2.1 Conditions precedent to the Dizon SPA

Completion of the Dizon SPA is subject to a number of conditions precedent which both WSE and Dizon must satisfy (as the case may be) (**Dizon Conditions Precedent**). These conditions precedent, include, but are not limited to:-

- (a) Dizon must provide WSE with certified copies of any governmental consent or contractual consents relating to the Dizon SPA and the transfer of the Redridge shares from Dizon to WSE;
- (b) That no material adverse change (a reduction of the annual amount of net assets of the party suffering the change of not less than \$50,000) occur in relation to WSE or Dizon between the date of the Dizon SPA and completion;
- (c) WSE receiving the approval of WSE's shareholders for each of the resolutions contained in this Notice of Meeting;
- (d) The Consolidation taking place;
- (e) WSE complying with the ASX listing rules and any requirements of the Corporations Act in respect of the purchase of the Redridge Shares and the issue of the WSE Shares to Dizon;
- (f) Completion of the Masbate 13 SPA;
- (g) Completion of the Subscription Agreement;
- (h) Completion of the Capital Gold SPA;
- (i) evidence satisfactory to WSE that all outstanding amounts, loans and balances due to any related parties or related entities of Redridge have been repaid, forgiven, or otherwise discharged in full;
- (j) WSE providing evidence satisfactory to Dizon that all outstanding amounts, loans and balances due to any related parties or related entities of WSE have been repaid, forgiven, or otherwise discharged in full;
- (k) the Consulting Services Agreement being entered into by all parties to that agreement;
- (l) the Capital Raising occurring;
- (m) the execution of the Masbate 13 Shareholders Agreement;
- (n) WSE meeting all the requirements of Chapters 1, 2 and 11 of the ASX Listing Rules as if it were applying for admission to the official list of the ASX;
- (o) WSE commissioning an independent expert report(s) concluding that all permits and regulatory approvals currently held by Dizon in relation to the Tailings Dam are current and valid and Dizon is not in breach or contravention of any of the conditions of such permits and regulatory approvals;
- (p) A certified copy of the Memorandum being provided to WSE and the terms of that Memorandum being satisfactory to WSE; and
- (q) Dizon delivering to WSE a duly executed restriction agreement in relation to the WSE shares issued to it under the Dizon SPA.

Either party may terminate the Dizon SPA at any time before completion of the Dizon SPA if the Dizon Conditions Precedent are not satisfied by 30 June 2014, without liability except for any antecedent breaches. Each of WSE and Dizon may in its absolute discretion waive any condition precedent (where such condition precedent is for its benefit).

Dizon has made numerous customary warranties to WSE under the Dizon SPA.

6.3 Sale and Purchase Agreement with Oregalore Inc. (“Masbate 13 SPA”)

WSE has agreed to acquire from Oregalore (a wholly owned subsidiary of NiHAO which is a company listed on the Philippines Stock Exchange) 40% of the issued share capital of Masbate 13. Masbate 13 is the registered holder of the Exploration Permit in respect of the gold, copper prospect of the Mandaon tenement situated in the Municipality of Mandaon, Masbate Island, Philippines, presently covering 8,357.3509 hectares.

The Masbate 13 SPA was formally executed and exchanged by the parties on 31 December 2012 and amended on 31 December 2013. Pursuant to the agreement which WSE will, subject to the conditions outlined below, acquire 1,000,000 out of the 2,500,000 total issued shares of Masbate 13 (“the **Masbate Shares**”) from Oregalore.

As consideration for the Masbate Shares WSE will:

- issue and allot 50,000,000 WSE shares (on a post-Consolidation basis) to Oregalore or its nominee; and
- make a payment of \$250,000AUD to Oregalore or as directed by Oregalore.

Due to timing issues involving the issue and transfer of shares in the Philippines, WSE will issue the 50,000,000 shares to Oregalore prior to, and not simultaneous with, the transfer of the Masbate 13 Shares to WSE.

6.3.1 Conditions precedent to the Masbate SPA

Completion of the Masbate SPA is subject to a number of conditions precedent which both WSE and Oregalore must satisfy (as the case may be) (**Masbate Conditions Precedent**). These conditions precedent, include, but are not limited to:-

- (a) Oregalore must provide WSE with certified copies of any governmental consent or contractual consents relating to the Masbate 13 SPA and the transfer of the Masbate Shares from Oregalore to WSE;
- (b) That no material adverse change (a reduction of the annual amount of net assets of the party suffering the change of not less than \$50,000) occur in relation to WSE or Oregalore between the date of the Masbate 13 SPA and completion;
- (c) WSE receiving the approval of WSE’s shareholders for each of the resolutions contained in this Notice of Meeting;
- (d) The Consolidation taking place;
- (e) WSE complying with the ASX listing rules and any requirements of the Corporations Act in respect of the purchase of the Masbate 13 Shares and the issue of the WSE shares to Oregalore;
- (f) Completion of the Dizon SPA;
- (g) Completion of the Capital Gold SPA;

- (h) Oregalore providing evidence satisfactory to WSE that all outstanding amounts, loans and balances due to any related parties or related entities of Masbate 13 have been repaid, forgiven, or otherwise discharged in full;
- (i) WSE providing evidence satisfactory to Oregalore that all outstanding amounts, loans and balances due to any related parties or related entities of WSE have been repaid, forgiven, or otherwise discharged in full;
- (j) WSE procuring an independent valuation of the corporate assets held by Oregalore showing the combined valuation of those assets is equal to or greater than AUD\$25 million dollars;
- (k) WSE commissioning an independent expert report(s) concluding that the Exploration Permit is current and valid and Masbate 13 is not in breach or contravention of any of the conditions of the Exploration Permit;
- (l) the Consulting Services Agreement being entered into by all parties to that agreement;
- (m) the Capital Raising occurring;
- (n) the execution of the Masbate 13 Shareholders Agreement;
- (o) WSE meeting all the requirements of Chapters 1, 2 and 11 of the ASX Listing Rules as if it were applying for admission to the official list of the ASX;
- (p) Oregalore delivering to WSE a duly executed restriction agreement in relation to the WSE shares to be issued to it under the Masbate 13 SPA.

The parties may terminate the Masbate 13 SPA at any time before completion of the Masbate 13 SPA if the Masbate Conditions Precedent are not satisfied by 30 July 2014, without liability except for any antecedent breaches. Each of Oregalore and WSE may in its absolute discretion waive any condition precedent (where such condition precedent is for its benefit).

Oregalore has made numerous customary warranties to WSE under the Masbate 13 SPA.

6.4 Consulting Services Agreement

As a condition precedent to each of the Sale Agreements, Redridge and Dizon must enter into a consulting services agreement whereby Redridge is granted the exclusive rehabilitation, processing and operational rights to the Dizon Zambales copper silver gold tailings dam near San Marcelino in Zambales Province in the Philippines, including the rights to the proceeds of all minerals recovered during the rehabilitation process

Pursuant to this agreement:

- (a) Redridge is granted the exclusive rehabilitation, processing and operational rights to the Tailings Dam;
- (b) Redridge and Dizon will act together to raise the funds necessary to undertake the capital works required in order for the Rehabilitation Works to occur, and for the processing of minerals to begin. The anticipated costs for such capital works are significant, and are expected to be in excess of \$100 million AUD;
- (c) if such funding cannot be raised within a specified period of time, which will not be less than 24 months after entry into the agreement, Redridge may elect to sell its interest in the Consulting Services Agreement or to terminate the agreement with no penalty;

- (d) once sufficient capital is raised Redridge will have the responsibility to perform the Rehabilitation Work and the processing of the minerals;
- (e) Dizon will have sole responsibility for obtaining and maintaining relevant permits and authorisations required to enable Redridge to perform the Rehabilitation Work and the processing of the minerals;
- (f) Redridge will be responsible for all of the costs associated with the performance of the Rehabilitation Work and the processing of the minerals and will be entitled to keep all of the proceeds arising out of this work, other than the Royalty defined in paragraph (g) below; and
- (g) Dizon will be entitled to a royalty of 2.5% of net smelter return (**Royalty**). Net Smelter Return (**NSR**) will be calculated from the gross receipts for the sale of any minerals recovered during a period less the expenses of recovering those minerals.

6.5 Masbate 13 Shareholders Agreement

As a condition precedent to each of the Sale Agreements, WSE must enter into a shareholders agreement with Oregalore as an existing shareholder of Masbate 13 (**Masbate 13 Shareholders Agreement**).

Pursuant to the Masbate 13 Shareholders Agreement WSE will be granted standard rights as a minority shareholder of Masbate 13, including the right to appoint no less than two directors to the board of Masbate 13.

6.6 Subscription Agreement

As a condition precedent to each of the Sale Agreements, Capital Gold will be required to enter into the Subscription Agreement with Redridge. Pursuant to the Subscription Agreement Capital Gold will be issued 50% of the issued and outstanding shares of Redridge.

As consideration for the issue of these shares, Capital Gold must:

- (a) pay to Dizon \$1,500,000 on or about the date that the Company complies with the listing requirements under Chapters 1 and 2 of the ASX Listing Rules; and
- (b) assume responsibility for the payment of environmental fines or taxes in relation to or in connection with the Tailings Dam or Tailings Rights in accordance with the Work Program.

7. Impact of the Acquisitions on the Company

Settlement of the Transactions will result in various advantages and disadvantages to the Company, which Shareholders should consider prior to exercising their vote.

7.1.1 Advantages of Acquisitions

The Directors consider that the key advantages to the Company and non-associated Shareholders of the Acquisitions are as follows:

- (a) The potential increase in market capitalisation of the Company following completion of the Acquisitions and the associated Capital Raising may lead to increased coverage from investment analysts, access to improved equity capital market opportunities and increased liquidity, which are not currently present.
- (b) If the Company does not proceed with the proposed Acquisitions, its cash reserves will continue to be eroded by on-going administrative and corporate costs;

- (c) Since the current Directors of the Company were appointed under a recapitalisation proposal approved by shareholders in 2010, they have been actively seeking opportunities to return the Company to operation and enhance shareholder value. The Directors believe that the proposed Acquisitions are such an opportunity; and
- (d) The Company's securities have been suspended from trading on ASX as ASX formed the view that the Company's operations did not warrant quotation of the securities. If Resolutions 1-9 are passed, the Company will seek to satisfy any conditions imposed by ASX to lift the suspension on the Shares from trading on ASX, although there is no guarantee this will occur.

Shareholders should also consider the advantages of the Acquisitions set out in the Independent Expert's Report.

7.1.2 Disadvantages of Acquisitions

The Directors consider that the key disadvantages to the Company and non-associated Shareholders of completing the Acquisitions are as follows:

- (a) The Company will be changing the nature of its activities from a secure payments systems company to a minerals resources company, which may not be consistent with the objectives of all Shareholders;
- (b) There are many risk factors associated with the change in nature of the Company's activities to a minerals resources company. Some of these risk factors are set out further below;
- (c) Current shareholders will have their interests in the Company diluted by the Acquisitions, Capital Raising and any further equity funding undertaken by the Company
- (d) The Company will need to raise significant additional funds in order to commercialise the opportunities. this may lead to further dilution of the existing shareholders. If additional funds are not raised or borrowed on acceptable terms there may be no benefit to the Company from the assets being purchased under the Transaction;
- (e) There is no guarantee that the new business of the Company will succeed in generating significant value for Shareholders; and
- (f) Proposed project timelines may not proceed as expected.

Shareholders should also consider the disadvantages of the Acquisitions set out in the Independent Expert's Report.

8. Capital Raising – Resolution 6

WSE is required to raise capital as a precedent to the completion of each of the Capital Gold SPA, Dizon SPA and Masbate 13 SPA, and also for the purposes of achieving its business objectives and satisfying the requirements of the Listing Rules in relation to the re-listing of its securities. The Directors intend to prepare and lodge a prospectus to raise \$5,000,000 by way of the issue of Shares (**Capital Raising**).

The Directors intend to conduct the Capital Raising by way of a prospectus. The Directors are seeking, under Resolution 6, Shareholder approval to raise \$5,000,000 through the issue of 25,000,000 Shares at an issue price of \$0.20 per Share. Proceeds from the Capital Raising will predominantly be used to fund the Acquisitions, to meet Capital Gold's obligations under the Subscription Agreement, and for working capital purposes.

For the purposes of shareholder approval of the issue of the Shares and the requirements of Listing Rule 7.3, the following additional information is provided:

- (a) The maximum number of Shares the Company can issue under Resolution 6 is 25,000,000 Shares;

- (b) The Company will issue the Shares no later than three months after the date of the General Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that allotment will occur on the same date;
- (c) The Shares will each be allotted at an issue price of not less than \$0.20 per Share;
- (d) The Shares will be allotted and issued to applicants at the discretion of the Directors. None of the subscribers will be related parties of the Company and no subscriber will hold an interest of 20% or greater in the capital of the Company as a result of the issue;
- (e) The Shares will be issued on the same terms as the Company's existing Shares; and
- (f) The purpose of the issue is to provide funds for the development of the Company's existing assets, to fund the Acquisitions, to meet Capital Gold's obligations under the Subscription Agreement, and for working capital purposes.

The Capital Raising will not raise sufficient capital to conduct the Rehabilitation Works at the Tailings Dam, or commercialise the Masbate 13 Exploration Permit. Both projects will require significant capital expenditure, well in excess of the Capital Raising. WSE proposes to seek this funding after the Capital Raising is complete and the opportunities have been further investigated.

8.1 Impact of Consolidation, Acquisitions and Capital Raising on capital structure

The effect of the Consolidation, Acquisitions and Capital Raising (on an undiluted basis) on the capital structure of the Company (assuming \$5,000,000 is raised under the Capital Raising) is summarised in Table 4 below. The structure of the Company following the proposed Transactions is illustrated in Figure 1.

Table 4. Capital structure of the Company following the Consolidation, Acquisitions and Capital Raising.

Shares	Pre-Consolidation	Post-Consolidation	Ownership (%)
Shares on issue at the date of the Notice	182,409,044	9,120,453	3.59
Shares to be issued to Capital Gold Vendors	–	80,000,000	31.48
Shares to be issued to Dizon	–	90,000,000	35.42
Shares to be issued to Oregalore or nominee	–	50,000,000	19.68
Shares to be issued to pursuant to Capital Raising	–	25,000,000	9.84
Total Shares	182,409,044	254,120,452	100.00

8.2 Pro forma balance sheet

An unaudited pro forma balance sheet of the Company following completion of the Acquisitions and Capital Raising is set out in both the Independent Expert's Report and Schedule 1 of this Explanatory Memorandum.

8.3 Use of funds raised from the Capital Raising

The Company intends to apply funds raised pursuant to the Capital Raising (\$5,000,000) as per Table 5 below.

Table 5. Intended use of funds raised pursuant to the Capital Raising.

Use	Amount (\$)
Acquisition of new businesses and contractual payments	3,000,000
Working Capital and administration expenses	1,700,000
Expenses of the Capital Raising	300,000
Total	5,000,000

Note that the funds raised pursuant to the Capital Raising are not sufficient to assess or develop the Dizon Zambales or Masbate opportunities, and significant future capital raising will be required in order to assess these.

9. Proposed Directors - Resolutions 7-8

Upon completion of the Acquisitions, Mr George Sim and Mr Adrian Horbach, being members of the current board of Directors (**Board**), will resign and Attorney Antonio Gregoriano III and Attorney Helen Tiu will be appointed to the Board. Further details of the proposed Directors are set out below.

9.1 Antonio Victoriano Gregorio III

Antonio Victoriano Gregorio III is president of NiHAO Mineral Resources International Inc. and a director of Dizon Copper-Silver Mines Inc, which are both listed on the Philippines Stock Exchange.

Attorney Gregorio is a partner at Gregorio Law Offices and sits as director and officer of various public and private companies, including AGP Industrial Corporation, Lodestar Investment Holdings Corporation, Abacus Consolidated Resources and Holdings Inc, GNA Resources International Limited, Cuervo Far East Inc, and many other companies. He is also the president of Asiabest Group International Inc, and corporate secretary and assistant secretary and treasurer of Big Herald Link International Corp and of Tajima Yakiniku Inc.

Attorney Gregorio holds a Bachelor of Arts majoring in economics, a Bachelor of Science majoring in management engineering, and a Juris Doctor from Ateneo de Manila University.

9.2 Helen Tiu

Helen Tiu is an experienced company owner, director, treasurer and corporate secretary. She is currently the managing director, treasurer and corporate secretary of Lazaro Bernardo Tiu and Associates Inc. in the Philippines, the owner and manager of H.G. Tiu Law Offices, and a director of Stratpoint Technologies Inc. She is currently corporate secretary of PSi Technologies Holdings Inc. and a number of related companies, Philstar.com Holdings Inc, Philstar Global Corporation, and Igloo Supply Chain Philippines Inc. She is also currently assistant corporate secretary of Philstar Daily Inc, Pilipino Star Ngayon Inc. and Pilipino Star Printing Co Inc, and is a trustee of the Harvard Law School Alumni Association of the Philippines.

Attorney Tiu holds a Bachelor of Science in Business Administration and Accountancy and a Bachelor of Laws from the University of the Philippines, and a Masters degree in law from Harvard University. She is a Certified Public Accountant and a Member of the Philippine Bar.

10. Resolution 9—Change of Company name

Resolution 9 seeks Shareholder approval for the Company to change its name. Section 157 of the Corporations Act provides that a company may apply to change its name by the members of the company passing a special resolution to that effect.

It is proposed that the Company name be changed from 'Welcome Stranger Mining Limited' to 'NoA Mines Limited', with effect from the date of completion of the Transactions.

11. Details of the Philippines projects

11.1 San Marcelino tailings project

Dizon has the exclusive rehabilitation, processing and operational rights to the Tailings Dam. Pursuant to the Consulting Services Agreement, Dizon will appoint Redridge as its exclusive service provider to carry out these rights. Upon completion of the Sale Agreements, WSE will effectively own 100% of the shares in Redridge.

The Dizon Zambales copper silver gold tailings dam is located near San Marcelino in Zambales Province on the Philippines Island of Luzon (see Figure 2). Operating from 1979 to 1997, San Marcelino was then the largest copper, gold and silver mine in the Philippines. In 2004, the ASX-listed Medusa Mining Limited drilled 24 holes in this asset, estimating that the 110 Mt of tailings contains 1.38 Moz of gold, 132,000 t of copper and a significant amount of silver. The estimated contained value of these metals is over US\$3 billion, based on current commodity prices.

Pursuant to the Consulting Services Agreement, Dizon will obtain the required permits for the rehabilitation of this site while Redridge will be responsible for operating and fully funding development of the project.

11.2 Masbate project

Under the terms of the Masbate 13 SPA, WSE will acquire from Oregalore (a wholly owned subsidiary of NiHAO) 40% of the issued share capital of Masbate 13. Masbate 13 is the registered holder of the exploration licence in respect of the gold, copper prospect of the Mandaon tenement situated in the Municipality of Mandaon, Masbate Island, Philippines (see Figure 2), covering initially 16,129 hectares (the **Masbate Licence**) under its original Exploration Permit of 2008 and then excised to 8,357.3509 hectares under its current Exploration Permit EP-V-2008-005 (**First Renewal**) of 2011 that further defined the mineable areas in the subject mining tenement.

The Masbate prospect is an epithermal gold prospect on the Philippines island of Masbate. This highly prospective 8,000+ hectare property is directly south of the Philippines' largest gold mine, which currently produces 200,000 ounces of gold per annum.

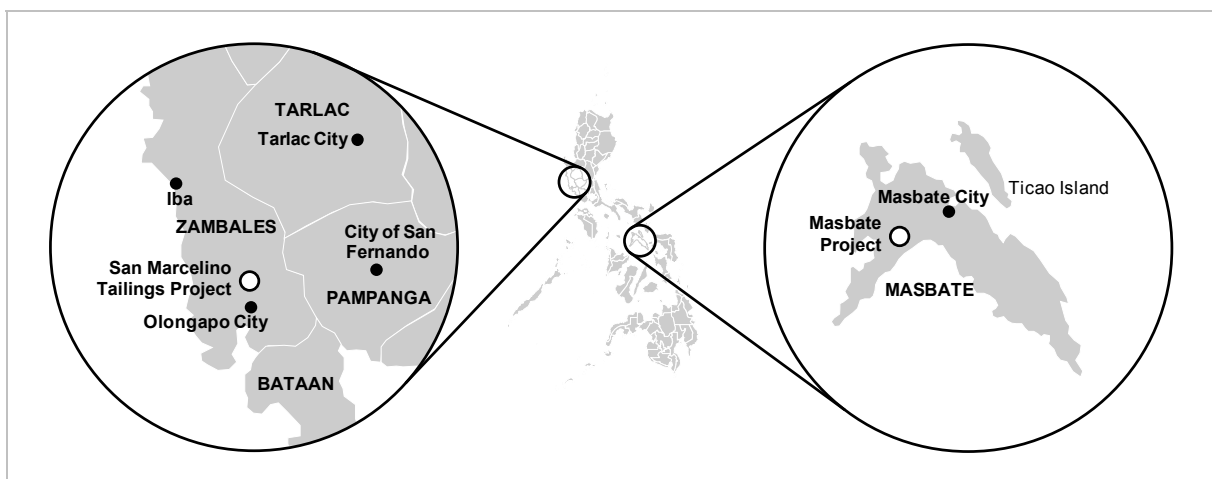


Figure 2. Upon completion of the Acquisitions, Welcome Stranger will own 100% of the San Marcelino Tailings Project and 40% (with an option to acquire an additional 40%) of the Masbate Project.

11.3 Further project details

Further details in relation to the projects referred to in Item 11.1 and 11.2 above are contained in the Independent Valuation Report attached as Annexure B.

11.4 Gold market

11.4.1 Overview

Throughout human history, gold has been one of the most highly prized of precious metals. Gold bullion is commonly employed as a hedge against inflation or other economic disruptions. Gold is also used extensively in jewellery and has important industrial applications in the fields of dentistry, electronics and medicine.

Over the last decade, the price of gold has increased more than five-fold against the US dollar. At the end of September 2012, it was trading at levels above US\$1700/oz. This increase has resulted from a shift in the role of gold as a commodity to its more traditional role as a currency, coupled with a long term decline in global production. The increasing interest in gold as a store of wealth by investors and central banks is being driven by the declining value of the US dollar, low interest rates and an uncertain global economic outlook.

11.4.2 Demand

The total demand for gold in 2010 is estimated at nearly 4,000 t, up 11% from 3,617 t in 2009. Demand for gold is widely dispersed around the world, with East Asia, the Indian subcontinent and the Middle East accounting for approximately 70% of world demand. Demand for gold falls into three main categories—jewellery, investment and industrial applications.

Jewellery consistently accounts for over two-thirds of global gold demand. In the 12 months to December 2009, the appetite for jewellery amounted to around US\$55 billion, making it one of the world's largest categories of consumer goods. Jewellery demand is driven by a combination of affordability and desirability by consumers. Demand tends to rise during periods of price stability or gradually rising prices, and decline in periods of price volatility. India is the largest consumer in volume terms, accounting for 27% of demand in 2009. Indian gold demand is supported by cultural and religious traditions, which are not directly linked to global economic trends.

Investment demand for gold has increased considerably in recent years, making it the strongest source of growth in demand for gold. In 2009 alone, investment attracted net inflows of approximately US\$41 billion.

Industrial, medical and dental technology accounts for around 12% of gold demand. Gold offers high thermal and electrical conductivity, along with outstanding resistance to corrosion. This explains why over half of all industrial demand arises from its use in electrical components. Gold's use in medical applications has a long history, reaching back to ancient Egypt. Today, various biomedical applications make use of its numerous attributes, including bio-compatibility as well as resistance to bacterial colonisation and corrosion. Recent research has uncovered a number of new practical uses for gold, including its function as a catalyst in fuel cells, as well as chemical processing and pollution control. The potential to use nanoparticles of gold in advanced electronics, glazing coatings and cancer treatments offers promising new areas of scientific research.

11.4.3 Supply

Gold is produced from mines on every inhabited continent. There are several hundred gold mines operating worldwide ranging in scale from minor to enormous. This does not include mining at the very small-scale, artisanal and often 'unofficial' level. Small scale mining is estimated to account for about one-quarter of world gold production. More than half the world's gold production comes from six countries—China, the USA, Australia, Russia, South Africa, and Peru. The overall level of global mine production has been relatively stable for the last few years, with new mines opening as old mines are exhausted.

Gold can be economically extracted from ores with grades as low as 0.5 g/t. Gold mining and extraction typically costs around US\$250/oz, although this can vary widely depending on ore quality and mining methods.

11.4.4 Recycled gold

While gold mine production is relatively inelastic, recycled gold ensures there is a potential source of easily-traded supply when needed. This helps to cater for an increase in demand and keep the gold price stable. The high value of gold makes recovery economically viable, as long as the precious metal is in a form that is capable of being extracted, melted down, re-refined and reused. Between 2005 and 2009, recycled gold contributed an average 32% to annual supply flows.

11.5 Copper market

Like gold, copper has been valued since ancient times for its beauty and utility. Today, copper is one of the world's most economically important metals. Given its ductility and very high thermal and electrical conductivity, it has a wide range of industrial uses, particularly as a conductor of heat and electricity, as a building material, and as a constituent of various metal alloys.

Current demand for copper is being driven by development in emerging markets, with China in particular now accounting for almost 40% of global consumption. Supply side constraints have pushed prices higher in recent years. At the end of August 2012, it was trading at levels above \$7500/t.

12. Risks—change of activities

Shareholders should be aware that if Resolutions 1-9 are approved, the Company will be changing the nature and scale of its activities to a minerals resources company, and will become subject to various risk factors that do not necessarily apply to the Company at present.

There are a number of risks and uncertainties, both specific to the Company and of a general nature, which may either individually or in combination, affect the future operating and financial performance and/or financial position of the Company, its prospects, and/or the value of the Shares. Many of the circumstances giving rise to these risks are beyond the control of the Company, its directors and management.

This section describes a non-exhaustive list of risk factors that the Company considers to be associated with the Acquisitions. Additional risks and uncertainties that the Company is unaware of, or that it currently does not consider to be material, may also become important factors that may have an adverse effect on the Company's future financial performance and financial position.

12.1 Risks relating to the change in nature and scale of activities

12.1.1 Re-quotations of Shares on ASX

As the Company has no recent involvement in the exploration and mining industry, the Transaction constitutes a significant change in the nature and scale of the Company's activities and the Company needs to comply with Chapters 1 and 2 of the ASX Listing Rules as if it were seeking admission to the official list of ASX. There is a risk that the Company may not be able to meet the requirements of ASX for re-quotations of its Shares on ASX. Should this occur, the Shares will not be able to be traded on ASX until such time as those requirements can be met, if at all.

12.1.2 Conditions precedent

The Acquisitions are to occur under the Sale and Purchase Agreements, which are subject to a number of conditions precedent as summarised in Section 6 of this Explanatory Memorandum. If these conditions are not satisfied or waived by the relevant due dates, the Acquisitions may not proceed.

12.2 Risks relating to Capital Gold and the Philippines assets

The operations in relation to the mining assets the subject of the Transactions are subject to a number of risks, including those listed below, which could materially and adversely affect the Company's business, results of operations and/or financial condition.

12.2.1 Exploration and production risks

The assets are at an early stage of evaluation. Their size, grade and potential for economic mineral extraction are still unknown and unproven. There is a risk that the more detailed studies and investigation may disprove assumptions or conclusions reached at this early stage of evaluation, may reveal additional challenges or complexities and may indicate that cost estimates are incorrect.

There has been insufficient exploration to define a Mineral Resource in respect of the projects and it is uncertain if further exploration will result in the determination of Mineral Resource. Further, estimating the quantity and quality of Mineral Resources is an inherently uncertain process.

The business of mineral exploration, project development and production involves inherent risks. Success depends on the successful exploration appraisal, design and construction of efficient recovery and processing facilities, competent operational and managerial performance, and efficient distribution and marketing services. Exploration is a speculative endeavour and production operations can be hampered by engineering difficulties, cost overruns, inconsistent recovery rates and other unforeseen events. The Company must proceed through a number of steps before making a final investment decision with respect to the proposed projects. There is a risk that the projects may not proceed, may be delayed or may cost more than expected.

The outcome of any proposed exploration, project development and production programs will affect the future performance of the Company and the price of its Shares.

If and when the Company commences production, the production may be curtailed or shut down for considerable periods of time owing to a range of factors such as disruptions to transport infrastructure, lack of market demand, government regulation, environmental concerns, production allocations or force majeure events. If these curtailments continue for a considerable period of time, they are likely to have a materially adverse effect on the operations and/or financial position of the Company.

12.2.2 Regulatory approvals

The Company requires ownership of or access to certain licences, permits and approvals to develop the Philippines assets. These permits will be applied for over the course of development of the assets. The Company does not own or have the rights to all of the permits required for the development of the assets. Further mining and environmental permits and approvals are required.

There are, or are expected to be, a number of conditions and regulatory requirements that the Company or Dizon, NiHAO or other third party contractors must satisfy with respect to each of the Mineral Processing Permit and the Masbate Licence and any other licences, permits and approvals required to be obtained. There is a risk that the Company may not be able to satisfy these conditions and requirements in respect of the Licences.

12.2.3 Operating risks

The future operations of the Company, including exploration, appraisal and possible production activities, may be adversely affected by a range of factors, including:

- (a) adverse geological conditions;
- (b) limitations on activities owing to seasonal weather patterns and cyclone activity;
- (c) unanticipated operational and technical difficulties encountered in seismic survey, drilling and production activities;

- (d) mechanical failure of operating plant and equipment;
- (e) industrial and environmental accidents, industrial disputes and other *force majeure* events;
- (f) unavailability of equipment required to undertake geological and geophysical investigations;
- (g) unavailability of, or inability to commercially develop or access, transport and other required infrastructure;
- (h) unavailability of, or inability to access, utilities such as power and water;
- (i) unexpected shortages or increases in the costs of labour, consumables, spare parts, plant and equipment; and
- (j) inability to obtain necessary consents or approvals.

12.2.4 Metals prices

The value of the assets to be acquired by the Company depends heavily on the prevailing demand and market prices for precious and base metals, particularly gold, copper and silver. A fall in the demand for or the market prices for any of these metals would result in a corresponding fall in the value of the Company. There are a number of factors which may affect the market for precious and base metals which are beyond the control of the Company, including general economic conditions, competition, transport and infrastructure costs and government regulation.

12.2.5 The Company operates in industries that are cyclical

Upon completion of the Acquisitions, the Company's revenues and earnings will be sensitive to the level of activity in a number of industries, but principally the mineral resources industry. These industries are sensitive to a number of factors outside of the Company's control, including general economic conditions. The Company is not able to predict the timing, extent and duration of the economic cycles in the global markets in which it operates. Because many of the Company's costs will be fixed, it may not readily be able to reduce its costs in proportion to the extent of an economic downturn. Any significant or extended downturn in the prices of mineral commodities will negatively affect the Company's revenues, profits and financial position.

12.2.6 Additional requirements for capital

The projects are at a pre-development stage. Depending on the Company's ability to generate income from its operations, the Company may require further financing in addition to amounts raised from the Capital Raising. Finance of \$100 million is likely to be required to fund capital and operational expenditure in respect of the San Marcelino tailings project. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back its expansion and development programs. If the Company is successful in meeting its initial objectives, then additional capital may be required to further develop its operations and pursue business opportunities.

12.3 General risks

12.3.1 Changes in government policy and laws

Changes in government policy (such as imposition of trade quotas or tariffs, or changes in tax laws) or statutory changes may adversely affect the Company's business and its operations.

12.3.2 General economic climate

The Company's ability to obtain funding for further development of the Philippines assets, financial performance and ability to execute its business plan will be impacted by a variety of general global economic,

political, social, stock markets and business conditions. The Company's future can be affected by factors beyond its control such as supply and demand for its goods and services, and general economic conditions.

12.3.3 Counterparty risk

As part of the Company's commercial activities, the Company will be a party to, and enter into, various contracts with third parties for the supply of products and services, sales contracts and financial instruments, amongst other things. An inability of counterparties to meet their commitments under such contracts may have an impact on the Company's financial position.

12.3.4 Reliance on key management

The responsibility of overseeing the day-to-day operations and strategic management of the Company depends substantially on its senior management and its key personnel. There can be no assurance given that there will be no detrimental impact on the Company if one or more of these employees cease their employment.

12.3.5 Dependence on key customers and supply relationships

The Company will rely on various key customer and supplier relationships in certain parts of its businesses. The loss or impairment of any of these relationships could have a material adverse effect on the Company's results of operations, financial condition and prospects, at least until alternative arrangements could be implemented. In some instances, however, alternative arrangements may not be available or may be less financially advantageous than the current arrangements.

12.3.6 Country risks

The projects are located in the Philippines. Operating in this jurisdiction may expose the Company to a range of country specific risks including general economic, regulatory, legal, social and political conditions. These and other country specific risk may affect the company's ability wholly or in part to operate its business as described in this Notice of Meeting and to obtain the required permits for development and operation of its assets.

Generally, investing in emerging markets such as the Philippines involves greater risk than investing in more developed markets, including in some cases significant legal, economic and political risks. Shareholders should note that emerging markets such as the Philippines are subject to rapid changes.

These risks and uncertainties include, but are not limited to, terrorism, hostage taking, military repression, extreme fluctuations in currency exchange rates, high rates of inflation, labour unrest, the risks of war or civil unrest, expropriation and nationalization, renegotiation or nullification of existing concessions, licences, permits and contracts, illegal mining, changes in taxation policies, restrictions on foreign exchange and repatriation and changing political conditions, currency controls and governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction.

Changes, if any, in mining or investment policies or shifts in political attitude in the Philippines may adversely affect the operations or profitability of the Company. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, foreign currency remittance, income taxes, expropriation of property, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety.

Failure to comply strictly with applicable laws, regulations and local practices relating to mineral rights applications and tenure, could result in loss, reduction or expropriation of entitlements, or the imposition of additional local or foreign parties as joint venture partners with carried or other interests.

Outcomes in courts in the Philippines may be less predictable than in Australia, which could affect the enforceability of contracts entered into by the Company or its subsidiaries in Philippines. The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on the operations or profitability of the Company. The Company has made its investment and strategic decisions based on the information currently available to the Directors, however should there be any material change in the political, economic, legal and social environments in the Philippines, the Directors may reassess investment decisions and commitments to assets in the Philippines.

12.3.7 Market conditions

There are general risks associated with any investment and the share market. The price of shares on ASX may rise or fall depending on a range of factors beyond the Company's control and which are unrelated to the Company's financial performance. These factors may include movements on international stock markets, interest rates and exchange rates, together with domestic and international economic conditions, inflation rates, investor perceptions, changes in government policy, commodity supply and demand, government taxation and royalties, war, global hostilities and acts of terrorism.

12.3.8 Liquidity risk

There is no guarantee that there will be an ongoing liquid market for the Company's Shares. Accordingly, there is a risk that, should the market for Shares become illiquid, Shareholders will be unable to realise their investment in the Company.

12.3.9 Potential acquisitions

As part of its business strategy, the Company may make acquisitions of, or significant investments in, complementary companies or prospects. Any such transactions will be accompanied by risks commonly encountered in making such acquisitions.

12.4 Investment speculative

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of its Shares. Therefore, the Shares carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares.

13. Relevant interests

13.1 Section 611 of the Corporations Act

Section 606 of the Corporations Act prohibits a person acquiring a relevant interest in issued voting shares in a company if, as a result of the acquisition, that person's or someone else's voting power in the company increases from less than 20% to more than 20%, or from a starting point that is above 20% and below 90%.

The voting power of a person in a body corporate is determined under Section 610 of the Corporations Act. The calculation of a person's voting power in a company involves determining the voting shares in the company in which the person and the person's associates have a relevant interest.

A person has a relevant interest in securities if they:

- (a) are the holder of the securities; or
- (b) have power to exercise, or control the exercise of, a right to vote attached to securities; or
- (c) have power to dispose of, or control the exercise of a power to dispose of, the securities.

It does not matter how remote the relevant interest is or how it arises. If two or more people can jointly exercise one of these powers, each of them is taken to have that power.

A person/company (**first person**) will be an 'associate' of the other person/company (**second person**) if:

- (a) the first person is controlled by the second person;
- (b) the first person controls the second person;
- (c) the first person is controlled by an entity that controls the second person;
- (d) the first person has entered or proposed to enter in a relevant agreement with the second person for the purposes of controlling or influencing the composition of the company's board or the conduct of the company's affairs; or
- (e) the second person is a person with whom the first person is acting, or proposing to act, in concert in relation to the company's affairs.

There are various exceptions to the prohibition in section 606, including under section 611 item 7 of the Corporations Act. Section 611 item 7 provides an exception to the prohibition in section 606, in circumstances where the shareholders of the company approve an acquisition of shares by virtue of an allotment or acquisition at a meeting at which no votes are cast by parties involved in the proposed acquisition, including their associates.

The Company has, subject to Shareholders granting their approval to Resolutions 1-9 and the satisfaction of gaining approval of ASX for reinstatement of its securities to quotation, agreed to allot the following Shares as consideration for the Transactions (the **Consideration Shares**):

- (a) 80,000,000 Shares (on a post-Consolidation basis) to the Capital Gold Vendors;
- (b) 90,000,000 Shares (on a post-Consolidation basis) to Dizon; and
- (c) 50,000,000 Shares (on a post-Consolidation basis) to Oregalore or its nominee.

The Capital Gold Vendors, Dizon and Oregalore are collectively referred to as the **Vendors**.

Some of the Capital Gold Vendors hold the shares in Capital Gold as bare trustee for a number of beneficiaries. These beneficiaries will be allocated their proportion of the Consideration Shares. None of the Vendors are substantial holders in the Company. The Company is seeking to rely on the exception in listing rule 10.12 Exception 6 in respect of this Resolution.

Each of the Vendors does not consider they will be associates once the Consideration Shares are issued and allotted and thus does not consider they will have a relevant interest in the Shares held by the other Vendors following settlement pursuant to the Transaction. However, shareholder approval under section 611 item 7 of the Corporations Act is sought pursuant to Resolution 5 because, at the time of settlement of the Transaction when the Consideration Shares are allotted and issued, the Vendors will be considered associates, and thus hold a relevant interest in each other's Shares, which will collectively exceed 20% of the issued capital of WSE.

A company is not required to obtain shareholder approval under Listing Rule 7.1 where shareholder approval is granted under item 7 of section 611 of the Corporations Act. Accordingly, shareholder approval to issue the Consideration Shares to the Vendors under Resolutions 3-5 is not required pursuant to Listing Rule 7.2 exception 16.

The following paragraphs set out information required to be provided to shareholders under ASIC Regulatory Guide 74. Shareholders are also referred to the Independent Expert’s Report prepared by Hall Chadwick attached to this Explanatory Memorandum.

13.2 Identity of persons who will hold a relevant interest in the Consideration Shares to be allotted

The identity of the acquirers are the Vendors as noted above who will, at the point in time of allotment and issue of the Consideration Shares that are the subject of Resolutions 3-5, have a relevant interest greater than 20% of the issued capital of WSE. Among the Vendors are Oregalore and Dizon which are companies registered in the Philippines.

Oregalore is as noted above a wholly owned subsidiary of NiHAO, a company registered in the Philippines. Oregalore was incorporated on June 29, 2011 and owns eighty percent (80%) of the outstanding capital stock of Masbate 13, which in turn holds the Masbate License.

Dizon is a Philippine listed mining company which has rights over the rehabilitation and recovery of minerals from the Tailings Dam. The Dizon mine which was operated as a 50:50 joint venture between Dizon and Benguet Consolidated, Inc. between 1979 to 1997, was the largest gold-copper mine operations in the Philippines during the 1980s. During the operation of this mine a total of 110 million tons of ore were mined, recovering 341,388 tons of copper, 3.2 million ounces of silver, and 1.9 million ounces of gold. A landslide caused by heavy rains destroyed mine infrastructures and, coupled with a collapse in copper prices, prompted closure of the mining operations in 1997. The mining operations produced a mill tailings dam with 110 million tons of material and at its deepest point reaches 126 meters.

13.2.1 Shares to which the allottees will be entitled immediately before and after the allotment.

As at the date of this Explanatory Memorandum, the Vendors do not have any entitlement to any other Shares. The table below sets out the percentage of voting power each Vendor will obtain as a result of the approval of Resolutions 3-5 and the issue of the Consideration Shares to the Vendors (on an undiluted basis).

Table 6 below shows voting power in the Company assuming:

- (a) the Consolidation has occurred;
- (b) the Transactions proceed to settlement in accordance with the terms of the Transactions;
- (c) the Company does not issue any additional Shares other than pursuant to the Transactions; and
- (d) the Vendors do not participate in the Capital Raising and do not acquire any Shares in the Company other than the Consideration Shares.

Table 6. The voting power of Dizon and NiHAO in the Company, assuming completion of the Consolidation and Transactions, no issue of additional Shares, and no participation by Dizon or NiHAO in the Capital Raising.

Vendor	Shares to be issued (post-Consolidation)	Total number of Shares	Vendor voting power in WSE (Pre-Capital Raising) (%)	Vendor voting power in WSE (Post-Capital Raising) (%)
Dizon	90,000,000	90,000,000	39.3	35.4
NiHAO	50,000,000	50,000,000	21.8	19.7

13.2.2 The identity, associations and qualifications of proposed directors

Other than the Proposed Directors (see Section 9), the Company does not intend to appoint any new directors.

13.2.3 Future intentions of acquirers for the Company

WSE understands that the Vendors:

- (a) have no intention of making any changes to the business of the Company beyond those described in this Explanatory Memorandum;
- (b) propose to inject further capital into the Company via the Capital Raising;
- (c) intend to retain the present employees of the Company;
- (d) do not propose that any property be transferred between the Company and the Vendors or any person associated with any of them; and
- (e) have no intention to otherwise re-deploy fixed assets of the Company.

13.2.4 Intentions regarding the financial or dividend policies of the Company

There is no present intention to change the Company's existing policies in relation to financial matters or dividends.

13.2.5 Are the allotments fair and reasonable?

The directors of the Company have commissioned Hall Chadwick to prepare a report on the question of whether the proposal is fair and reasonable to shareholders not associated with the Vendors. That report is attached to this Explanatory Memorandum. Shareholders are urged to read the Independent Expert's Report.

Hall Chadwick concludes the proposal is fair and reasonable to the non-associated shareholders of the Company.

13.2.6 Recommendations of Directors

All the Directors are considered independent for the purposes of Resolutions 1-9, as they do not have any personal interest in the outcome of that resolution as they have the same interest as other non-associated Shareholders to the extent that they, or companies associated with them, hold Shares.

The Directors are of the opinion that the proposed Transactions are in the best interests of WSE and its Shareholders and accordingly recommend Shareholders vote in favour of Resolutions 1-9.

The Directors unanimously recommend that you vote in favour of the Resolutions based on the following reasons:

- (a) The Directors have been actively seeking opportunities to return the Company to operation and enhance shareholder value. The Directors believe that the Acquisitions are such an opportunity.
- (b) The independent expert, Hall Chadwick, has determined that the Transactions are fair and reasonable to the non-associated Shareholders of the Company.
- (c) As a consequence of the change of activities to minerals resources developer, the Company will be in an industry with strong demand and a greater opportunity for growth than the prior business.
- (d) The new Directors joining the Company as a part of the Transactions, Roger Jackson, Antonio Gregorio and Helen Tiu, are well-experienced industry professionals, who have a proven track record in operating companies involved in minerals exploration and development.
- (e) If the Company does not proceed with the proposed Transactions, its cash reserves will continue to be eroded by on-going administrative and corporate costs.
- (f) The Company's securities have been suspended from trading on ASX as ASX has formed the view that the Company's current operations do not warrant the quotation of the Company's securities. If the

Transaction Resolutions are passed, the Company will seek to satisfy any conditions imposed by ASX to lift the suspension on the Company's shares from quotation on ASX.

(g) The Company needs to change and grow if it is to succeed as a listed company.

No votes can be cast on Resolutions 3-5 by the Vendors or any associates of those persons.

13.3 Plans for the Company if the Transactions do not proceed

If the Transactions do not complete, the Company will continue to look for an alternate transaction or acquisition to add value to the Company.

GLOSSARY OF TERMS

In this Explanatory Memorandum and the Notice of General Meeting, the following expressions have the following meanings:

\$ means an Australian dollar.

Acquisitions means the Transactions.

ASIC means the Australian Securities and Investments Commission.

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

Billabong means Billabong Capital Partners Pty Limited (ACN 145 496 233).

Board means the board of Directors as constituted from time to time.

Capital Gold means Capital Gold Pty Limited (ACN 139 082 358).

Capital Gold Vendors means the shareholders of Capital Gold.

Capital Raising means the capital raising by the Company to raise \$5,000,000 by way of a Prospectus that is the subject of Resolution 6.

Company means Welcome Stranger Mining Limited (ACN 007 670 386), to be renamed NoA Limited, subject to Resolution 9 being passed.

Conditions Precedent means the conditions that must be satisfied before completion of Transactions occurs, as set out in section 6.

Consideration Shares means 220,000,000 Shares, which are to be issued to the Vendors as consideration for the Acquisitions.

Consolidation means the one-for-20 consolidation of the issued capital of the Company that is the subject of Resolution 1.

Consulting Services Agreement means the agreement between Dizon and Redridge under which Redridge agrees to undertake the Rehabilitation Works and Auxiliary Operations at the Tailings Dam.

Constitution means the constitution of the Company.

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

Director means a director of the Company.

Dizon means Dizon Copper-Silver Mines Inc, a company incorporated under the laws of the Philippines (SEC number 30185).

Dizon SPA means the Sale and Purchase Agreement dated 31 December 2013 between Dizon and WSE for the purchase of 50% of the issued and unissued shares of Redridge.

Exploration Permit means Exploration Permit EP-V-2008-005.

General Meeting or **Meeting** means the general meeting of shareholders of WSE convened by this Notice.

Independent Expert's Report means the independent expert's report commissioned by the Directors and prepared by Hall Chadwick on whether Resolutions 3-5 are fair and reasonable to the non-associated shareholders of the Company, annexed to this Notice of Meeting as Annexure A.

Land means the land referred to in the Mineral Processing Permit Application.

Listing Rules means the listing rules of ASX.

Masbate 13 means Masbate 13 Philippines Inc, a subsidiary of NiHAO and the registered holder of the Masbate Licence.

Masbate Licence means the exploration licence in respect of the gold and copper prospect of the Mandaon tenement situated in the Municipality of Mandaon, Masbate Island, Philippines, covering initially 16,129 hectares under its original Exploration Permit of 2008 and then excised to 8,357.3509 hectares under its current Exploration Permit EP-V-2008-005 (First Renewal) of 2011 that further defined the mineable areas in the subject mining tenement.

Masbate 13 Shareholders Agreement means a shareholders agreement between WSE, Oregalore, Masbate 13, NiHAO any other shareholders of Masbate 13 Inc. in a form and on terms mutually agreed by all relevant parties (acting reasonably).

Memorandum means the memorandum issued by the Mines and Geosciences Bureau Central Office dated 28 January 2013 approving the Work Program.

Mineral Processing Permit Application means the application for a Mineral Processing Permit for the Tailings Project dated 25 October 2012 submitted by Dizon to the Mine and Geosciences Bureau, Department of Environment and Natural Resources, Regional Office No. 3, San Fernando City, Pampanga, Philippines.

NiHAO means NiHAO Mineral Resources International Inc, a company incorporated under the laws of the Philippines (SEC number 62323).

Notice or **Notice of General Meeting** means the notice of general meeting that accompanies this Explanatory Memorandum.

Official List means the Official List of ASX.

Oregalore means Oregalore Inc, a company registered in the Philippines and a wholly-owned subsidiary of NiHAO.

Proposed Directors mean the identified proposed Directors of the Company following completion of the Acquisitions as set out in Section 9.

Proxy Form means the proxy form accompanying this Notice of Meeting.

Resolution means a resolution referred to in the Notice of General Meeting.

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

Shareholder means a holder of Shares.

Sydney Time means time as observed in Sydney, New South Wales.

Tailings Dam means the Dizon Zambales copper-silver-gold tailings dam near San Marcelino in Zambales Province in the Philippines.

Tailings Rights means the exclusive rehabilitation, processing and operational rights to the Tailings Dam.

Transaction Documents means:

- (a) the Dizon SPA;
- (b) the Capital Gold SPA;
- (c) the Masbate 13 SPA;
- (d) the Masbate 13 Shareholders Agreement;
- (f) the Consulting Services Agreement.

Transaction Resolutions means Resolutions 1-9.

Transactions means the Capital Gold SPA, the Dizon SPA and the Masbate 13 SPA.

Vendors means the Capital Gold Vendors, Dizon and Oregalore.

WSE means the Company.

Work Program means the Work Program on the Environmental Mitigating Measures and Rehabilitation Plan submitted by Dizon to the Mine and Geosciences Bureau, Department of Environment and Natural Resources, Regional Office No. 3, San Fernando City, Pampanga, Philippines approved for implementation on 28 January 2013 by the Mines and Geosciences Bureau on 28 January 2013 and confirmed via certificate issued by the Mines and Geosciences Bureau by certificate dated 20 February 2013.

SCHEDULE 1

PRO-FORMA BALANCE SHEET POST ACQUISITIONS

PRO FORMA CONSOLIDATED BALANCE SHEET		
	WSE	Consolidated
	31 December 2013	Pro forma
	\$	\$
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	4,954	3,382,298
Other current assets	41,578	112,247
	<u>46,532</u>	<u>3,494,545</u>
<u>NON-CURRENT ASSETS</u>		
Mineral Properties	-	45,491,326
	<u>-</u>	<u>45,491,326</u>
TOTAL ASSETS	<u>46,532</u>	<u>48,985,871</u>
<u>CURRENT LIABILITIES</u>		
Trade and other payables	29,680	120,649
	<u>29,680</u>	<u>120,649</u>
TOTAL LIABILITIES	<u>29,680</u>	<u>120,649</u>
NET ASSETS	<u>16,852</u>	<u>48,865,222</u>

ANNEXURE A—INDEPENDENT EXPERT’S REPORT

9 April 2014

The Directors
Welcome Stranger Mining Limited
Floor 6 Suite 8
55 Miller Street
PYRMONT NSW 2009

Dear Sirs,

Independent Expert's Report on the Proposal to Acquire Mining Companies

1. INTRODUCTION

Background

- 1.1 Welcome Stranger Mining Limited ("WSE" or "the Company") previously operated as a secure payments system company and is now focused on becoming a mineral resources development company business. WSE is currently suspended from trading on the Australian Stock Exchange.
- 1.2 As previously announced to the ASX, WSE has entered into several agreements, pursuant to which it will acquire:
- (a) 50% of the issued and outstanding share capital of Redridge Resources Corp ("Redridge"), a new company to be incorporated and granted the exclusive rehabilitation, processing and operational rights in the Dizon Zambales copper silver gold tailings dam near San Marcelino in Zambales Province in the Philippines ("Dizon Tailing Project"), currently held by Dizon Copper-Silver Mines Inc. ("Dizon"); and
 - (b) All of the issued and outstanding capital of Capital Gold Pty Limited ("Capital Gold"), which on completion will own the remaining 50% of all the issued and outstanding capital of Redridge; and
 - (c) 40% of the issued and outstanding share capital of Masbate 13 Philippines Inc. ("Masbate 13") from Oregalore Inc. ("Oregalore"), a subsidiary of NiHAO Mineral Resources International Inc. ("NiHAO") and the registered holder of an exploration licence in respect of a gold and copper prospect of a tenement situated in the Municipality of Mandaon, Masbate Island, Philippines.
- 1.3 The proposed acquisitions detailed above are subject to shareholder and regulatory approvals as interdependent resolutions and are collectively referred to in this report as the "Transaction". We have also collectively referred to the above

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firms

interests being acquired by WSE as the “Target Companies”.

- 1.4 The Directors of WSE advise that the acquisition of the Target Companies will return the Company to business operations and remove its suspension from listing which should enhance shareholder value.
- 1.5 The proposed Transaction involves the acquisition of the Target Companies, with the consideration comprising both cash and shares in WSE. A capital raising of up to \$5 million through the issue of 25 million shares is also proposed as a condition of the Transaction and an interdependent resolution to be put to shareholders. Prior to the issue of the shares and options, WSE plans to conduct a 1-for-20 consolidation of existing shares.

Purpose of Report

- 1.6 You have requested Hall Chadwick Corporate (NSW) Limited (“HCC”) to prepare an Independent Expert’s Report to advise the shareholders of WSE other than those associated with the proposed issue of WSE shares to the shareholders of the Target Companies (“Non-Associated Shareholders”), whether the proposed Transaction is fair and reasonable when considered in the context of the interests of Non-Associated Shareholders and to set out the reasons for our conclusions.
- 1.7 HCC understands and has agreed that this report will accompany the notice to convene a meeting of WSE shareholders, to assist the Non-Associated Shareholders in their consideration of the proposed Transaction.

Opinion

- 1.8 In our opinion, the proposed Transaction is fair and reasonable to the Non-Associated Shareholders of WSE.
- 1.9 The ultimate decision however on whether to accept the proposed Transaction should be based on shareholders own assessment of their circumstances.

2. OUTLINE OF THE PROPOSED TRANSACTION

- 2.1 The proposed Transaction involves the Company's acquisition of the Target Companies for the following Consideration:
- (a) The current shareholders of Capital Gold shall receive 80 million Shares in WSE (post-Consolidation) for 100% of Capital Gold;
 - (b) Dizon shall receive 90 million Shares in WSE (post-Consolidation) for 50% of Redridge; and
 - (c) Oregalore shall receive 50 million Shares in WSE (post-Consolidation) plus US\$250,000 cash consideration for 40% of Masbate 13.
- 2.2 The agreement to acquire Redridge also includes the payment to Dizon of US\$1,500,000 as reimbursement of Dizon's expenses for the upkeep and maintenance of the Tailings Dam. This payment will be made by WSE from the Capital Raising and is considered a cost of WSE entering into the transaction. Capital Gold will also assume responsibility for the payment of environmental fines or taxes in relation to or in connection with the Tailings Dam or Tailings Rights. These expenses are payable as and when tailings are cleaned and revenues commence, therefore they have been considered operating expenses of the Redridge business and not included in the consideration being paid by WSE for the Transaction.
- 2.3 The existing shareholders of the Target Companies that will receive WSE shares as part of the Transaction are referred to in this report as the "Vendors".
- 2.4 As a condition precedent to completion of the Transaction, the Company plans to raise capital to fund development of the newly acquired assets through the issue of a Prospectus to raise at least \$5 million by issuing 25 million new post-consolidation shares ("Capital Raising").
- 2.5 The following resolutions will be put to WSE shareholders relating to the proposed Transaction:
- a) *Resolution 1*: Consolidation of existing issued shares in WSE on a 1-for-20 basis;
 - b) *Resolution 2*: Approval of change of activities to a mineral resources development company;
 - c) *Resolution 3*: Acquisition of Capital Gold and the issue of 80 million post-consolidation shares to Capital Gold Vendors as consideration;
 - d) *Resolution 4*: Acquisition of 50% of Redridge and the issue of 90 million post-consolidation shares to Dizon as consideration;
 - e) *Resolution 5*: Acquisition of 40% of Masbate 13 and the issue of 50 million post-consolidation shares to Oregalore as part consideration;
 - f) *Resolution 6*: Raise capital of \$5 million by way of issue of 25 million post-consolidation shares at an issue price of at least \$0.20 each;
 - g) *Resolutions 7-8*: Election of Antonio Gregorio and Helen Tiu as directors of the Company;
 - h) *Resolution 9*: Change of company name to 'NoA Mines Limited'.
- 2.6 All of the above resolutions are dependent upon the passing of all other resolutions to be put to WSE shareholders.

2.7 The following tables show the effect on the share capital of WSE after the proposed Transaction and Capital Raising:

Effect on Ordinary Shares	Number of Shares
Ordinary shares currently on issue	<u>182,409,044</u>
Ordinary share post consolidation on 1-for-20 basis	9,120,453
Shares issued to acquire Target Companies	220,000,000
Shares issued pursuant to Capital Raising	<u>25,000,000</u>
Total ordinary shares on issue after proposed Transaction and related share issues	<u><u>254,120,453</u></u>

2.8 When the proposed Transaction is approved and completed, the Vendors will be entitled to an interest of 86.6% of WSE issued ordinary shares. The Company's existing shareholders interest will decrease from 100% to 3.6% assuming no existing shareholder takes up shares as part of the Capital Raising. The following table summarises the shareholdings and ownership structure in WSE following completion of the Transaction:

Party	Shares	Ownership
Original Shareholders	9,120,453	3.6%
Capital Gold	80,000,000	31.5%
Dizon	90,000,000	35.4%
Oregalore	50,000,000	19.7%
New shareholders after Capital Raising	<u>25,000,000</u>	9.8%
	254,120,453	

STRUCTURE OF REPORT

Our report is set out under the following headings:

3	PURPOSE OF REPORT
4	OPINION
5	BASIS OF EVALUATION
6	BACKGROUND
7	OVERVIEW OF TARGET COMPANIES
8	OVERVIEW OF WSE
9	VALUATION METHODOLOGIES
10	VALUE OF TARGET COMPANIES
11	VALUE OF WSE
12	ADVANTAGES AND DISADVANTAGES OF THE TRANSACTION
13	CONCLUSION AS TO FAIRNESS AND REASONABLENESS

APPENDICES

I	SOURCES OF INFORMATION
II	STATEMENT OF DECLARATION & QUALIFICATIONS
III	FINANCIAL SERVICES GUIDE

3 PURPOSE OF REPORT

- 3.1 The purpose of this report is to advise the Non-Associated Shareholders of WSE of the fairness and reasonableness of the proposed Transaction.
- 3.2 This report provides an opinion on whether or not the terms and conditions in relation to the proposed Transaction are fair and reasonable to the WSE shareholders whose votes are not to be disregarded in respect of the transaction (that is, the Non-Associated Shareholders).
- 3.3 The ultimate decision whether to accept the terms of the proposed Transaction should be based on each shareholders' assessment of their own circumstances, including their risk profile, liquidity preference, tax position and expectations as to value and future market conditions. If in doubt about the proposed Transaction or matters dealt with in this report, shareholders should seek independent professional advice.
- 3.4 For the proposed Transaction to be fair, the value of the Target Companies to be acquired must be equal to or greater than the value of the consideration, being cash and WSE shares. To be reasonable the shareholders must obtain an overall benefit if the transaction proceeds. In forming an opinion as to whether the proposed Transaction is fair and reasonable, the following factors have been considered:
- the underlying value of WSE shares to be issued and cash to be paid as consideration to the Vendors;
 - the underlying value of the Target Companies to be acquired by WSE;
 - the likely market price and liquidity of WSE shares if the proposed Transaction is not implemented;
 - the likelihood of an emergence of an alternative proposal that could realise better value for WSE Shareholders.
- 3.5 This report has been prepared to satisfy the requirements of the Corporations Act 2001 (Cth) ("Corporations Act") and the Australian Stock Exchange ("ASX") Listing Rules.

Corporations Act Requirements

- 3.6 If the proposed Transaction is approved, the shareholders of the Target Companies and their associates will be entitled to an 86.6% interest in the issued ordinary shares of WSE. Each of the Vendors does not consider they will be associates when the Consideration Shares are issued and allotted and thus does not consider they will have a relevant interest in the Shares held by the other Vendors following settlement pursuant to the Transaction. However, shareholder approval under section 611 item 7 of the Corporations Act is sought pursuant to Resolution 4 because, at the time of settlement of the Transaction when the Consideration Shares are allotted and issued, the Vendors will be considered associates due to their holdings in Capital Gold, and thus hold a relevant interest in each other's Shares, which will collectively exceed 20% of the issued capital of WSE. Capital Gold and Dizon vendors will also hold a greater than 20% interest in WSE on completion of the Transaction as detailed in section 2.11.

- 3.7 Section 606(1) of the Corporations Act states that a person must not acquire an interest in issued voting shares in a listed company if that person's or any other person's voting power increases to above 20%. Section 606(1) prohibits the Vendors from acquiring the shares in WSE under the proposed Transaction, unless one of the exemptions set out in Section 611 of the Corporations Act applies.
- 3.8 Item 7 of Section 611 of the Corporations Act exempts an acquisition that is approved by a resolution of shareholders of WSE passed at a general meeting as per Section 611. This is the exception which is being relied upon by the WSE shareholders. At the general meeting of WSE no votes will be allowed to be cast by those persons (or their associates) acquiring shares under the proposed Transaction (that is, the Vendors).
- 3.9 ASIC Regulatory Guide 74 "Acquisitions Agreed to by Shareholders" requires, amongst other things, that directors of a company need to provide shareholders with an analysis of whether a transaction is fair and reasonable, when considered in the context of the interests of the non-associated shareholders. Regulatory Guide 74 states that the directors may satisfy their obligation to provide this analysis by the independent directors commissioning an independent expert's report. The independent expert is required to state whether, in their opinion, the proposal is fair and reasonable having regard to the interests of non-associated shareholders and state the reasons for forming that opinion. This report provides such an opinion.

ASX Listing Rules

- 3.10 ASX Listing Rule 7.1 states that without the approval of holders of ordinary shares, an entity must not issue or agree to issue more equity securities than the number calculated according to the following formula:

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

Where:

A = The number of fully paid ordinary securities on issue 12 months prior to the date of agreement;

- Plus the number of fully paid ordinary securities issued under an exception in ASX Listing Rule 7.2,
- Plus the number of partly paid ordinary securities that become fully paid in the 12 months,
- Plus the number of fully paid ordinary securities that became fully paid in the 12 months with approval of holders of ordinary securities under ASX Listing Rule 7.1,
- Less the number of fully paid ordinary securities cancelled in the 12 months.

B = 15%

C = The number of equity securities issued or agreed to be issued in the 12 months before the date of the issue or agreement to issue but under an exception in ASX Listing Rule 7.2 or with approval under ASX Listing Rule 7.1.

- 3.11 The issue of ordinary securities under the proposed Transaction will result in an issue of WSE ordinary securities greater than allowed under the above formula. Accordingly,

under ASX Listing Rule 7.1 WSE must obtain approval from the holders of the ordinary shares.

- 3.12 ASX Listing Rule 11.1 sets out the requirements an entity must adhere to when undergoing a change to the nature or scale of their activities. The entity must provide the ASX with information regarding the change and its effect on the company's size, business activity and future potential earnings, and ensure approval is obtained from the shareholders to effect the change of activities. The proposed Transaction is such a change. ASX Listing Rule 11 does not specifically require the notice to include or be accompanied by a copy of an independent expert's report commenting on the issue.

4. OPINION

- 4.1 In our opinion, the proposed Transaction to acquire the Target Companies through the issue of WSE shares is fair and reasonable to the Non-Associated Shareholders of WSE.
- 4.2 Our opinion is based solely on information available as at the date of this report.
- 4.3 The principal factors that we have considered in forming our opinion are summarised below.

Fair

- 4.4 According to RG 111, for the proposed Transaction to be fair, the value of the Target Companies' shares being acquired must be equal to or greater than the value of the consideration, being WSE shares and cash. Our fairness assessment has been based on comparing the consideration offered by WSE to the value of the Target Companies shares being acquired by WSE. Since the Vendors of the Target Companies are acquiring control of WSE, our assessment of the value of WSE incorporates a premium for control.
- 4.4.1 Based on the analysis contained in section 10 of this report, the indicative value of the Target Companies is **\$45,861,702** using the market value approach, being the deemed market value of WSE shares issued of \$0.20 each plus the cash consideration totalling US\$1,750,000 (approximately AU\$1,861,702), as shown in the table below.

The issue price of the Capital Raising of \$0.20, being a condition of the Transaction, reflects a market value of the shares to be issued to the Target Company Vendors and together with the cash consideration represents the value at which independent parties are willing to invest in the Target Companies, as detailed further in section 10.

Valuation of Asset being acquired	Shares	Value
100% of Capital Gold	80,000,000	16,000,000
100% of Redridge (Dizon Tailing Project)	90,000,000	18,000,000
40% of Masbate 13	50,000,000	10,000,000
Cash Consideration to Oregalore (US\$250,000) ¹		265,957
Cash Consideration to Dizon (US\$1,500,000) ¹		1,595,745
	220,000,000	45,861,702

¹ US Dollar consideration has been converted into Australian dollars using the exchange rate at the date of this report of 1AUD:0.94USD.

- 4.4.2 Based on the analysis contained in section 11 of this report, the indicative value of the consideration being paid by WSE for the Target Companies is **\$19,021,702** as shown in the table below.

Valuation of Consideration to Vendors	Shares	Value
Capital Gold	80,000,000	6,240,000
Dizon	90,000,000	7,020,000
Oregalore	50,000,000	3,900,000
Cash Consideration to Oregalore		265,957
Cash Consideration to Dizon		1,595,745
	220,000,000	19,021,702

4.4.3 Based on the figures in the tables above, the value range attributed to Target Companies of **\$45,861,702** exceeds the value range of consideration being paid by WSE of **\$19,021,702**.

4.4.4 In order to assess whether the proposed Transaction is fair, we also need to compare the pre-transaction value of WSE shares on a control basis with the post-transaction value per share of WSE on a minority basis, as the existing Non-Associated Shareholders of WSE will lose control of the Company to the Vendors of the Target Companies after the Transaction. This is shown in the table below:

Pre-Transaction Control value per share (section 11.2.3)	\$ 0.078
Pre Transaction, post Consolidation shares on issue (section 2.10)	<u>9,120,453</u>
Control valuation of WSE pre-Transaction (section 11.2.2)	716,852
Value of Target Companies (as determined in section 10.4)	45,861,702
Cash Consideration to Oregalore	(265,957)
Cash Consideration to Dizon	(1,595,745)
Capital Raising	<u>5,000,000</u>
Post-Transaction Value	49,716,852
Post-Transaction shares on issue (section 2.10)	<u>254,120,453</u>
Post Transaction value per share on control basis	0.196
Minority discount	<u>20%</u>
Post-Transaction Valuation per share	\$ 0.157

4.5 In our opinion, the Transaction is **fair** based on:

- the value attributed to the Target Companies exceeds the value of the consideration paid by WSE; and
- the value of the WSE shares held by Non-Associated Shareholders increases as a result of the Transaction.

Reasonable

4.6 ASIC Regulatory Guide 111 states that a transaction is reasonable if:

- The proposed Transaction is fair; or
- Despite not being fair the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the close of the offer.

4.6.1 We have concluded that the proposed Transaction is reasonable. In forming our opinion we have considered the following relevant factors:

- Currently the Company holds only passive investments of uncertain value and given its limited capital, WSE will have difficulty in creating significant value under the existing business model. The proposed Transaction provides WSE Shareholders with an opportunity to become shareholders in a larger business.

- The proposed Transaction may provide an opportunity for WSE shareholders to experience growth in the value of shares based on the opportunity represented by the Target Companies.
- Completion of the Transaction will assist in enabling the Company to apply to the ASX to have its suspension of share trading removed and allow its shares to be traded on the ASX, subject to the Company meeting the requirements of Chapters 1 and 2 of the ASX Listing Rules.
- The Capital Raising, being a condition of the proposed Transaction, will assist in funding development of the newly acquired assets.
- The potential increase in market capitalisation of the Company following completion of the Transaction may lead to increased coverage from investment analysts, access to improved equity capital market opportunities and increased liquidity, which are not currently present.
- The WSE Board are of the opinion that the proposed Transaction is in the best interests of the Company's Shareholders to return the Company to operation and enhance shareholder value.
- We are unaware of any alternative proposal at the date of this report that would realise better value for WSE shareholders.
- The value of WSE shares, which are currently suspended from trading on the ASX, is unlikely to improve in the event the proposed Transaction is not approved. If the Company does not proceed with the proposed Transaction, its cash reserves will also continue to be eroded by on-going administrative and corporate costs

4.7 *Accordingly, in our opinion, the proposed Transaction is fair and reasonable to the Non-Associated Shareholders of WSE.*

5 BASIS OF EVALUATION

- 5.1 In our assessment of whether the proposed Transaction is fair and reasonable to WSE Non-Associated Shareholders, we have given due consideration to the Regulatory Guides issued by the ASIC, in particular, Regulatory Guide 74 “Acquisitions Agreed to by Shareholders”, Regulatory Guide 111 “Content of Experts Reports” and Regulatory Guide 112 “Independence of Experts Reports”.
- 5.2 ASIC Regulatory Guide 74 requires, amongst other things, that shareholders are provided with sufficient information to make an effective, informed decision on whether the proposed Transaction is fair and reasonable. Under Regulatory Guide 111, a transaction is “fair” if the value of the asset being acquired (in this case equity in the Target Companies) is equal to or greater than the value of the consideration being offered (in this case, WSE shares and cash). Additionally, under Regulatory Guide 111 an offer is “reasonable” if it is fair. It is possible for an offer to be reasonable despite being unfair. This would be after the expert considers that, based on non-financial factors, the shareholders should still approve the proposed Transaction in the absence of any alternative proposals.
- 5.3 Our report has compared the likely advantages and disadvantages to non-associated shareholders if the proposed Transaction is agreed to, with the advantages and disadvantages to those shareholders if it is not. Comparing the value of the shares to be acquired under the proposed Transaction and the value of the consideration to be paid is only one element of this assessment.
- 5.4 We have considered whether any shareholder will obtain a level of control in WSE as a result of the proposed Transaction. In the event that a change in control arises from the proposed transaction, proportionately greater benefits to non-associated shareholders must be demonstrated. In this case the Target Companies’ Vendors will obtain control of WSE and this issue needs to be considered in comparing the value received by Non-Associated Shareholders in comparison to the value being paid.
- 5.5 Normal valuation practice is to determine the fair market value of an asset assuming a counter party transaction between a willing and not anxious buyer and a willing but not anxious seller, clearly at arm’s length. We have adopted this approach in determining the market value of WSE and the Target Companies.
- 5.6 In evaluating the proposed Transaction, we have considered the value of the Target Companies being acquired and compared this to the amount of consideration to be paid through the issue of WSE shares and the payment of cash. We consider that the proposed Transaction will be fair and reasonable if, on balance, the Non-Associated Shareholders in WSE will be better off if the proposed Transaction is approved. We will also consider the Non-Associated Shareholder’s interests should the proposed Transaction not proceed.

- 5.7 In our assessment of the proposed Transaction we have considered, in particular the following:
- The operational and financial position of WSE and the Target Companies;
 - The value of Target Companies, under various methodologies;
 - The value of WSE shares, under various methodologies;
 - Any control premium associated with the proposed Transaction;
 - The advantages and disadvantages associated with approving the Transaction;
 - Share trading history of WSE shares;
 - The likely value and liquidity of WSE shares in the absence of the acquisition;
 - Other qualitative and strategic issues associated with the proposed Transaction.
- 5.8 The documents and information relied on for the purpose of this valuation are set out in Appendix I. We have considered and relied upon this information and believe that the information provided is reliable, complete and not misleading and we have no reason to believe that material facts have been withheld. The information provided was evaluated through analysis, enquiry and review for the purpose of forming an opinion as to whether the proposed Transaction is fair and reasonable. However, in assignments such as this, time is limited and we do not warrant that our enquiries have identified or verified all of the matters which an audit or more extensive examination might disclose. None of these additional tasks have been undertaken.
- 5.9 We understand the accounting and other financial information that was provided to us has been prepared in accordance with generally accepted accounting principles.
- 5.10 An important part of the information used in forming an opinion of the kind expressed in this report is the opinions and judgement of management. This type of information has also been evaluated through analysis, enquiry and review to the extent practical. However, it must be recognised that such information is not always capable of external verification or validation.
- 5.11 HCC are not the auditors of WSE or the Target Companies. We have analysed and reviewed information provided by the Directors and management of WSE and the Target Companies and made further enquiries where appropriate.
- 5.12 This report has been prepared after taking into consideration the current economic and market climate. We take no responsibility for events occurring after the date of this report which may impact upon this report or which may impact upon the assumptions referred to in the report.

6 BACKGROUND

- 6.1 WSE was established in 1967 and was officially listed on the ASX in February 1987 as a gold exploration business. The Company's securities have been suspended from trading on the ASX since August 2007 and WSE was placed into liquidation in July 2009. Following a deed of company arrangement being entered into in October 2010 and recapitalisation of the Company, the directors of WSE assessed the Company did not carry on a viable business and sought opportunities in other industries. Further information on the history of WSE business operations can be found at Section 8 of this report.
- 6.2 The agreements underlying the proposed Transaction are set out below:
- 6.2.1 **Agreement with Capital Gold:** On 31 December 2013, WSE entered into a Sale and Purchase Agreement with all of the shareholders of Capital Gold (Capital Gold Vendors) whereby WSE agreed to acquire all the issued and outstanding share capital of Capital Gold (Capital Gold Agreement). Under the terms of the Capital Gold Agreement the Company will acquire all the issued capital of Capital Gold and its interests in mining concessions and tailings deposits in the Philippines (the Assets) in consideration for the issue and allotment of 80,000,000 Shares on a post-Consolidation basis.
- 6.2.2 **Agreement with Dizon:** On 31 December 2013, WSE entered into a Sale and Purchase Agreement with Dizon, a company listed on the Philippines Stock Exchange ("Dizon SPA") pursuant to which Dizon must incorporate a new entity, Redridge, for the purposes of, among other things, performing the Rehabilitation Works and commercialising the Tailings Rights, being the exclusive rehabilitation, processing and operational rights to the Dizon Zambales copper-silver-gold tailings dam near San Marcelino in Zambales Province in the Philippines. After incorporation of Redridge, Capital Gold will subscribe for shares equal to 50% of all the issued and outstanding share capital of Redridge pursuant to the Subscription Agreement, and Dizon will transfer all of the issued and outstanding share capital of Redridge held by it, which will be the remaining 50% of all of this issued and outstanding share capital, to WSE. The result of the above is that:
- (a) Capital Gold will own 50% of Redridge. As consideration for the issue of these shares, Capital Gold must:
 - a) pay to Dizon US\$1,500,000; and
 - b) assume responsibility for the payment of environmental fines or taxes in relation to or in connection with the Tailings Dam or Tailings Rights in accordance with the Work Program.
 - (b) WSE will own 50% of Redridge, which shall be paid via the issue of 90 million shares in WSE to Dizon;
 - (c) WSE will own 100% of Capital Gold, which shall be paid via the issue of 80 million shares in WSE to Capital Gold Vendors;
- 6.2.3 **Agreement with Oregalore and NiHAO:** WSE has agreed to acquire from Oregalore (a wholly owned subsidiary of NiHAO which is a company listed on the Philippines Stock Exchange) 40% of the issued share capital of Masbate 13. Masbate 13 is the registered holder of the Exploration Permit in respect of the gold, copper prospect of a tenement situated in the Municipality of Mandaon, Masbate Island, Philippines, presently covering 8,357.3509 hectares. The Masbate 13 SPA was formally executed and exchanged by the

parties on 31 December 2012 and amended on 31 December 2013. The parties to the NiHAO Agreement have agreed that:

- (a) WSE shall acquire 40% of the issued share capital of Masbate 13 in consideration for which Oregalore shall receive 50 million shares in WSE at an indicative listing market value of \$0.20 per share; and
- (b) WSE will pay to Oregalore cash consideration of US\$250,000.

6.3 **Consulting Services Agreement:** As a condition precedent to each of the Sale Agreements, Redridge and Dizon must enter into a consulting services agreement whereby Redridge is granted the exclusive rehabilitation, processing and operational rights to the Dizon Zambales copper silver gold tailings dam near San Marcelino in Zambales Province in the Philippines, including the rights to the proceeds of all minerals recovered during the rehabilitation process. Pursuant to this agreement:

- (a) Redridge is granted the exclusive rehabilitation, processing and operational rights to the Tailings Dam;
- (b) Redridge and Dizon will act together to raise the funds necessary to undertake the capital works required in order for the Rehabilitation Works to occur, and for the processing of minerals to begin;
- (c) if such funding cannot be raised within a specified period of time, which will not be less than 24 months after entry into the agreement, Redridge may elect to sell its interest in the Consulting Services Agreement or to terminate the agreement with no penalty;
- (d) Once sufficient capital is raised Redridge will have the responsibility to perform the Rehabilitation Work and the processing of the minerals;
- (e) Dizon will have sole responsibility for obtaining and maintaining relevant permits and authorisations required to enable Redridge to perform the Rehabilitation Work and the processing of the minerals;
- (f) Redridge will be responsible for all of the costs associated with the performance of the Rehabilitation Work and the processing of the minerals and will be entitled to keep all of the proceeds arising out of this work, other than the Royalty defined in paragraph (h) below;
- (g) Dizon will be entitled to a royalty of 2.5% of net smelter return (**Royalty**). Net Smelter Return (**NSR**) will be calculated from the gross receipts for the sale of any minerals recovered during a period less the expenses of recovering those minerals.

6.4 WSE is required to conduct the Capital Raising of at least \$5,000,000 as a precedent to the completion of each of the Capital Gold SPA, Dizon SPA and Masbate 13 SPA, and also for the purposes of achieving its business objectives and satisfying the requirements of the Listing Rules in relation to the re-listing of its securities. The Directors intend to prepare and lodge a prospectus to raise \$5,000,000 by way of the issue of Shares.

6.5 Further information on the Target Companies' business operations can be found at Section 7 of this report.

- 6.6 The Transaction is subject to, amongst other events, WSE obtaining all necessary regulatory and shareholder approvals in accordance with the Corporations Act 2001 (Australia), the ASX Listing Rules and WSE's constitution.
- 6.7 The ASX may determine that the Consideration Shares being issued pursuant to the Transaction will be classified as restricted securities for the purposes of the Listing Rules.
- 6.8 Upon completion of the Transaction, Tony Crimmins and Adrian Horbach, being members of the current board of Directors (Board), will resign and Attorney Antonio Gregoriano III and Attorney Helen Tiu will be appointed to the Board. Further details of the proposed Directors as provided by WSE are set out below.

Antonio Victoriano Gregorio III

Antonio Victoriano Gregorio III is president of NiHAO and a director of Dizon, which are both listed on the Philippines Stock Exchange. Attorney Gregorio is a partner at Gregorio Law Offices and sits as director and officer of various public and private companies. Attorney Gregorio holds a Bachelor of Arts majoring in economics, a Bachelor of Science majoring in management engineering, and a Juris Doctor from Ateneo de Manila University.

Helen Tiu

Helen Tiu is an experienced company owner, director, treasurer and corporate secretary. She is currently the managing director, treasurer and corporate secretary of Lazaro Bernardo Tiu and Associates Inc in the Philippines, the owner and manager of H.G. Tiu Law Offices, and a director of Stratpoint Technologies Inc. She is currently corporate secretary of PSi Technologies Holdings Inc and a number of related companies. Attorney Tiu holds a Bachelor of Science in Business Administration and Accountancy and a Bachelor of Laws from the University of the Philippines, and a Masters degree in law from Harvard University. She is a Certified Public Accountant and a Member of the Philippine Bar.

7. OVERVIEW OF TARGET COMPANIES

7.1 Market Overview

- 7.1.1 The mining assets owned by the Target Companies comprise predominantly gold and copper prospects. Gold is a valuable and highly sought-after precious metal for coinage, jewellery, and historically has been a basis for monetary policies. It also has important industrial applications in the fields of dentistry, electronics and medicine.
- 7.1.2 The total demand for gold in 2010 is estimated at nearly 4,000 t, up 11% from 3,617 t in 2009. Demand for gold is widely dispersed around the world, with East Asia, the Indian subcontinent and the Middle East accounting for approximately 70% of world demand. Demand for gold falls into three main categories—jewellery, investment and industrial applications.
- 7.1.3 Gold is produced from mines on every inhabited continent. There are several hundred gold mines operating worldwide ranging in scale from minor to enormous. More than half the world's gold production comes from six countries—China, USA, Australia, Russia, South Africa, and Peru. Gold can be economically extracted from ores with grades as low as 0.5 g/t.
- 7.1.4 Copper is also valued for both its beauty and utility and is one of the world's most economically important metals. Given its ductility and very high thermal and electrical conductivity, it has a wide range of industrial uses, particularly as a conductor of heat and electricity, as a building material, and as a constituent of various metal alloys.
- 7.1.5 Demand for copper is being driven by development in emerging markets, with China in particular now accounting for almost 40% of global consumption. Supply side constraints have pushed prices higher in recent years.

7.2 Dizon Tailing Project

- 7.2.1 Under the terms of the Dizon SPA, Redridge will be incorporated for the purposes of acquiring, amongst other things, the exclusive mining, processing and operational rights to the Dizon Zambales copper silver gold tailings dam near San Marcelino in Zambales Province in the Philippines ("Dizon Tailing Project"). Upon completion of the Transaction, WSE will own 100% of the shares in Redridge, being 50% directly and 50% through Capital Gold.
- 7.2.2 The Dizon Tailing Project is located near San Marcelino in Zambales Province on the Philippines Island of Luzon. Operating from 1979 to 1997, San Marcelino was then the largest copper, gold and silver mine in the Philippines.
- 7.2.3 Pursuant to the Consulting Services Agreement WSE will work with Dizon to obtain the required permits for the rehabilitation of this site. Once obtained, Redridge will be responsible for fully funding development of the project.

7.3 Masbate 13

- 7.3.1 Under the terms of the Masbate 13 SPA, WSE will acquire from Oregalore (a wholly owned subsidiary of NiHAO) 40% of the issued share capital of Masbate 13.
- 7.3.2 Masbate 13 is the registered holder of the exploration licence in respect of the gold, copper prospect of a tenement situated in the Municipality of Mandaon, Masbate Island, Philippines, covering initially 16,129 hectares (the Masbate Licence) under its original Exploration Permit of 2008 and then increased to 8,357.3509 hectares under its current Exploration Permit EP-V-2008-005 (First Renewal) of 2011 that further defined the mineable areas in the subject mining tenement.
- 7.3.3 The Masbate prospect is an epithermal gold prospect on the Philippines island of Masbate. This highly prospective 8,000+ hectare property is directly south of the Philippines' largest gold mine.

7.4 Financial Information

- 7.4.1 The Target Companies have not yet commenced trading as they are still in early stages of exploration. A profit and loss statement has therefore not been prepared.
- 7.4.2 Included in section 8.3 is an unaudited pro forma balance sheet assuming completion of the Transaction, which includes the assets and liabilities of the Target Companies consolidated with WSE.

8. OVERVIEW OF WSE

8.1 Corporate History

- 8.1.1 Incorporated in 1967, WSE was listed on the ASX in February 1987 as a gold exploration business. The Company's primary business changed in 2000 and it commenced operations as a provider of e-business billing and payment management solutions, with a corresponding change of name to Commsecure Limited.
- 8.1.2 The Company's securities have been suspended from trading on the ASX since August 2007, after substantial losses were incurred in the e-commerce industry for a number of years. Several attempts to revive the Company were unsuccessful and the directors placed the Company into liquidation in July 2009. A deed of company arrangement was entered into between the Company, its liquidator and Billabong Capital Partners Pty Limited to recapitalise the Company, which was approved by shareholders in October 2010. Liquidation procedures were terminated, directors replaced and the Company changed its name to Welcome Stranger Mining Limited.
- 8.1.3 Following the recapitalisation, the newly appointed directors of WSE assessed that the client did not have a viable business and sought opportunities.
- 8.1.4 WSE presently has minimal business activities. Following the deed of company arrangement in late 2010 WSE acquired several gold mining licences relating to tenements located in Queensland. In December 2011 WSE sold these licenses to Capital Gold for consideration of \$12,500, a royalty of 3% on future gold production revenues from tenements and three million shares in Capital Gold, representing 2.2% of its issued capital. At the time, Capital Gold intended to list on the Frankfurt Stock Exchange and had an implied value of \$756,000. We are advised Capital Gold has since abandoned plans for a Frankfurt listing due to changes in the market.

8.2 Capital Structure and Ownership

- 8.2.1 The issued capital of WSE comprises 182,409,044 fully paid ordinary shares. The Company does not have any outstanding options on issue.
- 8.2.2 The top four shareholders hold 54% of the issued capital of WSE, as set out in the table below:

Shareholder	Number of Shares	% of Capital Held
Sim George Calder + S E	28,333,334	15.53%
Sinbad P/L	28,333,333	15.53%
Crimmins, Anthony Stephen	28,333,333	15.53%
Moray Hldgs QLD P/L	14,000,000	7.68%
Total	106,500,000	54.27%

8.3 Financial Information

8.3.1 No audited or reviewed profit and loss statements have been prepared by WSE since its release from liquidation in October 2010 and prior results are not reflective of the current situation of the company. Therefore no Profit and Loss Statements have been included in this report.

8.3.2 Detailed below is an unaudited pro forma consolidated balance sheet as at 31 December 2013 of the Company following completion of the Transaction, including the acquisitions of the Target Companies and the Capital Raising:

PRO FORMA CONSOLIDATED BALANCE SHEET		
	WSE	Consolidated
	31 December 2013	Pro forma
	\$	\$
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	4,954	3,270,596
Other current assets	41,578	112,246
	46,532	3,382,842
<u>NON-CURRENT ASSETS</u>		
Mineral Properties	-	45,603,029
	-	45,603,029
TOTAL ASSETS	46,532	48,985,871
<u>CURRENT LIABILITIES</u>		
Trade and other payables	29,680	120,649
	29,680	120,649
TOTAL LIABILITIES	29,680	120,649
NET ASSETS	16,852	48,865,222

8.3.3 The pro-forma consolidated balance sheet for WSE set out above has been prepared by the Company on the assumptions that the following transactions and events occur:

- a) the issue of 220,000,000 fully paid ordinary shares (post Consolidation) at an issue price of \$0.20 per share (\$44,000,000) plus cash consideration of approximately \$265,957 (US\$250,000) to NiHAO and approximately \$1,595,745 (US\$1,500,000) to Dizon totalling \$45,861,702 to the Vendors, as consideration for the purchase of the Target Companies;
- b) The issue of a maximum of 25,000,000 fully paid ordinary shares at the minimum issue price of no less than \$0.20 per Share pursuant to the Capital Raising of up to \$5,000,000, before costs of the Offer.

9 VALUATION METHODOLOGIES

9.1 Selection of Methodology

9.1.1 In order to assess the fairness of the Transaction a value needs to be attributed to WSE shares and the Target Companies.

9.1.2 In assessing the value of WSE and the Target Companies we have considered a range of valuation methods. ASIC Regulatory Guide 111 *Content of Expert Reports* states that in valuing a company the expert should consider the following commonly used valuation methodologies:

- Capitalisation of Future Maintainable Earnings: the value of trading operations based on the capitalisation of future maintainable earnings;
- Market Value of Shares: the quoted price for listed securities in a liquid and active market;
- Discounted Cash Flow: the net present value of future cash flows;
- Realisation of Assets: the amount that would be available for distribution to security holders on an orderly realisation of assets;
- Comparable Market Transactions: the identification of comparable sale or market transactions.

We consider each of these valuation methodologies below.

9.1.3 *Capitalisation of Future Maintainable Earnings*

Under the earnings based valuation method, the value of the business is determined by capitalising the estimated future maintainable earnings of the business at an appropriate capitalisation rate or multiplier of earnings. The multiple is a coefficient, representing the risk that the business may not achieve projected earnings.

This method is appropriate in valuing a business when there is a history of earnings, the business is established and it is assumed the earnings are sufficiently stable to be indicative of ongoing earnings potential.

The capitalisation of earnings or future maintainable profits is the most frequently used method of valuing an ongoing and established business. This method of valuation is used in the majority of business valuations where there is a history of earnings, the business is established and is capable of having an almost infinite life. Under this methodology, a valuation is assessed by determining expected future earnings and capitalising the earnings at an appropriate earnings multiple, representing the required investor return.

This method is not considered appropriate for the valuation of the Target Companies as the assets held are not currently contributing to earnings and therefore they do not have any historical earnings on which to base a valuation.

We have assessed that it is not appropriate to value the business of WSE under the earnings approach using the capitalisation of future earnings method as WSE does not currently carry on any business to generate earnings on which to base a valuation.

9.1.4 *Market Value of Shares as Quoted on the ASX*

This method involves the valuation of an entity based on its actively traded equities, which represent the market capitalisation of the share capital of the entity, in a liquid and knowledgeable market.

If a quoted ordinary equity is traded in an active, liquid and knowledgeable market, then the market price of the quoted ordinary equity should represent the 'fair' market value of the quoted ordinary equity.

This method is not appropriate for the Target Companies, as their shares are not listed, and for WSE as its shares have been suspended from trading since August 2007.

9.1.5 *Discounted Cash Flow – Net Present Value*

Discounted cash flow valuations involve calculating the value of a business on the basis of the net cash flows that will be generated from the business over its life. The cash flows are discounted to reflect the time value of money and the risk involved with achieving the forecast cash flows. A terminal value at the end of the explicit forecast period is then determined and that value is also discounted back to the valuation date to give an overall value of the business.

Although the discounted cash flow approach relies on the availability of long-term earnings and cash flow forecasts, it is particularly suited to situations where cash flows are not stable or where significant cash outflows will be incurred prior to cash inflows being earned. The forecast period should be of such a length to enable the business to achieve a stabilised level of earnings, or to be reflective of an entire operational cycle for more cyclical industries.

The use of the discounted cash flow method is not appropriate for the Target Companies or WSE. The Target Companies have not prepared any long term forecasts on which to base a valuation as Directors at this stage are unable to provide reliable cash flow forecasts on which to base a valuation. WSE does not carry on any business activities which give rise to cash flows.

9.1.6 *Realisation of Assets*

The asset approach to value is based on the assumption that the value of all assets (tangible and intangible) less the value of all liabilities should equal the value of the entity.

This approach is generally not appropriate where assets are employed productively and are earning more than the cost of capital.

The notional realisation of assets is an appropriate valuation method for the assets of WSE, which comprise predominantly cash.

No JORC compliant independent expert valuations have been issued for the Target Companies assets as they are still at an early exploration phase and a mining valuation

would be subject to many varying assumptions. The realisation of assets is therefore not an appropriate valuation method for the Target Companies.

9.1.7 *Comparable Market Transactions*

This methodology involves the identification of comparable sale transactions for a similar industry company or business to that being valued.

The proposed capital raising by WSE of at least \$5,000,000 is one of the conditions precedent to the Transaction. We consider this capital raising provides a basis for the valuation of the Target Companies as the issue of shares from the Capital Raising reflects a market value of the shares to be issued to the Target Company Vendors, being the price at which independent parties are willing to invest in a merged entity comprising WSE and the Target Companies.

9.2 Premium for Control

9.2.1 When considering transactions involving a substantial equity holding of a company, it is appropriate to address whether a premium for control should attach to the Transaction. A premium for control is the difference between the price for each share that a buyer would be prepared to pay to obtain a controlling interest in a company and the price per share that would be required to purchase a share that does not carry with it a controlling interest. In most cases, the value of a controlling interest in the shares in a company significantly exceeds the listed market value of the shares. This reflects the fact that:

- a) the owner of a controlling interest in the shares in a company obtains access to all free cash flows of the company being acquired, which it would otherwise be unable to do as a minority shareholder;
- b) the controlling shareholder can direct the disposal of surplus assets and the redeployment of the proceeds;
- c) the controlling shareholder can control the appointment of directors, management policy and the strategic direction of the company;
- d) the entity taking over the company is often able to increase the value of the entity being acquired through synergies and/or rationalisation savings.

9.2.2 Empirical evidence suggests that the average premium for control (over and above the market price of the company's shares) in successful takeovers in Australia generally range between 20% and 35% above the listed market price of the target company's shares three months prior to the announcement of the bid (assuming no speculation of the takeover is reflected in the pre-bid price). However, the appropriate premium for control depends on the specific circumstances and, in particular, the level of synergy benefits able to be extracted by potential acquirers and the degree of confidence about the level and achievability of potential synergies and their timing.

9.2.3 Caution must be exercised in assessing the value of a company or business based on the market rating of comparable companies or businesses. The premium for control is an outcome of the valuation process, not a determinant of value. Premiums are paid for reasons that vary from case to case and may be substantial due to synergy or other benefits available to the acquirer. In other situations premiums may be minimal or even zero. It is inappropriate to apply a premium of 20-35% without having regard to the

circumstances of each case. In some situations there is no premium. There are transactions where no corporate buyer is prepared to pay a price in excess of the prices paid by institutional investors through a capital raising.

- 9.2.4 A shareholder or group of associated shareholders are deemed to influence a company when they have control of more than 20 per cent of the issued shares in a company. At this time a premium for control should normally be considered.
- 9.2.5 A premium for control is relevant to the Transaction, as it will result in the shareholders of the Target Companies owning approximately 86.6% of the issued capital in WSE. We have determined the change in the level of ownership is sufficient to consider a premium for control.
- 9.2.6 Our experience suggests the value of a listed company is between \$600,000 and \$800,000 depending on the subsequent regulatory requirements, including necessary compliance with ASX listing requirements. We have included the premium for control in valuing the Company's listing at \$700,000.

10 VALUE OF TARGET COMPANIES

10.1 General

- 10.1.1 This section sets out our assessment of the underlying value of the Target Companies. We have selected the Market Transactions methodology to apply values to the Target Companies as detailed in section 9.
- 10.1.2 Due to the early stage of exploration of all assets held by the Target Companies, and the fact that no JORC compliant resource based project valuations have been undertaken, no secondary valuation approach is appropriate for the Target Companies.

10.2 Valuation of the Target Companies based on the market transaction approach

- 10.2.1 The Capital Raising by WSE, being a condition precedent of the Transaction, is being conducted at an issue price of not less than \$0.20 per share to raise at least \$5,000,000. We consider this capital raising provides a basis for the valuation of the Target Companies as the issue of shares from these capital raisings reflects a market value of the shares to be issued to the Vendors, being the price at which independent parties are willing to invest in a merged entity comprising WSE and the Target Companies. As the Target Companies comprise almost all of the value of WSE post-Transaction this acts as a proxy to the share value.
- 10.2.2 Applying a value of \$0.20 per share to the 220,000,000 WSE shares being issued for the acquisition of the Target Companies would value these companies under the market value approach at **\$44,000,000** plus the cash consideration of approximately \$265,957 (US\$250,000) to NiHAO and approximately \$1,595,745 (US\$1,500,000) to Dizon.

10.3 Conclusion on value of the Target Companies

- 10.3.1 We conclude that the value of the Target Companies for the purpose of this report is **\$45,861,702**, being \$44,000,000 in WSE shares plus cash consideration of approximately \$265,957 (US\$250,000) to NiHAO and approximately \$1,595,745 (US\$1,500,000) to Dizon, as shown in the table below.

Valuation of Asset being acquired	WSE Shares	Market Value
100% of Capital Gold (holding 50% of Redridge)	80,000,000	16,000,000
50% of Redridge (Dizon Tailing Project)	90,000,000	18,000,000
40% of Masbate 13	50,000,000	10,000,000
Cash Consideration to Oregalore (Masbate 13)		265,957
Cash Consideration to Dizon (Redridge)		1,595,745
	220,000,000	\$ 45,861,702

- 10.3.2 We believe this valuation method is appropriate as the issue price of the shares from the Capital Raising reflects a market value of the shares to be issued to the Target Company Vendors and together with the cash consideration represents the value at which independent parties are willing to invest in the Target Companies.
- 10.3.3 As detailed at section 6.2.2, Redridge is being acquired through the issue of 90,000,000 WSE shares for 50% of its shares and Capital Gold paying to Dizon US\$1,500,000 for

50% of Redridge shares. The cash payment to Dizon could imply a value for 50% of Redridge, which would be equivalent to US\$3,000,000 for 100% of Redridge. However, as part of the acquisition of Redridge, Capital Gold must also assume responsibility for the payment of environmental fines or taxes in relation to or in connection with the Tailings Dam or Tailings Rights in accordance with the Work Program, which at this point is not capable of being fully quantified. Dizon will also be entitled to a royalty of 2.5% of net smelter return based on gross receipts for the sale of any minerals recovered during a period less the expenses of recovering those minerals, which can also not be fully quantified at this time. Although we do not believe it would be significant, any value attributed to this royalty entitlement would also increase the market value of the asset being acquired by WSE, which would also be reflected in the value of the WSE shares being issued as consideration.

- 10.3.4 Therefore as we are unable to quantify the effects of the above factors affecting the value of Redridge, we have based our valuation of Redridge on the deemed market value of the WSE shares plus cash consideration for the acquisition of 100% of Redridge.

11 VALUE OF WSE

11.1 General

11.1.1 This section sets out our assessment of the underlying value of WSE shareholdings.

11.1.2 We have selected the realisation of assets as the valuation methodology for WSE as detailed in section 9.

11.2 Realisation of Assets

11.2.1 As at 31 December 2013 the Company's net tangible assets totalled approximately \$16,852.

11.2.2 Our experience suggests the value of a listed company is between \$600,000 and \$800,000 depending on the subsequent regulatory requirements, including necessary compliance with ASX listing requirements. WSE is currently suspended from trading and must satisfy certain conditions prior to the ASX lifting its suspension. Allocating a value for the listed company shell of \$700,000 to represent a premium for control would increase the current net asset backing of WSE on a controlling interest basis as follows:

Net assets	16,852
Value of listing	<u>700,000</u>
Net realisation of assets	\$716,852

11.2.3 WSE currently has 182,409,044 ordinary shares on issue. Prior to the Transaction, the net asset backing per share is therefore \$0.0039 on a controlling interest basis before consolidation, or **\$0.078 per share** after the 1-for-20 consolidation.

11.2.4 A total of 220,000,000 Consideration Shares (post Consolidation) are being issued as part of the Transaction. We therefore have determined that the realisation of asset value of the WSE Shares to be issued as consideration to acquire the Target Companies Shares is **\$17,160,000** based on **\$0.078 per share**.

11.2.5 The above calculations are shown in the following table:

	Value (\$)	Shares on issue	Value per share	Value Post Consolidation
Net Assets	16,852			
Premium for control	<u>700,000</u>			
Value on control basis	716,852	182,409,044	0.0039	0.078
Consideration Shares				<u>220,000,000</u>
Value of Consideration Shares				17,160,000
Cash Consideration to NiHAO				265,957
Cash Consideration to Dizon				<u>1,595,745</u>
Total Consideration				\$19,021,702

11.2.6 In our opinion the value of the WSE consideration on a controlling basis prior to completion of the Transaction and after the share consolidation is **\$19,021,702**.

12 ADVANTAGES & DISADVANTAGES OF THE TRANSACTION

12.1 Approach to assessing Fairness and Reasonableness

HCC has followed the guidelines of ASIC Regulatory Guide 111 in assessing the fairness and reasonableness of the Transaction. In forming its conclusions in this report, HCC compared the advantages and disadvantages for Non-Associated Shareholders if the proposed Transaction proceeds.

12.2 Advantages of the Transaction

12.2.1 Currently the Company holds only passive investments of uncertain value and given its limited capital, WSE will have difficulty in creating significant value under the existing business model. The proposed Transaction provides WSE Shareholders with an opportunity to become shareholders in a larger business.

12.2.2 The proposed Transaction may provide an opportunity for WSE shareholders to experience growth in the value of shares based on the opportunity represented by the Target Companies.

12.2.3 Completion of the Transaction will assist in enabling the Company to apply to the ASX to have its suspension of share trading removed and allow its shares to be traded on the ASX, subject to the Company meeting the requirements of Chapters 1 and 2 of the ASX Listing Rules.

12.2.4 The Capital Raising, being a condition of the proposed Transaction, will assist in funding development of the newly acquired assets.

12.2.5 The potential increase in market capitalisation of the Company following completion of the Transaction may lead to increased coverage from investment analysts, access to improved equity capital market opportunities and increased liquidity, which are not currently present.

12.3 Disadvantages of the Transaction

12.3.1 There may be other opportunities WSE will not be able to undertake to realise the value of its listing if it accepts this proposed Transaction due to the controlling interest being obtained by the Target Companies Vendors.

12.3.2 There is no guarantee that the new business of the Company will success in generating significant value for WSE shareholders.

12.3.3 An opportunity may be lost to obtain a takeover premium for the Company's shares unless the Vendors sold their interest in WSE or ultimately subscribe for a 100% interest.

12.3.4 The Company will be changing the nature of its activities to a mineral resources development company, which has many associated risks and which may not be consistent

with the objectives of Shareholders and will reduce the possibility of alternative opportunities for the Company.

12.3.5 The Transaction will result in the substantial dilution of current shareholder's ownership percentages and reduce their control of the Company.

13 CONCLUSION AS TO FAIRNESS AND REASONABLENESS

13.1 Fairness

13.1.1 For the Transaction to be fair, the value of the Target Companies being acquired must be equal to or greater than the value of the consideration, being WSE shares and cash.

13.1.2 Based on the analysis contained in section 10 of this report, the indicative value of the Target Companies is **\$45,861,702**.

13.1.3 Based on the analysis contained in section 11 of this report, the indicative value of the consideration being paid by WSE for interests in the Target Companies is **\$19,021,702**.

13.1.4 We have also assessed that the post-transaction value per share of WSE on a minority basis exceeds the pre-transaction value of WSE shares on a control basis, as the existing Non-Associated Shareholders of WSE will lose control of the Company to the Vendors of the Target Companies after the Transaction. This is shown in the table below:

Control value per share (as determined in section 11.2.3)	\$ 0.078
Pre Transaction, post Consolidation shares on issue (section 2.10)	<u>9,120,453</u>
Control valuation of WSE pre-Transaction (section 11.2.2)	716,852
Value of Target Companies (as determined in section 10.4)	45,861,702
Cash Consideration to NiHAO	(265,957)
Cash Consideration to Dizon	(1,595,745)
Capital Raising	<u>5,000,000</u>
Post-Transaction Value	49,716,852
Post-Transaction shares on issue (section 2.10)	<u>254,120,453</u>
Post Transaction value per share on control basis	0.196
Minority discount	<u>20%</u>
Post-Transaction Valuation per share	\$ 0.157

13.1.5 In our opinion, the Transaction is **fair** based on:

- the value attributed to the Target Companies exceeds the value of the consideration paid by WSE; and
- the value of the WSE shares held by Non-Associated Shareholders increases as a result of the Transaction.

13.2 Reasonableness

ASIC Regulatory Guide 111 states that a transaction is reasonable if:

- The Transaction is fair; or
- Despite not being fair the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the close of the offer.

We have concluded that the Transaction is fair and therefore also reasonable. In forming our opinion we have also considered the following relevant factors.

- Currently the Company holds only passive investments of uncertain value and given its limited capital, WSE will have difficulty in creating significant value under the existing business model. The proposed Transaction provides WSE Shareholders with an opportunity to become shareholders in a larger business.
- The proposed Transaction may provide an opportunity for WSE shareholders to experience growth in the value of shares based on the opportunity represented by the Target Companies.
- Completion of the Transaction will assist in enabling the Company to apply to the ASX to have its suspension of share trading removed and allow its shares to be traded on the ASX, subject to the Company meeting the requirements of Chapters 1 and 2 of the ASX Listing Rules.
- The Capital Raising, being a condition of the proposed Transaction, will assist in funding development of the newly acquired assets.
- The WSE Board are of the opinion that the proposed Transaction is in the best interests of the Company's Shareholders to return the Company to operation and enhance shareholder value.
- We are unaware of any alternative proposal at the date of this report that would realise better value for WSE shareholders.
- The value of WSE shares, which are currently suspended from trading on the ASX, is unlikely to improve in the event the proposed Transaction is not approved. If the Company does not proceed with the proposed Transaction, its cash reserves will also continue to be eroded by on-going administrative and corporate costs

Having considered that the Transaction is fair, the potential of the Target Companies and the alternatives of not proceeding with the Transaction, in our opinion the Non-Associated Shareholders of WSE should benefit if the Transaction proceeds and therefore, in our opinion the Transaction is reasonable.

Yours faithfully
Hall Chadwick Corporate (NSW) Limited

DREW TOWNSEND



DAVID KENNEY



APPENDIX I - SOURCES OF INFORMATION

- Welcome Stranger Mining Limited Appendix 4C Quarter Reports lodged with the Australian Securities Exchange (ASX), for the quarterly periods ended 30 June 2010 through to 31 December 2013;
- Welcome Stranger Mining Limited Notice of General Meeting and Explanatory Memorandum;
- Capital Gold Sale and Purchase Agreement between the Company and the Capital Gold Vendors for the purchase by the Company of 100% of Capital Gold;
- Dizon Sale and Purchase Agreement between the Company and Dizon for the purchase by the Company of 50% of Redridge;
- Masbate 13 Sale and Purchase Agreement (and subsequent Deed of Amendment) between the Company, Oregalore and NiHAO for the purchase by the Company of 40% of Masbate 13;
- Welcome Stranger Mining Limited share registry details;
- Publicly available information on Welcome Stranger Mining Limited, including media releases, ASX announcements and websites;
- Historical corporate information and company announcements held on the Australian Securities Exchange website;
- S&P Capital IQ database;
- ASIC Regulatory Guide 74 'Acquisitions Agreed to by Shareholders';
- ASIC Regulatory Guide 111 'Content of Expert Reports';
- ASIC Regulatory Guide 112 'Independence of Expert's Reports';
- APES 225 'Valuation Services'.

APPENDIX II - STATEMENT OF DECLARATION & QUALIFICATIONS

Confirmation of Independence

Prior to accepting this engagement HCC determined its independence with respect to WSE and the Target Companies with reference to ASIC Regulatory Guide 112 (RG 112) titled "Independence of Expert's Reports". HCC considers that it meets the requirements of RG 112 and that it is independent of WSE and the Target Companies.

Also, we confirm we are not aware of any business relationship or financial interest of a material nature with WSE, its related parties or associates that would compromise our impartiality.

Mr Drew Townsend and Mr David Kenney, directors of Hall Chadwick Corporate (NSW) Limited, have prepared this report. Neither they nor any related entities of Hall Chadwick Corporate (NSW) Limited have any interest in the promotion of the Transaction nor will Hall Chadwick Corporate (NSW) Limited receive any benefits, other than normal professional fees, directly or indirectly, for or in connection with the preparation of this report. Our fee is not contingent upon the success or failure of the proposed transaction, and has been calculated with reference to time spent on the engagement at normal professional fee rates for work of this type. Accordingly, HCC does not have any pecuniary interests that could reasonably be regarded as being capable of affecting our ability to give an unbiased opinion under this engagement.

HCC provided a draft copy of this report to the Directors and management of WSE for their comment as to factual accuracy, as opposed to opinions, which are the responsibility of HCC alone. Changes made to this report, as a result of the review by the Directors and management of WSE have not changed the methodology or conclusions reached by HCC.

Reliance on Information

The statements and opinions given in this report are given in good faith and in the belief that such statements and opinions are not false or misleading. In the preparation of this report HCC has relied upon information provided on the basis it was reliable and accurate. HCC has no reason to believe that any information supplied to it was false or that any material information (that a reasonable person would expect to be disclosed) has been withheld from it. HCC evaluated the information provided to it by WSE, the Target Companies as well as other parties, through enquiry, analysis and review, and nothing has come to its attention to indicate the information provided was materially mis-stated or would not afford reasonable grounds upon which to base its report. Accordingly, we have taken no further steps to verify the accuracy, completeness or fairness of the data provided.

Our procedures and enquiries do not include verification work, nor constitute an audit or review in accordance with Australian Auditing Standards (AUS). HCC does not imply and it should not be construed that it has audited or in anyway verified any of the information provided to it, or that its enquiries could have verified any matter which a more extensive examination might disclose.

The sources of information that we relied upon are outlined in Appendix I of this report.

WSE has provided an indemnity to HCC for any claims arising out of any mis-statement or omission in any material or information provided by WSE to HCC in preparation of this report.

Qualifications

Hall Chadwick Corporate (NSW) Limited (“HCC”) carries on business at Level 40, 2 Park Street, Sydney NSW 2000. HCC holds Australian Financial Services Licence No. 227902 authorising it to provide financial product advice on securities to retail clients. HCC’s representatives are therefore qualified to provide this report.

Consent and Disclaimers

The preparation of this report has been undertaken at the request of the Directors of WSE. It also has regard to relevant ASIC Regulatory Guides. It is not intended that the report should be used for any other purpose than to accompany the Notice of General Meeting to be sent to WSE shareholders. In particular, it is not intended that this report should be used for any purpose other than as an expression of HCC’s opinion as to whether or not the proposed Transaction is fair and reasonable.

HCC consent to the issue of this report in the form and context in which it is included in the Notice of General Meeting to be sent to WSE shareholders.

Shareholders should read all documents issued by WSE that consider the proposed Transaction in its entirety, prior to proceeding with a decision. HCC had no involvement in the preparation of these documents, with the exception of our report.

This report has been prepared specifically for the Non Associated Shareholders of WSE. Neither HCC, nor any member or employee thereof undertakes responsibility to any person, other than an Non Associated Shareholder of WSE, in respect of this report, including any errors or omissions howsoever caused. This report is "General Advice" and does not take into account any person's particular investment objectives, financial situation and particular needs. Before making an investment decision based on this advice, you should consider, with or without the assistance of a securities advisor, whether it is appropriate to your particular investment needs, objectives and financial circumstances.

Our procedures and enquiries do not include verification work, nor constitute an audit or review in accordance with Australian Auditing Standards (AUS).

Our opinions are based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time. Furthermore, financial markets have been particularly volatile in recent times. Accordingly, if circumstances change significantly, subsequent to the issue of the report, our conclusions and opinions may differ from those stated herein. There is no requirement for HCC to update this report for information that may become available subsequent to this date.

APPENDIX III - FINANCIAL SERVICES GUIDE

Dated 9 April 2014

What is a Financial Services Guide (FSG)?

This FSG is designed to help you to decide whether to use any of the general financial product advice provided by Hall Chadwick Corporate (NSW) Limited ABN 28 080 462 488, Australian Financial Services Licence Number 227902 (HCC).

This FSG includes information about:

- HCC and how they can be contacted
- the services HCC is authorised to provide
- how HCC are paid
- any relevant associations or relationships of HCC
- how complaints are dealt with as well as information about internal and external dispute resolution systems and how you can access them; and
- the compensation arrangements that HCC has in place.

This FSG forms part of an Independent Expert's Report (Report) which has been prepared for inclusion in a disclosure document or, if you are offered a financial product for issue or sale, a Product Disclosure Statement (PDS). The purpose of the disclosure document or PDS is to help you make an informed decision in relation to a financial product. The contents of the disclosure document or PDS, as relevant, will include details such as the risks, benefits and costs of acquiring the particular financial product.

Financial services that HCC is authorised to provide

HCC holds an Australian Financial Services Licence, which authorises it to provide, amongst other services, financial product advice for securities and interests in managed investment schemes, including investor directed portfolio services, to retail clients.

We provide financial product advice when engaged to prepare a report in relation to a transaction relating to one of these types of finance products.

HCC's responsibility to you

HCC has been engaged by the independent directors of Welcome Stranger Mining Limited ("WSE" or the "Client") to provide general financial product advice in the form of a Report to be included in the Notice of Meeting (Document) prepared by WSE in relation to the proposed transaction to acquire equity interests in the Target Companies as defined in the report (the "Transaction").

You have not engaged HCC directly but have received a copy of the Report because you have been provided with a copy of the Document. HCC nor the employees of HCC are acting for any person other than the Client.

HCC is responsible and accountable to you for ensuring that there is a reasonable basis for the conclusions in the Report.

General Advice

As HCC has been engaged by the Client, the Report only contains general advice as it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of the general advice in the Report having regard to your circumstances before you act on the general advice contained in the Report.

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If you have a complaint, please let HCC know. Formal complaints should be sent in writing to:

The Complaints Officer
Hall Chadwick Corporate (NSW) Limited
GPO Box 3555
Sydney NSW 2001

If you have difficulty in putting your complaint in writing, please telephone the Complaints Officer, Drew Townsend, on 02 9263 2600 and he will assist you in documenting your complaint.

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Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly at:

Financial Ombudsman Service Limited
GPO Box 3, Melbourne Victoria 3001
Telephone: 1300 78 08 06
Facsimile (03) 9613 6399
Email: info@fos.org.au

The Australian Securities and Investments Commission also has a free call infoline on 1300 300 630 which you may use to obtain information about your rights.

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HCC has professional indemnity insurance cover as required by the Corporations Act 2001(Cth).

Contact Details

You may contact HCC at:
Hall Chadwick Corporate (NSW) Limited
GPO Box 3555
Sydney NSW 2001
Telephone: 02 9263 2600
Facsimile: 02 9263 2800

ANNEXURE B—VALUATION REPORT



MINNELEX PTY. LTD.

GEOLOGICAL CONSULTING SERVICES & VALUATIONS

ABN 99 096 513 276

R. C. W. Pyper
Principal, Minnelex Pty Ltd
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Pullenvale, Qld 4069
Ph/Fx 07 33742443 M 04-19661342

February 13, 2014
The Directors
Capital Gold Limited

INDEPENDENT VALUATION REPORT OF THE MASBATE PROJECT AND THE DIZON TAILINGS

At the request of Mr George Sim of Capital Gold Limited [Capital Gold], Minnelex Pty Ltd [Minnelex] has prepared an updated valuation of the Masbate Project and the Dizon Tailings to reflect the change in gold price since the last valuation on Nov 23, 2012. At that time the price of gold had held at around US\$1700 for several months, currently it is around \$1240, a 27% fall. The price of copper has only fallen slightly. The valuation is to accompany a Notice of Meeting for Welcome Stranger Mining Ltd to approve the reverse takeover of the company by Capital Gold Pty Ltd

The valuation has not checked the tenement status or the agreements with landholders and Native Title holders and information on Masbate was not complete at the time of this Draft Valuation.

The valuation is at the date of the report with an effective date of 13 February 2014 and reflects the value that the gold assets would change hands in an open and unrestricted market between a willing buyer and a willing seller in an "arm's length" transaction, with each party acting knowledgeably, prudently and without compulsion. The valuation may change after this date to variations in economic, market, legal or political factors, as well as to ongoing exploration.

The report concludes that the Masbate project currently has a preferred value of Au\$234,000 within a range of Au\$131,000 to Au\$339,000

The preferred value of the Dizon tailings is Au\$291 million (M) within a range of Au\$221 M and Au\$360 M

Minnelex and Robert Pyper have prepared a wide range of Independent Expert and Specialist's reports relating to the requirements of the ASX and ASIC. A list of Minnelex Independent Reports issued for valuation purposes is available. No site visits for the assessments has been carried out.

The Independent Report has used technical and economic data provided Capital Gold. The valuation does not provide an opinion as to share or corporate value but values the exploration tenements only.

The valuation has been carried out to be in accordance with the relevant requirements of the VALMIN Code of the AusIMM and the Australian Securities and Investments Commission [ASIC] Regulatory Guides, 111 and 112. The VALMIN Code sets out the principles and matters, which should be taken into account in preparation of an expert report concerned with mining assets. Regulatory Guide 111 provides guidance on how an expert can help security holders make informed decisions about transactions. Regulatory Guide 112 explains how ASIC interprets the requirement that

an expert is independent of the party that commissions the expert report (commissioning party) and other interested parties.

The report has been prepared by R C W Pyper, BSc. FAusIMM, GAICD. Consultant Geologist.

Yours faithfully

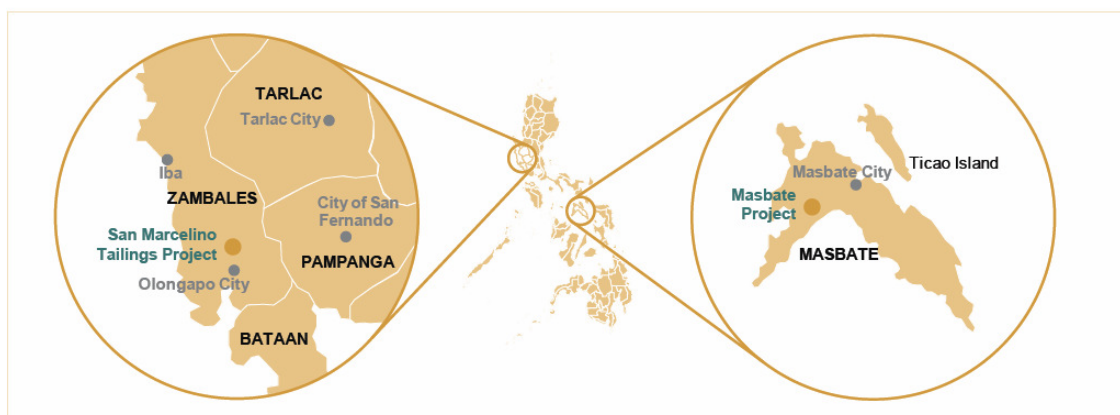
A handwritten signature in blue ink, reading "R C W Pyper". The signature is written in a cursive style with a large initial "R" and a long, sweeping underline.

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Introduction

Capital Gold Pty Limited is an early-stage Australian mineral resources company making a strategic entry into highly prospective gold and copper projects in both the Philippines and Australia. The company is currently undergoing a reverse takeover of Welcome Stranger Mining Limited (ASX code: WSE), through which it will plan to list on the Australian Securities Exchange.

Capital Gold has signed agreements two companies listed on the Philippines Stock Exchange (PSX), through which it has secured a major tailings project in the Philippines and 40% ownership of another project on Masbate Island. The company has also secured several tenements in Queensland.



MASBATE PROJECT

Introduction

Capital Gold has signed an MOU with NiHAO Mineral Resources International Inc (NiHAO) to acquire an initial 40% (with an option to acquire up to 80%) of an 8,000+ hectare epithermal gold prospect on the Philippines island of Masbate, in exchange for 50 million shares in WSE. The tenement EP-V-2008-005 exploration permit area, under the name of Masbate 13 Philippines, Inc., is directly south of the largest operating gold mine in the Philippines, operated by ASX-listed CGA Mining, which has recently agreed to a A\$1.08 billion takeover offer from Canada's B2Gold.

The EP, is situated within known gold district area of the region and is south of the Aroroy Masbate gold project of Filminera Resources, which is reported to have resources of 7.7 Moz and is the largest gold mine in the Philippines.

Several small scale miners are present within vicinity of the tenement and adjacent areas carrying out seasonal activities that included gold panning and high grade vein mining. The tenement is considered prospective for both epithermal gold and porphyry copper/gold deposits. Silicified zones in the area are generally mineralized and target for detailed mineral exploration. The anomalous mineral association of Cu, Pb, Zn, S and likewise As in a porphyritic alteration indicate marginal zone in a porphyry copper system.

Field work completed includes geological and geochemical sampling that covered approximately 70% of the tenement. The work included 60 stream sediment samples, 60 pan concentrates and 20 rock samples. The main purpose of this work is to validate all exploration information gathered in February 2012 and re-sampling by panning to verify the presence of gold fines as stated in the report. Lithologic mapping was carried out along the course of the river to initially delineate zones and general trends of

mineralization within tenement area. The sampling density and distribution of sampling sites was considered enough to represent the whole area at this early stage of mineral exploration.

Property

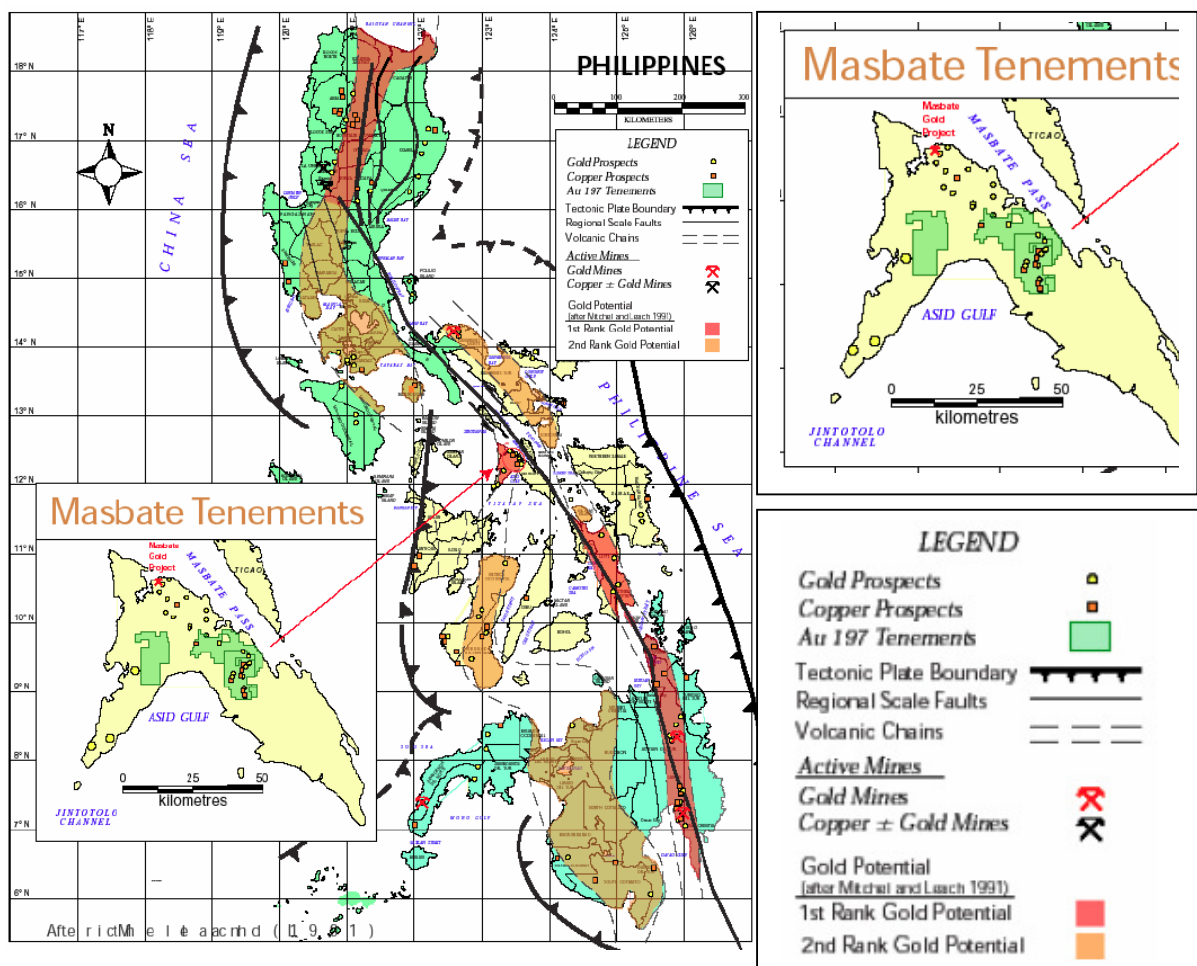
The EP referred to as Masbate 13 Philippines, Inc property, EP-V-2008-005 covers 16,129 hectares (161.29 sq km) and was granted on 1/12/11. It is located within municipal boundary of Mandaon and Milagros, Masbate, centered at 12° 15' 02" North Latitude and 123° 24' 14" East Longitude.

Location

The Island of Masbate can be reached by a 1-hour Manila-Masbate regular daily commercial flight either by AirPhilExpress or Zest Airways. Alternative routes include a car drive from Legaspi City in Albay to Port of Pilar, Sorsogon then a two and a half hour boat ride (fastcraft) or thru a four hours RORO boat ride to Masbate Port. The site is accessible from Masbate City via 1 hour vehicle ride through the well paved Masbate-Mandaon road. Mountain trails are available as primary access towards sample location sites along river channels and outcrops.

The area lies at the western portion of the island, just east-south-east of Mandaon town Proper and south west of gold-rich town of Aroroy. The highest elevation in the area is located northeast part of the explored area, Biluang Hill, which rises to 313 masl. Several topographic highs exceed 200 masl. Generally, Much of the area is pasture with scattered patches of coconut land and grassland. The area is generally devoid of forest but rather second growth vegetation.

The area is generally not accessible during rainy season. The access to the interior of the claim area during heavy rain is generally difficult.



Historical

Masbate Island is a known gold district and small-scale gold mining activities have continued for several centuries, particularly in the gold-rich town of Aroroy. Gold mining started during Spanish colonization and likewise entry of early Chinese miners. Significant development took place before World War I and until World War II, involving American and local companies. A joint exploration program was conducted by Mines and Geosciences Bureau (MGB) and Japan International Cooperation Agency (JICA) in 1986 covering the whole island of Masbate mainland. Activities include geological and geochemical exploration.

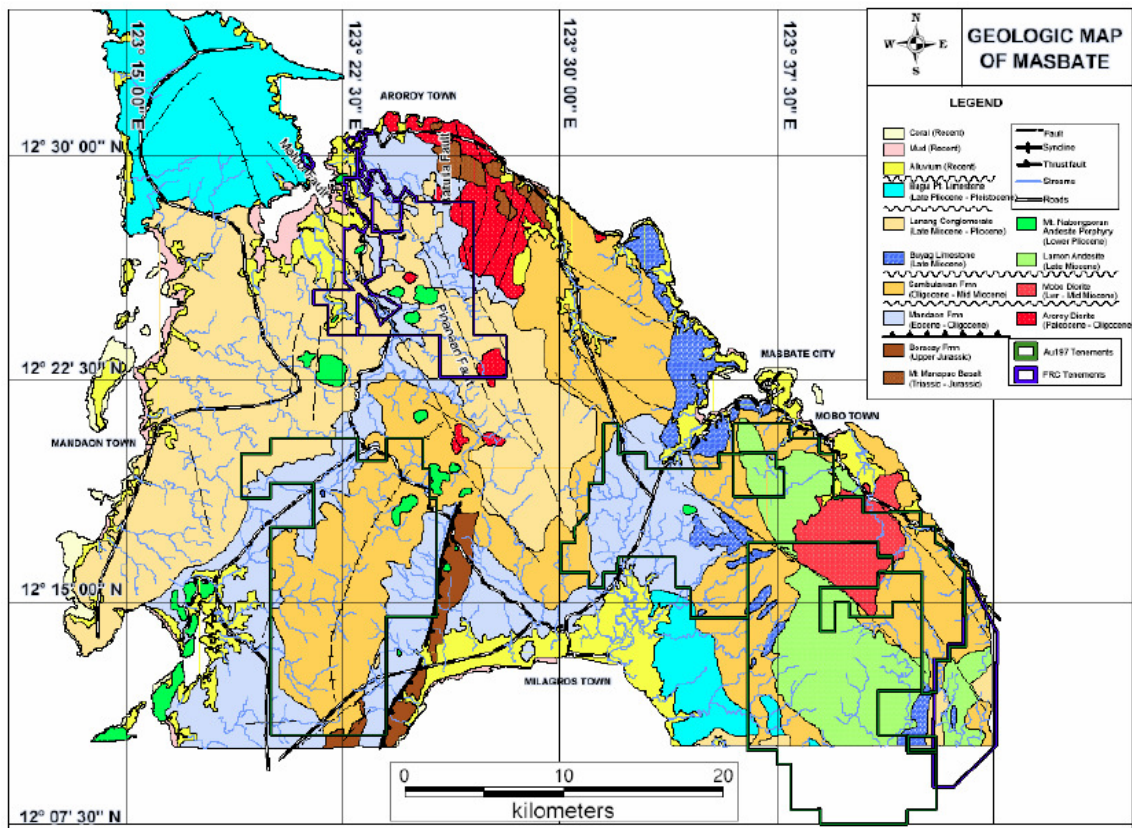
Ahadjie (2003) used 1985 JICA data to identify prospective areas in the northeastern portion of the property. These zones are near to the Pliocene Mt. Nabongsoran andesite porphyry intrusives, which are considered to be closely associated with mineralising solutions.

Recent work by Geograce and Vale Exploration Philippines, Inc. east of the property (at Barangay Cagay) revealed flat-lying tuffs over silicified rocks related to stream sediment arsenic anomalies that are potentially gold bearing. Thus, the large unit thought to be Early Miocene Sambulawan Formation in the EP may instead be similar younger tuff cover over a prospective horizon that could host epithermal and porphyry copper-gold deposits; a geological setting similar to that of the Silangan (Boyongan) copper/gold porphyry deposit in northern Mindanao (105 Mt at 0.98 g/t Au, 0.8% Cu).

Regional Geology

Masbate Island lies some 60km southwest of an active Miocene-Recent volcanic belt related to westward subduction along the Philippine Trench. There are no active volcanoes on the island except for the Pliocene volcanic plugs. The southwest limb of Masbate Island lies some 300km east of the southward continuation of the active Manila Trench, constituting a part of the Northeast Panay Physiographic Ridge.

The oldest rock units in Masbate Island are the pre-Cretaceous Mt. Manapao Basalt and Boracay Formation exposed together as a window representing deep marine volcanic flows and the corresponding pelagic capping of an ophiolitic basement, respectively. Unconformably overlying and the corresponding pelagic capping of an ophiolitic sequence is the Late Eocene-Oligocene Mandaon Formation which is intruded by the Middle Oligocene Aroroy Diorite. These units, in turn, are unconformably overlain by the Late Oligocene to Early Miocene Sambulawan Formation consisting of volcano-sedimentary facies (Lamon Andesite, Buyag Limestone, Lanang Conglomerate, Cawayan Clastics, and Mt. Nabongsoran Andesite Porphyry) which is intruded by the Middle Miocene Mobo Diorite. The Late-Miocene to Early-Pliocene Masbate Group unconformably overlain the Sambulawan Formation and is conformably overlaid by the Late-Pliocene to Early Pleistocene Bugui Point Limestone.



Local Geology and Mineralisation

The EP lies along a possible splay of the NNW-trending Philippine Fault. In Masbate, most of the productive gold-bearing structures parallel this fault. The major gold occurrence in this setting is the former Atlas Masbate Gold Operation (The project has a total measured and indicated resource base of 5.13M ounces of gold, total inferred resource base of 2.83M ounces of gold and a proven and probable reserve of 3.097M ounces of gold. 2012) located near the town of Aroroy, currently being operated by CGA Mining Limited of Australia. Other gold prospects such as Manamok, Tinago and Capsay are located north northeast of the Masbate tenements.

The geological model for the EP would be similar to the Masbate gold deposits. This mine is centred on a northwest-trending mineralised volcanic belt, 5–7km wide, which is bounded by two northwest-trending fault zones, the Pinanaan Fault to the east and the Malubi-Lanang-Balete Fault to the west. The volcanic belt occurs along the western flank of an earlier diorite intrusive. Gold is associated with the volcanic belt while copper is reported to occur within the diorite intrusive.

The principal host rock to the gold mineralisation is a fractured andesitic-dacitic, tuffaceous agglomerate. Mineralisation occurs in quartz veins within the agglomerate, and also within associated altered and quartz stockworked wall rocks and breccias. The gold is generally finely distributed, with a suggested grain size of 5–20 microns.

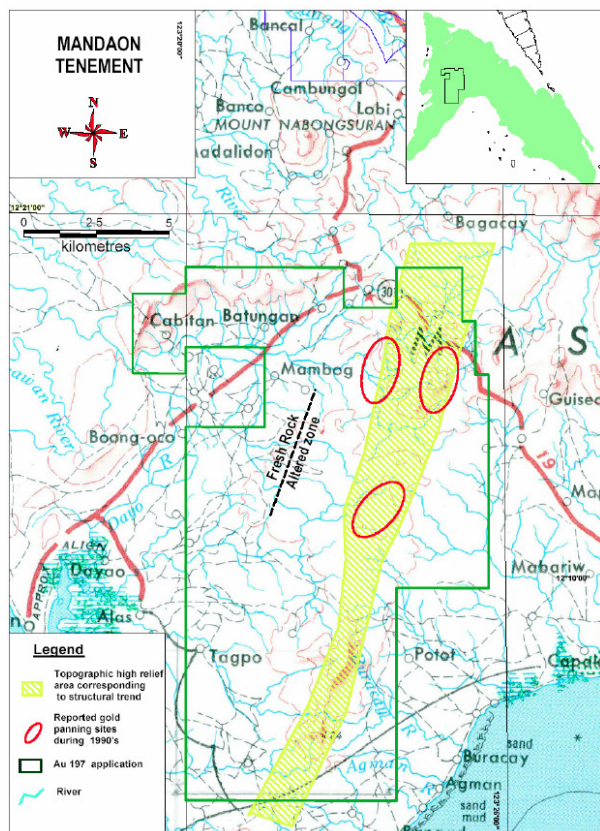
Recent field work

Recent field work concluded that:

1. Gold is hosted mainly by the andesitic pyroclastic flow and metavolcanics.
2. The anomalous values generally coincide with pyritic siliceous host rock.

Four lithologic units were encountered. Brgy. Bat-ongan (along Bat-ongan Creek) is dominantly covered by silicified andesite and associated limestone; Brgy. Cabitan (Palabanog Creek) is covered by Pyroclastic Flow (PF) materials and meta-volcanics. Brgy. Matiporon (Dogon Creek and Minoros Creek) has pyroclastic flows with silicified rocks float. Brgy. M.R Espinosa (Bicol Creek) is underlain by meta-volcanics and limestone float is present along the ridge.

Alteration noted comprised silicification, argillisation and propylitization. Highly silicified outcrops and boulders were observed along the ridge within Brgy. Bat-ongan. There was also andesite float with 2-3% fine disseminated pyrite, along Bat-ongan Creek.



Location of gold panning areas

The area is generally overlain by andesitic volcanic rocks and pyroclastic flow deposits which cover the northern, northeastern, and eastern portion of the tenement. Abundant boulders of silicified rocks were noted at the western and west-central portion of the area. The central portion of the tenement was dominated by bluish gray, altered rock with pyrite dissemination. Exposure of this rock type was mapped within boundary of Barangay Cabitan.

Gold panning activity occurs along river channels of Barangay M.R. Espinosa, Bat-ongan, Matiporon, and Cabitan during rainy season. Small-scale miners were encountered on quartz vein outcrops at Sitio Minoros, Brgy. Cabitan.

Gold was found in pan concentrates along Bat-ongan Creek, Brgy. Bat-ongan and along Palabanog Creek, Brgy. Cabitan. The stream sediments, pan concentrates and rock samples show indicated anomalous sulphide mineralization e.g., 242-476 ppm Cu, zinc up to 1.43% and lead to 320 ppm

Old mine workings of small scale miners with a depth of 10 to 15 m are present in Barangay Cabitan and Bat-ongan. Exposed rock units include altered volcanic rock with pyrite dissemination. This material is similar to the material being mined and processed by local miners in Aroroy area.

The northern and north-eastern portion of the claim area is overlain by andesitic volcanics. Outcrops of this lithology are evident along national road and Barangay M.R. Espinosa. It appears as dark blue to black, massive, andesite rock and pyroclastic flow deposit. Boulder sized silicified rocks were noted at the western section of the site and that commonly occupies ridges and peaks. The central and southern boundary of tenement is dominated by altered volcanic rocks with pyrite dissemination that was identified as the main gold bearing rock unit.

In 2012 some confirmatory work was carried out by Mereo Scienita Exploration Co., Inc who examined three earlier sampling sites and took heavy mineral concentrates, finding gold at all sites. Fifty kilograms of rock samples were collected in the area and processed using ball mill and mercury to estimate recoverable gold content. Based on information provided by the ball mill operator, the recovery was estimated to be between 0.2 grams to 0.3 grams per submitted sample or 4 – 6 g/t Au.

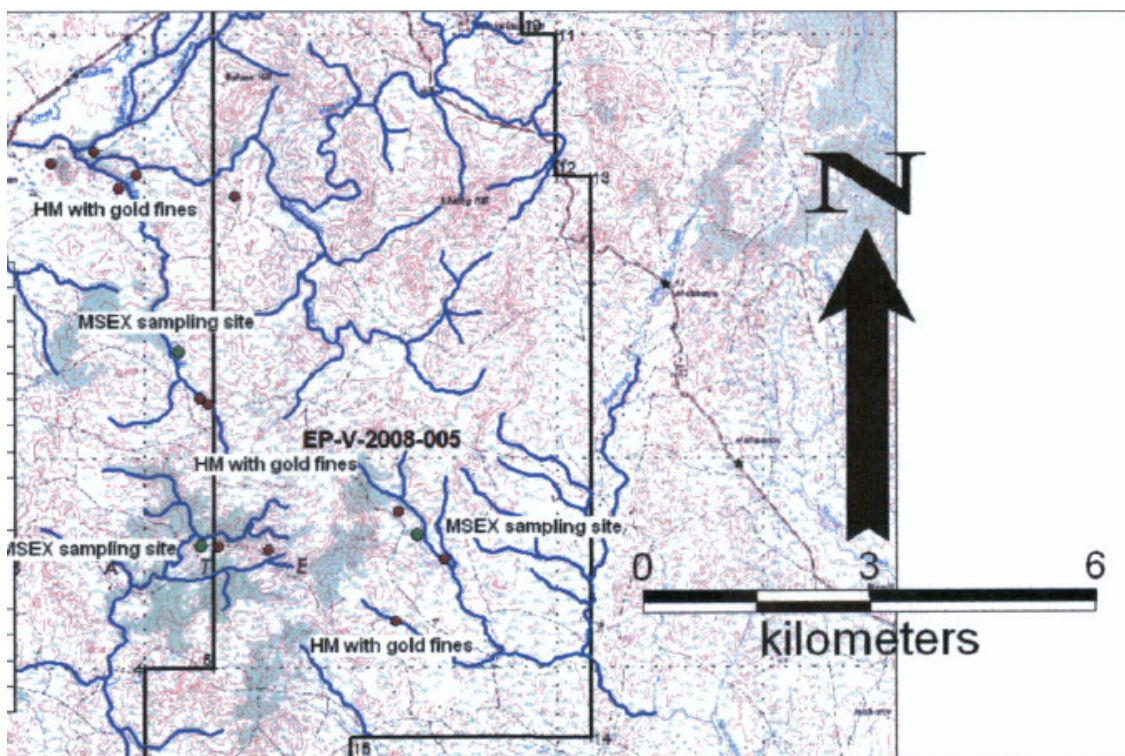


Figure showing re-sampled areas

Later field work in September 2012 identified two areas in which copper and gold assays indicated exploration potential:

Northern Anomaly

The anomaly is characterized by low-level gold and base-metal values in stream sediments samples possibly representing low-sulfidation epithermal vein system (s), the current target of small scale miners. Follow-up geologic mapping and limited sampling located rock chip gold values from 0.21 to 3.56 g/t, and anomalous copper with the more interesting results coming from the (Mas -5 and Mas - 10 and 11 tenements.)

Southern Anomaly

The initial heavy mineral pan concentrate samples reflect anomalous Cu values with coincident of As. Low order copper values were noted in some rock chip samples, which range from 51.45 to 1454.23 ppm Cu. Some highly fractured and argillised silicified pyritic outcrops contain anomalous gold ranging from 0.11 – 1.05 g/t Au and are probably associated with quartz-pyrite veining that may be associated with an intrusive; it warrants further work.

Valuation

The valuation in 2012 used the Geoscientific rating approach to quantify the various technical aspects of a property through the use of multipliers which are applied to a basic (or intrinsic) acquisition cost (BAC). The BAC is estimated to be similar to that in Australia and is assumed to be \$600/sq km. It is assumed that the entire area has similar prospectivity and on this assumption the value of the property is estimated to be between A\$200,000 and A\$580,000.

An alternative check of appraised value, assuming past useful expenditure of between A\$75,000 and A\$150,000 puts the value between A\$160,000 and A\$350,000.

Based on averaging the above methods the likely Value range of the project in 2012, which was in the early stages of exploration, was between Au\$180,000 and Au\$465,000 with a preferred value of Au\$320,000.

In 2014 the calculations have been reduced by 27% to reflect the current price of gold and the current preferred valuation is Au\$234,000 within a range of Au\$131,000 to Au\$339,000

Dizon Tailings Project

Introduction

Capital Gold has signed an MOU with Dizon Copper-Silver Mines Inc (Dizon) to set up a joint venture company to mine tailings from the San Marcelino mine on the Philippines Island of Luzon. Operating from 1979 to 1997, San Marcelino was then the largest copper, gold and silver mine in the Philippines. Mining operations were forced to stop in 1997 after a landslide caused by heavy rains destroyed mine infrastructure. In 2004, the ASX-listed Medusa Mining Limited drilled 24 holes in this asset, estimating that the 110 Mt of tailings contains 0.39 g/t Au and 0.07% Cu (1.38 Moz (million ounces) of gold, 77,000 t (tonnes) of copper and a significant amount of silver.

Capital Gold is currently working with Dizon to obtain the required mining and environmental permits. Once obtained, Capital Gold will establish a joint venture operational company through which it will own a 50% share in the project. Under the terms of the agreement, Dizon will also sell its 50% share of the JV into Welcome Stranger in exchange for 90,000,000 Shares.

Location

The Dizon Mine is located on the western flank of the southeastern Zambales volcanic range of Luzon Island and some 100 km directly north of Manila. The Dizon copper-gold deposit is on the eastern slope to Mt Pua and outcrops at the headwater of Pua Creek, which flows about one kilometre north to the westward flowing Bayarong River, which in turn flows into the Manpanuepe River valley.

The mine is approximately 120 km from Manila via a toll highway, the Zambales National Highway, to the town of San Marcelino, thence via a 30 km gravel road along the Magit ridge that is the southern ridge to the Manpanuepe River valley. Wharf and ship loading facilities are 36 km from the mine to the west by road at Olongapo.

The deposit outcrops between elevations of 260 m to 465 m above sea level (ASL), while the topography about the deposit ranges in elevation between 120 and 675 m ASL. The valleys are steep sided.

Historical

In the 1970s, exploratory drilling and sampling of the deposit was carried out from the underground workings to provide an historical reserve published in 1976 by Benguet Corporation. Mine planning and development was commenced on this reserve and metallurgical testwork was conducted in the USA. Within this reserve, higher grade material scheduled for mining comprised, 132 Mt at 0.387% Cu, 0.885 g/t Au & 2.0 g/t Ag using an unknown cut off grade for 0.511 Mt of contained copper and 3.76 Moz of contained gold.

No complete production record is available however the Dizon concentrator operated from 1980 to 1997 during which 110 Mt of ore from hardrock mining were treated. Tailings were disposed of in the Bayarona River and collected by building an earth fill wall at the river junction with the Manpanuepe River.

As a result of the Mt Pinatubo eruption in 1991, the Manpanuepe River valley was blocked at a point about 5 km downstream and west of the mine and tailings dam by mud flows along a valley entering the Manpanuepe River valley from the north, hence the Manpanuepe River valley behind the mud flow has been inundated with water that laps the base of the Dizon tails dam retaining wall.

Mining operations were forced to stop in 1997 after a landslide caused by heavy rains destroyed mine infrastructure.

Geology and Mineralisation

The geology was extracted by Independent Metallurgical laboratories from a report by T D Malihan of April 1997. The central part of the ore body is small steeply dipping quartz diorite porphyry intrusive, emplaced within highly altered volcanic rocks on the distal slope of a stratovolcanic complex. The upper half of the intrusive column has undergone intense quartz and clay alteration, brought about, perhaps partly, by the intrusive itself and partly by a later hydrothermal event that produced the extensive advanced argillic alteration. Ore grade mineralisation was found predominantly in the potassic alteration zone and to a lesser extent in the phyllic-argillic or sericite-clay chlorite assemblage.

A set of narrow WNW-trending late stage fault veins cut across the porphyry system, carrying varying amounts of sphalerite, galena, cinnabar, tetrahedrite-tennantite, stibnite and appreciable silver values. These veins probably account for most of the deleterious elements found in the Dizon ore (mercury, antimony, And arsenic) and have been correlated to the later hydrothermal events that may have been responsible for the widespread overprinting of the deposit by advanced argillic alteration zone.

Primary copper sulphide mineralisation consists predominantly of chalcopyrite with subordinate amounts of bornite, both of which are better developed within the quartz diorite stock than the surrounding volcanic rocks. Towards the central portion and the base of the deposit, bornite mineralisation shows a marked increase and locally is the predominant copper sulphide. Pyrite is ubiquitous and is commonly found in association with the copper sulphides.

Mineralogical examination and metallurgical testwork has shown the gold to be present as either discrete fine particles of free gold, generally less than 38 microns with a high percentage less than 12 microns, or occluded or otherwise attached to particles of quartz, calcite and sulphides.

In excess of 190 Mt of material was reported (1989) to remain unmined containing 0.746 g/t Au, 0.355% Cu and 2 g/t Ag. The figures are not JORC compliant but are of interest for comparing with the tailings grade and to confirm the likely tonnage of tailings. Recoveries were reported to range from 52% - 64% for gold and 76% - 82% for copper.

Impounded Tailings (Tonnage & Grades).

Mineral Resource and Ore Reserve estimates are not possible due to the work to date not having been conducted by Competent Person or to the standards required within the meaning ascribed to these terms by the JORC Code.

The single reason for the non JORC Code compliance is the age of the Dizon operations being prior JORC Code implementation and the current lack of documentation and verification of that documentation. However, public records of production by the DSCMI Benguet joint venture show the tailings discharged from the Dizon concentrator to be 110 Mt. Medusa and Bactech representatives who carried out the metallurgical studies in 2005 have sighted the tails impoundment, and their first pass estimation of the contained volume indicates a mass in the order of 100 Mt.

Anecdotal advice is that the tailings average 0.07% Cu and 0.34 g/t Au. Records for 12 of the 17 years of operation show the tailings to average 0.073% Cu, 0.35 g/t Au and 1.1 g/t Ag. During the latter half of the operations, the grade of gold and copper were reduced. Metallurgical samples obtained from drilling 20 holes confirm these approximate tailings grades.

Independent Metallurgical laboratories, 2005

In December 2004, Independent Metallurgical laboratories ("IML") in Perth, Western Australian received 807 kg of raw tailings from 12 drill holes that had been dispatched by Medusa Mining Ltd ("Medusa") and BacTech Mining Corporation. Eight of the drill holes were of 50 m depth and four were about 40 m depth. The tailings have a maximum depth of 125 m within a "V" shaped valley, where the top 50 m of material might reasonably account for half of the tailings volume. Hence, the cored samples probably represent material of no more than nine years of the 17 years of deposition, being possibly the period 1988 to 1997.

The samples were collected using a 30 mm diameter Denison tube that was driven into the tailings for down hole distance of 0.4 m before being withdrawn and split open to reveal the core tailings for collection. Holes were apparently sited to:

- (1) Intersect the tailings beaches resultant from the last two phases of deposition and which flow from east to west to north. The points of intersection are along the presumed general axis of the tailings flow to obtain samples (hopefully) representative of the preferential deposition of the tailings particles long the beach axis and across the axis.
- (2) Intersect the top portion of the original beach to deposition phase 1 both along and across the axis of flow.

The samples were logged by the geologist to record core recovery, discontinuities that may indicate a change of beach, such as colour differences that may be brought about by deposition of slimes, or grain size abruptly changing for smaller or larger, or composition of the particles such as silica, calcite, magnetite, etc

The proportion and type of sulphide particles within each metre of core recovered was noted and compiled as Group A, being that material laid down after 1991 volcanic eruption, and Group B, being that material laid down prior to 1991.

All but four of the twelve holes were drilled to their target depth of 50 m. Core recovery was 88% and the bulk density 2.19t/m^3 . Testwork to June 2005 was focused on characterising the raw tailings material as received and, through sighter tests, examining the potential to extract saleable products of gold dore, magnetite and a pyrite rich sulphide with copper values.

Pyrite was the most abundant sulphide at about 1.9% followed by chalcopyrite/bornite at about 0.17%. The gold head grade of the tailings varied between 0.19 g/t and 0.53 g/t Au with an average of 0.33 g/t Au.

Extraction of gold by gravity concentration (Knelson concentrator and Wilfley table) was found to be ineffective and the tailings were considered more suitable for carbon in leach (CIL) extraction for gold. Magnetic separation was considered to recover a possible saleable magnetite product.

Direct cyanidation of the raw tails provided the most promising means of gold extraction, measured not as the percentage recovery (average 68%), but as the portion of gold leached per tonne. The cyanide leachable gold reported from the sighter testwork program averaged 0.215 g/t Au from an average calculated head grade of 0.315 g/t Au (68.3%).

Calculated copper head grades averaged 0.07%. Copper extraction during cyanidation averaged only 28% as chalcopyrite is largely inert during cyanidation.

Tam Tran Centre Metallurgy, 2012

In late 2012, A suite of 8 flotation tailing samples collected from the Dizon project was subjected to a series of tests by the Tam Tran Centre for International Resource Development. The centre is located at the Chonnam National University, Gwangju – Korea. The tests were to determine the recovery of valuable components (Au, Cu and Ag) with a view to treat ~110 Mt of this material. This study was conducted to complement and confirm the earlier metallurgical findings reported by Miller and Mein for Medusa-BacTech (June 2005).

The objectives of this testwork program were:

- To determine the extent of oxides Cu and sulphide Cu and its leachability in sulphuric acid,
- To confirm the recovery of Cu and Au by flotation,

- To review further processes to recover Au and Cu,
- To provide an estimated cost for the treatment and recovery of Au and Cu,
- To provide an estimate of the value of the project.

Two materials were tested in this program:

- Sample 1 selected from the suite which had the highest gold assay (0.65 g/t Au and 0.14% Cu)
- Sample 2 as composite material of the 8 samples received, which assays 0.35 g/t Au and 0.07% Cu. This composite was prepared by mixing thoroughly equal amounts of each sample received.

The samples were subjected to flotation which, with the composite sample, recovered 56.7% of the gold and 65.2% of the copper. The gold is present as free gold and also in association with sulphide and with silica. Leach testwork returned unsatisfactory recoveries but indicated that most of the copper is in sulphidic form.

The Tam Tran Centre proposed processing of Dizon tailing is similar to that being used by Baja Mining to process the Cu-Co-Mn-Zn mixed oxide-sulphidic ores from El Boleo, Mexico (www.bajamining.com). The mining operating cost in this case is ~ US\$17/t and processing cost is ~ US\$21/t, totalling \$38.73. From this example Tam Tran estimated that the total capital cost for Dizon might be ~20 US\$/t of tailings that should yield an attractive NPV and IRR, however considerable additional work is required based on representative samples from re-drilling the tailings to confirm recovery, grades and resources and lead to the development of a hydrometallurgical flowsheet suitable for a Pre-Feasibility Study.

Recoveries from tailings treatment

Recoveries from tailings treatment are often in excess of 80%, e.g. Clifton Star Resources reports 83.5% gold recovery from Beattie tailings (**9 Mt, 0.6 g/t cut-off**) at Duparquet using a combination of conventional flotation, pressure oxidation and cyanidation. The tailings tests were from a sample that graded 1.18 g/t gold, and confirmed the viability of flotation, pressure oxidation and cyanidation.

The Nimbus tenements at Kalgoorlie include silver rich tailings where recoveries of between 88% and 91% were obtained.

Haoma Mining NL test results in its Bamboo Creek tailings recovered 95.9% of the gold and 29.9% of the silver using the Refined Elazac Extraction Method.

Valuation Methods for Dizon Tailings

Tram Tan Cash Flow Valuation Model of Tailings

A preliminary cash flow model by Tram Tran used the following parameters (US\$):

Revenue	Value of tailings.	\$20.7/t
Costs	High pressure monitoring	\$2.5/t
	Other costs including flotation	\$4.0/t

Depreciation 15%

Capital cost \$195M

Discount factor 10%

The revenue is made up of the following:

Gold. Head grade 0.65 g/t with 57% recovery.

Copper Head grade 0.07% Cu with 65% recovery.

Prices used were \$1,500/oz Au and \$6000/t Cu

The calculation gave a NPV of \$508 M.

At current prices \$1240/oz gold and \$7100/t copper the value per tonne of tailings is reduced to \$14.8

Value of copper is \$0.77 giving a value of \$15.6/t; a drop in value of 25%, indicating a much lower NPV, possibly around \$380 M or less. Assuming this is the maximum value the value range at 25% is \$228 M to \$304 M with a preferred value of \$380 M

In-ground metal value (Yardstick Method)

As a check, an alternative valuation could look at the insitu value of the gold and copper in 110 Mt of tailings. The Equivalent Value as a percent of the gross in-situ value of the contained JORC gold in small to medium cap companies mining hard rock deposits tends to be around \$50/oz for resources. Although the Dizon tails are not JORC compliant, past production figures combined with recent drilling indicate that final JORC compliance is unlikely to result in unpleasant surprises.

In-ground gold

As mining and treatment is relatively simple compared to the hardrock group the value per ounce should be considerably higher, possibly around 15% of the gold price (.15*\$1700 ~ \$265/oz). In 2014 this is .15 x 1240 = \$186/oz)

Total recoverable gold: 110 Mt x 0.37 g/t recovered = 1,300,000 oz.

Value 1.3M oz x 186/oz = \$242M. Assuming 25% accuracy this indicates a value range of \$180 - \$300 M

In-ground copper

For copper, the Equivalent Value as a percent of the gross in-situ value of the contained JORC copper in small to medium cap companies mining hard rock deposits averages around 6% of the contained copper but varies considerably below and above this figure. As mining and treatment of the Dizon tailings is relatively simple compared to the hardrock group an EV of 15% is again deemed acceptable.

Total recoverable copper: 110 Mt x .05% recoverable = 550 t.

Value 550t x \$7,000 = \$3.91 M. Assuming a 25% accuracy this indicates a value range of \$2.9 M to \$4.9 M

Total Value

The total value of the tailings using the Yardstick approach is approximately \$245.9 M within a range of \$182.9 M and \$304.9 M.

Comparative Transactions

Comparative transactions can be used to determine to estimate a likely range of values for a project if they are similar in nature. No closely similar projects are known however some idea of possible value can be obtained from other tailings projects.

Ymir project, BC Canada

Located in Ymir District, Nelson, British Columbia, Canada, Ymir has some 35,000 t of gold mine tailings for sale at \$499,000. Samples indicate: 1.4 g/t gold, 11.5 g/t silver, 1.8% zinc. If half the asking price was obtained and the deposit was ramped up to Dizon size it would indicate a value of \$0.7 billion.

Colorado

Tailings.

"The Compound" has approximately 1.3 – 2.0 Mt of gold tailings for sale for \$300 M implying the tailings are worth more than \$177/t or 3.1 g/t. Concentrates show the presence of PGM.

Albuquerque, NM- Lone Star Gold

Albuquerque, NM- Lone Star Gold announced on January 26, 2012, a Joint Venture Agreement with the specially formed Mexican subsidiary company, to process 1.2 Mt of mine tailings at the San

Antonio del Potrero mine tailings project. Lone Star acquired an undivided 65% interest. Beyond 6 months, the JV team fully intends to be shipping 400 to 800 tpd; at 800 tpd, Lone Star's share is estimated to equal ~\$800,000 per calendar month clear revenue. Shipping 800 tpd is the JV team's ultimate plan, at this rate the 1.2 Mt of Tailings would all be processed in about 5 years for total revenue of \$48M from its 65%.

Table 1. Comparable tailings projects

PROJECT			
Date	Aug-10		
Project	Luanshya Tailings	Dizon Tailings	Las Lagunas
Study by	Coffey	Dizon Mines Inc	Pan Terra Gold
Owner	AfriCan Resources	Dizon Mines Inc	Pan Terra Gold
Size of project	162 Mt	110 Mt estimated	5.14 Mt Inferred
PRODUCTION			
Ore Throughput (tpa)	12 Mt	9 Mt	0.8 Mt
Total Cu production (tonnes)	218kt Cu (905kt con)	5 kt Cu	Nil
Total Au production	Nil	1.1 Moz	0.435 Moz (0.505 Eq)
Total Ag production	Nil	1.8 Moz	3.97 Moz
Cu Production (tpa)	10-24ktpa Cu value	400t	nil
Au Production (ozpa)	N/A	190,000	69,000
Ag Production (ozpa)	N/A	140,000	630,000
Ag Production (ozpa Au Eq)		192,460	80,000
Head grade			
Cu (%)		0.07%	N/A
Au g/t		0.65 g/t	3.76 g/t (4.44 Eq)
Ag g/t		1.1 g/t	38.62 g/t
Recovery (%) Cu	70-80%	65%	N/A
Recovery (%) Au	N/A	57%	70.1%
Recovery (%) Ag	N/A	50% assumed	62.3%
Product	34% Cu sulphide conc.	Cu sulph conc, gold	Gold and silver
Mine life (years)	10	13	6.5
CAPEX			
Total (USD million)	48	195	84
Per tonne ore	\$0.4	\$1.8	\$16
OPEX			
Per tonne ore (USD/t)	2.63	4.0	26.6
TECHNOLOGY			
	34% Cu-S products HP water monitoring Acid leaching	Cu-S products HP water monitoring Acid leaching	Albion oxidation and CIP
ECONOMICS			
NPV (million)	140	508 (Au\$1500/oz)	218 (Au\$1600/oz)
IRR	62		
Payback Period (years)	1	3.5	2.2
Long term Copper price	4500 US\$/t	6,000 US\$/t	
Long term gold price		\$1500/oz	\$1600/oz
Long term silver price		Not included	\$28/oz

The Dizon tailings project is closest to the Las Lagunas tailings project.

Las Lagunas Gold Tailings Project

CIL plant and Albion oxidation

Size 5.14 Mt Inferred Resource at 3.76 g/t Au, 38.62 g/t Ag

Production 800,000t/y

For 98,000 oz Au x 70.1% = 69,000 oz/y

For 996,650 oz Ag x 62.3% = 630,000 oz/y

Expected recovery:
 435,360 oz Au a 70.1% recovery
 3,966,000 oz Ag a 62.3% recovery equivalent to 69,500 oz Au
 Mine life 6.5 years
 Free Cash Flow at \$1600/oz Au and \$28/oz Ag = \$312 99M

Valuation of Dizon Tailings

As Dizon tails are not JORC compliant, the tonnage and grade figures can only be used as an approximate indication of possible value. Given that the tonnes and grade are well established from mine records and have been partly confirmed by sample drilling the eventual conversion to JORC standards is not expected make a significant change.

Currently metallurgical testing is incomplete but the recovery figures for gold and copper appear to be soundly based. Desktop NPV, and in ground value suggest a value range of between \$260M and \$500M which, based on limited comparative valuation transactions seems reasonable. As the NPV is based on estimations derived from other projects it will be approximate only.

Some idea of value can be obtained by comparison with Las Lagunas in Dec 2011 when gold was priced at US\$1248/oz and the project had a NPV of \$158 M. Dizon compares favourably having more than twice the gold equivalent in apparent 'resources', a lower operating cost per tonne and an apparently more conventional recovery process. On this basis it would probably have a NPV of more than twice Las Lagunas however without a JORC resource the preferred value is 1.5 times Las Lagunas or US\$237 M within a range of US\$187 to US\$287.

The project valuation is summarised below to give a most likely value for the tailings of US\$260 M within a range of US\$198 m to US\$322 M

Method	Low US\$	High US\$	Preferred US\$
Yardstick	183	305	246
NPV Lagunas	187	287	237
Dzion NPV	228	380	304
Totals \$US	\$199 M	\$324 M	\$262 M
Totals A\$ at 0.9	\$221 M	\$360 M	\$291 M

* * *

Declaration

This report is designed to determine the value of the Masbate Project and the Dizon Tailings and was not prepared for any other purpose. The valuation does not provide an opinion as to share or corporate value but values the exploration and mine development projects only.

The statements and opinions contained in this report are given in good faith but, in the preparation of this report, Minnelex has relied substantially on information provided by the Directors and Management Capital Gold. We do not have reason to doubt the information so provided.

No part of this report, nor any references thereto, should be included in or with or attached to any document, circular, resolution, letter or statement without the prior written consent of Minnelex.

Qualifications and Experience

Minnelex is a geological consultancy, which has had considerable experience in the valuation of exploration properties. The person responsible for this report is:

R.C.W. Pyper. BSc. (geol.). MAICD. FAusIMM. Consulting Geologist

Mr Pyper is the Principal of Minnelex and is a geologist with 50 years of industry experience and 30 years of consulting practice in precious metals, base metals, coal, bauxite, gemstones, industrial minerals iron ore and mineral sands. He has had extensive experience in the valuation of mineral exploration properties.

Disclaimer of Interests

At the date of this report, Minnelex does not have, nor has had any relationship with Capital Gold other than as may have occurred as a result of providing consultancy services in the ordinary course of business. Minnelex and R C Pyper have neither relevant interest in, nor any interest in the acquisition or disposal of any securities of Capital Gold. Minnelex has no pecuniary or other interest that could be regarded as being capable of affecting its ability to give an unbiased opinion in relation to the acquisition of the mineral interests of Capital Gold.

Neither Minnelex nor Mr Pyper has received or may receive any pecuniary or other benefits, whether direct or indirect or in connection with the preparing of this report other than normal consultancy fees based on fee time at normal professional rates plus out-of-pocket expenses.

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PROXY FORM

THIS DOCUMENT IS IMPORTANT. IF YOU ARE IN DOUBT AS TO HOW TO DEAL WITH IT, PLEASE CONTACT YOUR STOCK BROKER OR LICENSED PROFESSIONAL ADVISOR.

WELCOME STRANGER MINING LIMITED

ACN: 007 670 386

REGISTERED OFFICE: FLOOR 6, SUITE 8 55 MILLER STREET PYRMONT NSW 2009

SHARE REGISTRY: Security Transfer Registrars Pty Ltd All Correspondence to: PO BOX 535, APPLECROSS WA 6953 AUSTRALIA 770 Canning Highway, APPLECROSS WA 6153 AUSTRALIA T: +61 8 9315 2333 F: +61 8 9315 2233 E: registrar@securitytransfer.com.au W: www.securitytransfer.com.au

Code: WSE

Holder Number:

SECTION A: Appointment of Proxy

I/We, the above named, being registered holders of the Company and entitled to attend and vote hereby appoint:

Input box for Chairperson appointment

OR

Input box for proxy name appointment

The meeting Chairperson (mark with an "X")

The name of the person you are appointing

(if this person is someone other than the Chairperson of the meeting).

or failing the person named, or if no person is named, the Chairperson of the Meeting, as my/our Proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the Proxy sees fit) at the General Meeting of the Company to be held at 10:00am AEDT on Monday 26 May 2014 at Level 11, Suite 11.01, 60 Castlereagh Street, Sydney NSW 2000 and at any adjournment of that meeting.

SECTION B: Voting Directions to your Proxy

Please mark "X" in the box to indicate your voting directions to your Proxy.

Resolution

- 1. Consolidation of capital
2. Approval of change of activities
3. Acquisition of Capital Gold
4. Transaction in relation to Dizon tailings dam
5. Transaction in relation to Masbate 13
6. Authority to make placement of Shares
7. Election of Antonio Gregorio as Director
8. Election of Helen Tiu as Director
9. Change of Company name

Table with 3 columns: For, Against, Abstain* and 9 rows corresponding to resolutions.

If no directions are given my proxy may vote as the proxy thinks fit or may abstain.

* If you mark the Abstain box for a particular item, you are directing your Proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

Input box for proxy appointment

If you wish to appoint the Chairperson as your proxy and you do not wish to direct the Chairperson how to vote, please mark "X" in the box.

By marking this box, you acknowledge that the Chairperson may exercise your proxy even if he has an interest in the outcome of the resolution and votes cast by him/her other than as a proxy holder will be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chair will not cast your votes on the resolution and your votes will not be counted in calculating the required majority if a poll is called on the resolution. The Chairperson of the Meeting intends to vote undirected proxies in favour of the resolution.

SECTION C: Please Sign Below

This section must be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Signature lines for Individual or Security Holder, Security Holder 2, and Security Holder 3.

Sole Director and Sole Company Secretary

Director

Director / Company Secretary

2025076158

Reference Number:

1

WSE

1

WELCOME STRANGER MINING LIMITED
ACN 007 670 386
INSTRUCTIONS FOR COMPLETING PROXY FORM

- (a) **Appointing a proxy**—A member entitled to attend and vote at a General Meeting is entitled to appoint not more than two proxies to attend and vote on a poll on their behalf. The appointment of a second proxy must be done on a separate copy of the Proxy Form. Where more than one proxy is appointed, such proxy must be allocated a proportion of the member's voting rights. If a member appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes. A duly appointed proxy need not be a member of the Company.
- (b) **Direction to vote**—A member may direct a proxy how to vote by marking one of the boxes opposite each item of business. Where a box is not marked the proxy may vote as they choose. Where more than one box is marked on an item the vote will be invalid on that item.
- (c) **Signing instructions**
- (i) Individual—Where the holding is in one name, the member must sign.
 - (ii) Joint holding—Where the holding is in more than one name, all of the members should sign.
 - (iii) Power of Attorney—If you have not already provided the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.
 - (iv) Companies—Where the company has a sole director who is also the sole company secretary, that person must sign. Where the company (pursuant to Section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone. Otherwise, a director jointly with either another director or a company secretary must sign. Please sign in the appropriate place to indicate the office held.
- (d) **Attending the Meeting**—Completion of a Proxy Form will not prevent individual members from attending the General Meeting in person if they wish. Where a member completes and lodges a valid Proxy Form and attends the General Meeting in person, then the proxy's authority to speak and vote for that member is suspended while the member is present at the General Meeting.
- (e) **Return of Proxy Form**—To vote by proxy, please complete and sign the enclosed Proxy Form and return by:
- (i) post to Welcome Stranger Mining Limited, Suite 8, Level 6, 55 Miller Street, Pyrmont NSW 2009;
or
 - (ii) facsimile to Welcome Stranger Mining Limited on (02) 9571 8200 (within Australia) or +61 2 9571 8200 (outside Australia)

so that it is received not later than 10:00am (AEDT) on 24 May 2014.

Proxy Forms received later than this time will be invalid.