



PRECIOUS METAL RESOURCES LIMITED

ACN 145 105 148

Notice of General Meeting and Explanatory Memorandum

For the Meeting of Members to be held at
Level 2 Hudson House, 131 Macquarie Street Sydney NSW 2000 at 1pm on Monday, 18 August 2014.

Fair and Reasonableness

In the opinion of the Independent Expert,

- The First Proposed Transaction is Fair and Reasonable to the non-associated shareholders of PMR; and
- The Second Proposed Transaction is Not Fair but Reasonable to the non-associated shareholders of PMR.

Overall it is the Independent Expert's opinion that the Proposed Transactions, being both the First Proposed Transaction and the Second Proposed Transaction, when considered together, are Fair and Reasonable to the non-associated shareholders of PMR.

This is an important document. Please read it carefully.

Please speak to your professional advisers if you have any questions about this document or how to vote at the Meeting.



Precious Metal Resources Limited

ACN 145 105 148

Notice of General Meeting

Notice is hereby given that the General Meeting of members of Precious Metal Resources Limited, the Company, will be held at the registered offices of the Company, Level 2 Hudson House, 131 Macquarie St Sydney NSW 2000 at 1pm on Monday, 18 August 2014.

The Explanatory Memorandum to this Notice provides additional information on matters to be considered at the Meeting. The Explanatory Memorandum and the Proxy Form are included in this Notice.

The Directors have determined pursuant to regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered as Shareholders on 15 August 2014 at 5:00pm (AEST).

Terms and abbreviations used in this Notice and Explanatory Memorandum are defined on page 4 of this Notice.

Special Business

Resolution 1: Special Resolution – Selective Capital Reduction

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

"That subject to the approval of:

- (a) Resolution 2 of this Notice below; and*
- (b) Shareholders of Sovereign Gold Company Limited ACN 145 184 667 (SOC) passing by special resolution the cancellation of 64,000,000 shares held by SOC in PMR;*

Pursuant to section 256C(2) of the Corporations Act, and for all other purposes, approval is given for the capital of the Company to be reduced by the cancellation of 64,000,000 ordinary shares in the Company held by SOC for nil consideration."

Voting Exclusion Statement

As no consideration is to be paid for the shares to be cancelled, no voting exclusion applies in respect of the resolution to be proposed at the meetings of shareholders. If consideration were payable or liability to pay amounts unpaid on shares were to be reduced, no votes would be able to be cast in favour of the resolution at the General Meeting by any person who was to receive consideration as part of the reduction or whose liability to pay amounts unpaid on shares was to be reduced, or by their associates.

As Resolutions 1 and 2 are inter-conditional, a person whose votes are disregarded on Resolution 2 will have their votes on Resolution 1 disregarded.

General Business

Resolution 2: Ordinary Resolution – Transfer of EL 4474 & EL 5339 and PMR's interest in Hudson SPC to SOC.

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



"Subject to 64,000,000 shares held by SOC in the Company first having been cancelled pursuant to Chapter 2J.1 of the Corporations Act, 2001, for the purposes of Chapter 2E, Listing Rule 10.1 and all other purposes, the Company approves and authorises:

1. the sale to SOC of all PMR's right, title and interest in the following exploration licenses under the Mining Act 1992 (NSW): EL 4474 and EL5339; and
2. the sale of all its right, title and interest in 70 fully paid ordinary shares in the capital of Hudson SPC PTY LTD (ACN 161 194 172),

in consideration of the issue by SOC of 1,000,000 ordinary shares to the Company and otherwise on the terms and conditions set out in the Explanatory Memorandum".

Voting Exclusion Statement

The Company will disregard any votes cast on this Resolution by:

- SOC
- Any Director of SOC; and
- Any associate of that person;

However, the Company need not disregard a vote if:

- It is cast by a person as a 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 the direction on the proxy form to vote as the proxy decides.

As Resolutions 1 and 2 are inter-conditional, a person whose votes are disregarded on Resolution 1 will have their votes on Resolution 2 disregarded.

Independent Expert Report

Pitcher Partners NSW Corporate Pty Limited (**Independent Expert**) has been engaged by the Independent Directors of PMR to prepare an Independent Expert Report (Report). A copy of the Report accompanies this Explanatory Notice and members are encouraged to read it. A hardcopy of the Independent Expert's Report is available, at no cost, on request.

The Independent expert has assessed whether or not Resolutions 1 and 2 is fair and reasonable to the non-associated PMR shareholders. The Independent Expert found that Resolution 1 is **fair and reasonable** to the non-associated shareholders of PMR. The Independent Expert found that Resolution 2 is **not fair but reasonable** to the non-associated shareholders of PMR. When taken together, the Independent Expert has found that the Resolutions are **fair and reasonable** to the non-associated shareholders of PMR.

The Independent Expert has consented to the inclusion of its Independent Expert's Report in the form and context in which it is included with this Notice of Meeting. The Independent Expert has not withdrawn that consent as at the date of preparation of this Notice and Explanatory Memorandum. The Independent Expert has not caused or authorised the issue of this Notice of Meeting or this Explanatory Memorandum and takes no responsibility for any part of it other than the Independent Expert's Report and references to its name.

Dated 14 July 2014

BY ORDER OF THE BOARD

Julian Rockett
Company Secretary



Precious Metal Resources Limited

ACN 145 105 148

Definitions

Company means PMR;

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

Explanatory Memorandum means the explanatory memorandum that accompanies this Notice;

Hudson SPC means Hudson SPC Pty Ltd (ACN 161 194 172) of Level 2 Hudson House, 131 Macquarie St Sydney NSW 2000;

Meeting means the general meeting of PMR, the subject of this Notice.

Member means a shareholder of the Company;

Mount Adrah means Mount Adrah Gold Limited (ACN 147 329 833) of Level 2 Hudson House, 131 Macquarie St Sydney NSW 2000;

Notice means this notice of meeting dated 9 July 2014;

PMR means Precious Metal Resources Limited (ACN 145 105 148) of Level 2 Hudson House, 131 Macquarie St Sydney NSW 2000;

PMR Tenements means EL 4474 and EL 5339;

Proposal 1 means the proposal outlined at paragraph 2.2 of the Explanatory Memorandum;

Proposal 2 means the proposal outlined at paragraph 3.3 of the Explanatory Memorandum;

Resolutions mean resolution 1 and resolution 2 of this Notice.

SOC means Sovereign Gold Company Limited (ACN 145 184 667) of Level 2 Hudson House, 131 Macquarie St Sydney NSW 2000;

SUGEC means SUGEC Mining Company Pty Limited (ACN 158 418 903) of Level 2 Hudson House, 131 Macquarie St Sydney NSW 2000; and

SUGEC Tenements means EL 7768, EL 7491, EL 6483, EL 7679, EL 4474, EL 5339, EL 7700, EL 7766, EL 7769 and EL 7770



Precious Metal Resources Limited

ACN 145 105 148

Explanatory Memorandum

1. Introduction

This Explanatory Memorandum is provided to shareholders of Precious Metal Resources Limited ACN 145 105 148 (**the Company or PMR**) to explain the Resolutions to be put to Shareholders at the General Meeting to be held at Level 2 Hudson House, 131 Macquarie St Sydney NSW 2000 at 1pm on Monday, 18 August 2014.

Please speak to your professional advisers if you have any questions about this document or how to vote at the Meeting.

2. Resolution 1: Special Resolution – Selective Capital Reduction

2.1. Background

On 9 April 2014, PMR announced that it had reached an agreement with SOC on a proposed corporate restructuring to rationalise and simplify the structure and assets of each company.

Under the terms of the proposed restructuring SOC will agree to PMR undertaking a selective capital reduction to cancel 64 million PMR shares held by SOC for zero consideration. This will result in SOC relinquishing control of PMR. SOC shareholders will consider the cancellation at a general meeting to be held prior to this meeting.

PMR floated in December 2011 with a market capitalisation of \$17,000,000.

In July 2012, SOC mounted a takeover of PMR with an implied value of PMR at the time being between 21.5 and 23.5 cents per share or \$18,275,000 and \$19,975,000.¹ SOC acquired 69,070,938 (81.2%) PMR shares at a cost of \$15,820,697 or 22.9 cents per PMR share.

SOC currently holds 67,570,938 shares in PMR or 77.67% of the Company. Trades made by SOC in PMR from the period 1 February to 30 April are excluded.

PMR shares were traded on only 6 days out of a possible 78 trading days.

2.2. Proposal 1

Proposal 1 referred to in this document is, in summary, that:

- a) The Company reduce its share capital by cancelling 64,000,000 shares held by SOC; and
- b) No consideration be paid or otherwise provided to SOC in respect of the shares which are cancelled.

PMR currently has 87,000,000 shares on issue of which SOC holds 67,570,938 shares representing 77.67% of the issued capital in PMR. Should Resolution 1 be approved, PMR's share capital will reduce to 23,000,000 shares of which SOC will hold 3,570,938 shares representing 15.53% of the Company.

The Resolutions are conditional on each other and neither will proceed unless shareholder approval is obtained for both and unless SOC shareholders approve the transactions in a general meeting held prior to this meeting.

¹ These valuations were provided in the independent expert's report to the 2012 PMR Target Statement.



2.3. Expected Timetable

Date	Event
9 April 2014	PMR announced Corporate Restructuring on the ASX
9 July 2014	Date of Notice of Meeting to be sent to all Shareholders
15 August 2014	Shareholders on the register entitled to vote
	Shareholder Approval be obtained for the proposed Resolutions
18 August 2014	ASIC advised of results of meeting
	ASX is advised that shares are to be cancelled, being 14 days following lodgment with ASIC of Resolutions approved by Members
1 September 2014	ASIC is notified of the cancellation of PMR shares held by SOC

2.4. Corporations Act Requirements

The *Corporations Act 2001* (Cth) (the **Act**) classifies Proposal 1 as a 'selective reduction' as it does not apply equally to each holder of shares.

A selective reduction is one where no consideration is payable to the holders of the shares which are cancelled. This is permissible under the Act where it is:

- a) fair and reasonable to PMR's Shareholders as a whole; and
- b) approved by Shareholders in accordance with section 256C of the Act.

In order for Proposal 1 to become effective, the Act requires that it be approved by shareholders of the Company and SOC. Therefore approval must be sought in 2 stages, that is, at 2 separate meetings, namely:

Meeting 1. By a special resolution passed at a Special General Meeting of SOC to approve the cancellation of 64 million shares in PMR held by SOC for zero consideration; and

Meeting 2. Either:

- I. By a special resolution passed at a General Meeting of all shareholders of PMR to approve the cancellation of 64 million shares in PMR held by SOC for zero consideration; or
- II. A resolution agreed to, at a General Meeting, by all ordinary shareholders to the same effect.

Proposal 1 will only be put to Members should confirmation be received from SOC outlining that a special resolution was passed by SOC shareholders approving the cancellation of 64 million SOC held shares in PMR.

PMR is seeking approval for Proposal 1 at this General Meeting in accordance with alternative (i) above.

As no consideration is to be paid for the shares to be cancelled, no voting exclusion applies in respect of the resolution to be proposed at the meetings of shareholders. (If consideration were payable or liability to pay amounts unpaid on shares were to be reduced, no votes would be able to be cast in favour of the resolution at the General Meeting by any person who was to receive a financial benefit as part of the reduction).



In accordance with the Act, the documentation being sent to you in relation to Proposal 1 has been provided to the Australian Securities and Investments Commission. Lodgements must also be made with ASIC of the special resolutions (if passed) and, subsequently, in respect of the shares cancelled. If approved, the capital reduction will not be made (that is, the shares cannot be cancelled) until 14 days after lodgement of the special resolution with ASIC.

2.5. Treatment of Options

The Company currently has the following options on issue at the date of this Notice:

- 1,950,000 Employee Share Plan Options (ESOP) exercisable at \$0.30 expiring 24 October 2016; &
- 1,650,000 Success Options exercisable at \$0.30 expiring 6 December 2014

The Resolutions will not result in Option holders receiving a more favourable treatment in relation to their Option. Having received advice from the Independent Expert, the directors are of the view that non-associated shareholders of PMR and option holders will receive the same benefit post transaction. Accordingly, there will be no change to the number of Options or their exercise price.

2.6. Terms of Proposed Cancellation of Shares

The terms of the proposed share cancellation are:

- | | |
|-----------------------------------|--------------------------|
| a) Shares to be cancelled: | Shares held by SOC |
| b) Number to be cancelled: | 64,000,000 |
| c) Expected date of cancellation: | Monday, 1 September 2014 |
| d) Consideration paid: | Nil. |

2.7. Rationale for Proposal 1

An agreement with SOC on a proposed corporate restructuring to rationalise and simplify the structure and assets of each company has given rise to Proposal 1. It is expected that the restructuring will provide a simpler and more efficient structure for PMR shareholders and that it will eliminate unnecessary corporate overheads.

Additionally, it is expected that the elimination of a single major shareholder will increase the liquidity of PMR shares. The divestment from the SUGEC Tenements also provides an opportunity for PMR to focus on its existing tenement portfolio.

2.8. Consequences of Proposal 1

PMR currently has 87,000,000 shares on issue held by 396 shareholders at the date of this notice. If Proposal 1 is approved by shareholders and implemented, the following will be the consequences in terms of shareholders and shareholdings:

- a) 64,000,000 shares held by SOC will be cancelled;
- b) The number of fully paid ordinary shares on issue by PMR will be reduced from 87,000,000 to 23,000,000; and
- c) SOC's percentage holding in PMR will reduce from 77.67% to 15.53%.

No consideration is to be paid to SOC under Proposal 1. Therefore no direct financial consequences for PMR will flow from undertaking Proposal 1.



2.9. Advantages of Proposal 1

The main advantages of Proposal 1 are:

- It prevents a large parcel of shares being disposed of on-market, which could potentially have the effect of depressing the company's share price.
- There will be a lesser number of shares on issue with no consequential diminution in the assets or contributed equity of the Company, such that the ownership interest in the Company of each shareholder will increase and it is anticipated that financial metrics calculated on a per share basis will be enhanced; and
- To achieve a more efficient capital structure for the Company.

2.10. Disadvantages of the Proposal 1

Potential disadvantage of Proposal 1 are:

- the cancellation of shares will not increase share trading liquidity (based on recent trading activity); and
- PMR will lose SOC board and expertise in relation to the PMR operations as a result of the dilution of SOC's interest in PMR.

2.11. Independent Expert's Report

The Independent expert has assessed whether or not Proposal 1 is fair and reasonable to the non-associated PMR shareholders. The Independent Expert has found that the transaction **is fair and reasonable** to the non-associated shareholders of PMR.

The Independent Expert has consented to the inclusion of its Independent Expert's Report in the form and context in which it is included with this Notice of Meeting. The Independent Expert has not withdrawn that consent as at the date of preparation of this Notice and Explanatory Memorandum. The Independent Expert has not caused or authorised the issue of this Notice of Meeting or this Explanatory Memorandum and takes no responsibility for any part of it other than the Independent Expert's Report and references to its name.

2.12. Top Shareholders

The names of the twenty (20) largest holders of securities in the Company at the date of this Notice are:

PRECIOUS METAL RESOURCES LIMITED

Top Holders Snapshot

	Name	Units	Holding (%)
1	SOVEREIGN GOLD COMPANY LIMITED	67,570,938	77.67%
2	MAYFAIR CAPITAL LIMITED	4,263,000	4.90%
3	SAKURA CAPITAL LIMITED	2,944,424	3.38%
4	GOSSAN HILL GOLD LIMITED	2,000,000	2.30%
5	CODE NOMINEES PTY LTD <MATA>	1,800,000	2.07%
6	MR RICHARD YAP	1,000,000	1.15%
7	RAFFLES CAPITAL LIMITED	900,000	1.03%
8	GANESAN SIVANDAM	750,000	0.86%
9	MS NAJMA TASNEEM	379,412	0.44%
10	HUDSON CORPORATE LIMITED	349,278	0.40%



11	KIT FOO CHYE	297,576	0.34%
12	MR CHEOK HUAT AW	250,000	0.29%
13	TEMPRANILLO INVESTMENTS PTY LTD <RUNNINE WITH BULLS S/F A/C>	200,000	0.23%
14	BENBAXTER PTY LTD	166,667	0.19%
15	MR MAN CHIME CHAN	155,000	0.18%
16	MR GUAN CHYE ONG	150,000	0.17%
17	MR RICHARD CHARLES CASALI	71,572	0.08%
18	MR GEORGE KARANTZIAS + MRS HELEN KARANTZIAS <KARANTZIAS SUPER FUND A/C>	60,000	0.07%
19	MS KAYE HOWELL	43,478	0.05%
20	MR MICHAEL EDWARD SUMMERS KEARNES + MRS CAROL ANN KEARNES	30,000	0.03%
Totals: Top 20 holders of ISSUED CAPITAL		83,381,345	95.84%
Total Remaining Holders Balance		3,618,655	4.16%

2.13. Director's Interests

Director	Interest in PMR	Interest in SOC
John Dawkins AO <i>Chairman, Non- Executive Director</i>	Nil.	100,000 shares indirectly held
John Foley <i>Deputy Chairman, Non-Executive Director</i>	250,000 ESOP	Nil.
Rado Jacob Rebek <i>CEO, Executive Director</i>	Nil.	Nil.
Peter Kennewell <i>Chief Geologist, Executive Director</i>	500,000 ESOP	Nil.
Michael Leu <i>Non-Executive Director</i>	250,000 ESOP	7,625,000 directly held
Peter Meers <i>Non-Executive Director</i>	250,000 ESOP	Indirect 10,000 shares held by a related party
Bruce Dennis <i>Non-Executive Director</i>	250,000 ESOP	Nil.

2.14. Board recommendation & Intentions of Directors

John Dawkins AO , Rado Jacob Rebek, Michael Leu and Peter Meers (**Excluded Directors**) have excluded themselves from discussions regarding proposal 1 (and from voting on matters concerning the proposal at any such Board meetings) owing to their directorships of the board of SOC.

The Board, acting in the absence of the Excluded Directors, recommends that shareholders vote in favour of Resolution 1.



3. Resolution 2: Ordinary Resolution – Transfer of EL 4474, EL 5339 and PMR's Hudson SPC interest to SOC.

3.1. Background

On 9 April 2014, PMR announced that it had reached an agreement with SOC on a proposed corporate restructuring to rationalise and simplify the structure and assets of each company.

Under the terms of the proposed restructuring announced on 9 April 2014, SOC would acquire tenements EL 4474 and EL 5339 from PMR together with the equity interest in Hudson SPC held by PMR, in consideration for SOC issuing 1 million fully paid ordinary shares to PMR.

PMR is currently controlled by SOC, which holds 77.67% of the issued ordinary shares in PMR. As such PMR and SOC are considered to be related parties and SOC is also considered to be a substantial holder in PMR.

Under Australian Securities Exchange ("ASX") Listing Rules 10.1.1 and 10.1.3, shareholder approval is required for the acquisition or disposal of a substantial asset from or to a related party or substantial holder of securities.

ASX Listing Rule 10.2 describes an asset as being substantial if 'its value, or the value of the consideration for it is 5% or more of the equity interests of the entity as set out in the latest accounts given to ASX under the listing rules'.

The equity interests of PMR, as set out in the 31 December 2013 audited annual report are \$1,362,207 (we note that these 31 December 2013 accounts included the 2,000,000 PMR shares issued to Mount Adrah Gold Limited ACN 147 329 833 (**Mount Adrah**) as consideration for the acquisition of the interest in the Peel Fault Gold Project which were the subject of a Shareholders Resolution on 4 April 2014). An asset would be considered to be substantial if it was valued at 5% or more of these equity interests, which would be a value of \$68,110 or more.

The PMR Tenements and their equity interest in Hudson SPC are therefore considered to be substantial assets of PMR as their estimated value exceeds 5% of the equity interests of PMR.

3.2. SUGEC Agreements

PMR's ASX announcement dated 29 March 2012 advises that PMR entered into a cooperation and investment agreement with SUGEC. The agreement facilitated \$2 million investment by SUGEC towards exploration on EL 7679 held by PMR to earn a 30% interest in the project. SOC has entered into similar agreements with SUGEC with respect to tenements it owned (EL 6483, EL 7491 and EL 7768).

On 26 November 2012, PMR announced further cooperation agreements with SUGEC of up to \$8 million dollars for SUGEC to earn a further 30% interest in EL 4474 and EL 5339 which are held by PMR.

SUGEC, SOC and PMR in February 2013 entered into a joint venture to develop the SUGEC Tenements. The Joint Venture Company is SUGEC Resources Limited (**SRL**). SUGEC has been issued 30% of SRL's share capital by way of warranty shares. These warranty shares will be converted to fully paid ordinary shares on the proportion that SUGEC meets its spending commitments. The remaining 70% of SRL is held by Hudson SPC which is a vehicle that represents PMR, SOC and a third party.

SRL holds three tenements vended from SOC (EL 6483, EL 7768 & EL 7491) and one vended from PMR (EL 7679).



3.3. Proposal 2

Subject to the approval of Resolution 1, Proposal 2 involves the transfer by PMR of Tenements EL 4474, EL 5339 and sale of PMR's equity interest in Hudson SPC to SOC. In consideration for the acquisition of these assets, SOC will issue 1 million fully paid ordinary shares to PMR.

Proposal 1 and Proposal 2 are conditional on each other and neither will proceed unless shareholder approval is obtained for both proposals.

3.4. Rationale for Proposal 2

The directors of PMR believe that if Proposal 1 and Proposal 2 are approved and implemented they will then be in a position to be able to concentrate on the further exploration and development of the Peel Fault Gold project recently acquired from Mount Adrah in April 2014.

The directors believe that the restructure will provide a more project-focussed portfolio for the Company.

3.5. Terms of the proposed transfer

The Company proposes to Transfer:

1. EL 4474;
2. EL 5339; and
3. PMR's equity interest in Hudson SPC Pty Ltd

to SOC in return for the issue of 1,000,000 fully paid ordinary SOC shares.

3.6. Advantages of Proposal 2

The main advantages of Proposal 2 are:

- That the directors of PMR believe that the new structure and removal of the SUGEC related tenements will simplify the Company structure, and enable a reduction in the number of directors and overall administrative costs as the resources currently applied to the SUGEC arrangements will no longer be required;
- The directors of PMR are of the opinion that the removal of the complicated arrangements with SUGEC and SOC will enable them to concentrate on the exploration and development of the Peel Fault Gold Project and make it easier for them to raise funds to carry out these works; and
- PMR will retain a very small exposure to the SUGEC Joint Ventures through its shareholding in SOC, which will be acquired as consideration for Proposal 2.

3.7. Disadvantages of Proposal 2

Potential disadvantages of Proposal 2 include that the non-associated shareholders in PMR will lose their current investments in the SUGEC Tenements and the potential upside if the tenements are ultimately successful.

3.8. Independent Expert's Report

The Independent expert has assessed whether or not Proposal 2 is fair and reasonable to the non-associated PMR shareholders. The Independent Expert has found that the transaction is **not fair but reasonable** to the non-associated shareholders of PMR.



However, the Independent Expert found that overall, when considered with Proposal 2, Proposal 1 is **fair and reasonable** to the non-associated shareholders of PMR.

The Independent Expert has consented to the inclusion of its Independent Expert's Report in the form and context in which it is included with this Notice of Meeting. The Independent Expert has not withdrawn that consent as at the date of preparation of this Notice and Explanatory Memorandum. The Independent Expert has not caused or authorised the issue of this Notice of Meeting or this Explanatory Memorandum and takes no responsibility for any part of it other than the Independent Expert's Report and references to its name.



PRECIOUS METAL RESOURCES LIMITED

ACN 145 105 148

Proxy Form

Please complete, sign and return this document to:

To: The Secretary
Precious Metal Resources Limited
Level 2, Hudson House
131 Macquarie Street
SYDNEY NSW 2000

fax executed form to: 02 9251 7500

or

email executed form to: jrockett@higl.com.au

I/We

being a member of Precious Metal Resources Limited appoint:

Name of proxy:

Address of proxy:

Or in his/her absence (or if left blank), the chairman of the meeting as my/our proxy to attend, vote and otherwise act on my/our behalf at the General Meeting of the Company to be held on **18 August 2014** and at any adjournment of that meeting. If you wish to appoint the proxy in respect of only a specified percentage of your shares you must insert that percentage in the appropriate space below. In the absence of any such specification, the proxy will be taken to have been appointed in respect of all of your shares.

My/our proxy is authorised to exercise the vote rights in respect of% of my/our shares.

Proxy Instructions

If you wish to direct how your votes are to be cast, place mark (X) in the appropriate box below. Unless otherwise directed, the proxy holder may vote as he/she thinks fit, or abstain from voting.

Before completing this form, please read the notes on voting on the rear of this proxy form.

RESOLUTIONS	FOR	AGAINST	ABSTAIN
1. Resolution 1: Special Resolution – Selective Capital Reduction			
2. Resolution 2: Ordinary Resolution – Transfer of EL 4474, EL 5339 and PMR's Hudson SPC interest to SOC			

The Chairman intends to vote all undirected proxies that he receives in favour of each resolution to be brought before the meeting, except where the Chairman is expressly forbidden to do so, under the Corporations Act 2001.

If the Chairman of the meeting is appointed as your proxy, or may be appointed by default and you **do not** wish to direct your proxy how to vote as your proxy in respect of a resolution, please place a mark in this box:

☐

By marking this box, you acknowledge that the Chairman of the meeting may exercise your proxy even if he has an interest in the outcome of the resolution/s and that votes cast by the Chairman of the meeting for those resolutions other than as 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 Chairman 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.

Individual or Security holder 1

Sole Director and Sole
Company Secretary
(if appointed)

Security holder 2

Director

Security holder 3

Director/Company Secretary

Contact Person

Daytime Telephone Number

Date

Notes on Proxies

1. A Member entitled to attend and vote at this meeting is entitled to appoint not more than two proxies to attend and vote in his stead pursuant to the Constitution.
2. If a Member appoints one proxy only, that proxy shall be entitled to vote on a show of hands, but if a Member appoints two proxies neither shall be entitled to vote on a show of hands.
3. Where more than one proxy is appointed, each proxy must be appointed to represent a specified portion of the Member's voting rights.
4. A proxy need not be a Member.
5. A proxy form must be signed by the Member(s) or the Member's attorney or, if a corporation, be executed in accordance with Section 127 of *the Corporations Act 2001* or by its attorney.
6. The instrument appointing a proxy and the power of attorney (if any) under which it is signed, or a notarially certified copy of the power and a declaration by the attorney of its non-revocation, must be deposited at the registered office of the Company or sent by facsimile to +61 (2) 9251 7500 not less than 48 hours before the person named in the instrument purports to vote pursuant to it.

**Precious Metal Resources
Limited**

Independent Expert's Report

08 June 2014



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Pitcher Partners, including Johnston Rorke,
is an association of independent firms
Melbourne | Sydney | Perth | Adelaide | Brisbane

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08 June 2014

The Directors
Precious Metal Resources Limited
Level 2, Hudson House
131 Macquarie Street
Sydney NSW 2000

Dear Sirs

Independent Expert's Report

1. Introduction

- 1.1 Pitcher Partners NSW Corporate Pty Limited ("**Pitcher Partners**") has been engaged by the Independent Directors of Precious Metal Resources Limited ("**PMR**") to prepare an Independent Expert's Report ("**the Report**") expressing an opinion as to whether or not the following two proposed transactions are fair and reasonable to the non-associated shareholders;
 - i. The cancellation by way of selective buyback of 64 million ordinary fully paid shares in PMR held by Sovereign Gold Company Limited ("**SOC**") for no consideration (subject to the consent of SOC which will require the approval of SOC shareholders) ("**the First Proposed Transaction**"); and
 - ii. The sale to SOC of certain tenements held by PMR, being EL 4474 and EL 5339 ("**the Tenements**") and PMR's equity interest in Hudson SPC Pty Limited ("**Hudson**"), in consideration for which SOC will issue 1,000,000 fully paid ordinary shares in SOC ("**the Second Proposed Transaction**").
- 1.2 The Second Proposed Transaction is dependent upon the First Proposed Transaction being approved by the non-associated shareholders of PMR.
- 1.3 The First proposed Transaction and the Second Proposed Transaction combined are referred to as "**the Proposed Transactions**".
- 1.4 Pitcher Partners NSW Corporate Pty Limited holds Australian Financial Services Licence 227719 issued by the Australian Securities and Investment Commission ("**ASIC**") pursuant to which they are licensed to prepare reports for the purpose of advising clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate reconstructions or share issues.

2. Purpose of the Report

- 2.1 The cancellation of 64 million fully paid ordinary shares held by SOC in PMR under the First Proposed Transaction is considered to be a selective capital reduction. Section 256C(2) of the

Corporations Act requires that the proposed selective buyback is approved by the shareholders.

- 2.2 PMR is controlled by SOC and as such, SOC is considered to be a related party as well as a substantial holder of the voting securities in PMR. Under Australian Securities Exchange (“ASX”) Listing Rules 10.1.1 and 10.1.3, shareholder approval is required for the acquisition or disposal of a substantial asset from or to a related party or substantial holder of securities.
- 2.3 ASX Listing Rule 10.2 describes an asset as being substantial if *‘its value, or the value of the consideration for it is 5% or more of the equity interests of the entity as set out in the latest accounts given to ASX under the listing rules’*.
- 2.4 The equity interests of PMR, as set out in the 31 December 2013 audited annual report are \$1,362,207 (we note that these 31 December 2013 accounts included the 2,000,000 PMR shares issued to Gossan Hill Gold Limited (“Gossan”) as consideration for the acquisition of the interest in the Peel Fault Gold Project which were the subject of a Shareholders Resolution on 4 April 2014). An asset would be considered to be substantial if it was valued at 5% or more of these equity interests, which would be a value of \$68,110 or more.
- 2.5 In section 7.22 we have considered the value of the assets which are to be sold to SOC if the Second Proposed Transaction is approved to be \$541,931. The tenements and the equity interest in Hudson are therefore considered to be substantial assets of PMR as their estimated value exceeds 5% of the equity interests of PMR.
- 2.6 In section 7.35 we have considered the value of the shares in SOC, which will be acquired by PMR in consideration for the sale of the tenements and equity interest in Hudson to SOC if the Second Proposed Transaction is approved, to be in the range of \$60,000 to \$80,000. The shares in SOC to be acquired by PMR would also therefore be considered to be substantial asset of PMR.
- 2.7 As the sale of the tenements and equity interest in Hudson by PMR to SOC represents the sale of a substantial asset to a related party, and the acquisition of 1,000,000 shares in SOC by PMR would represent the acquisition of a substantial asset from a related party, shareholder approval is required to be obtained from the shareholders of PMR for both the acquisition and the disposal under the Second Proposed Transaction.
- 2.8 We have considered the outcome for shareholders of each of the Proposed Transactions. However, as the Second Proposed Transaction is subject to the First Proposed Transaction being approved, the overall opinion expressed in this report has been prepared on the basis that either both the Proposed Transactions are approved, or both the Proposed Transactions are not approved.

3. Summary of Opinion

- 3.1 In our opinion, and for the reasons set out in Sections 8 and 9 of this report:
 - **The First Proposed Transactions is Fair and Reasonable** to the non-associated shareholders of PMR; and
 - **The Second Proposed Transaction is Not Fair but Reasonable** to the non-associated shareholders of PMR.

- 3.2 **Overall it is our opinion that the Proposed Transactions, being both the First Proposed Transaction and the Second Proposed Transaction, when considered together, are Fair and Reasonable to the non-associated shareholders of PMR.**

4. Fairness

- 4.1 In order to assess the fairness of the First Proposed Transaction we have compared the estimated value of a PMR share held by a non-associated shareholder prior to the First Proposed Transaction, to the estimated value of such a PMR share assuming that the First Proposed Transaction has been approved and implemented, as set out in the table below:

PRECIOUS METAL RESOURCES LIMITED			
	SECTION	LOW	HIGH
Assessment based on Market Price			
Value of a PMR share prior to the First Proposed Transaction	6.26	\$ 0.2500	\$ 0.3000
Estimated value of a PMR share following the completion of the First Proposed Transaction	6.3	\$ 0.9456	\$ 1.1347
Assessment based on Net Asset Value			
Value of a PMR share prior to the First Proposed Transaction	6.31	\$ 0.0157	\$ 0.0157
Estimated value of a PMR share following the completion of the First Proposed Transaction	6.34	\$ 0.0592	\$ 0.0592

- 4.2 As the estimated value of a PMR share following approval and implementation of the First Proposed Transaction is greater than the value of a PMR share prior to the First Proposed Transaction, **the First Proposed Transaction is considered to be Fair to the non-associated shareholders.**
- 4.3 In order to assess the fairness of the Second Proposed Transaction we have compared the value of a PMR share held by a non-associated shareholder and assuming that the capital reduction from the First Proposed Transaction has occurred, prior to the Second Proposed Transaction, to the value of a PMR share assuming that the Second Proposed Transaction has been approved and implemented, as set out in the table below. We have also compared the value of the consideration to be received from SOC to the value of the assets to be sold to SOC.

PRECIOUS METAL RESOURCES LIMITED			
	SECTION	LOW VALUE	HIGH VALUE
Value of based on Net Assets			
Value of a PMR share prior to the Second Proposed Transaction, but assuming capital reduction has occurred	6.34	\$ 0.0592	\$ 0.0592
Estimated value of a PMR share following the completion of the Second Proposed Transaction	7.57	\$ 0.0383	\$ 0.0391
Value of Consideration			
Value of the Assets to be transferred to SOC	7.22	\$541,931	\$541,931
Value of Consideration received from SOC	7.35	\$60,000	\$80,000

- 4.4 As the estimated value of a PMR share assuming approval and completion of the Second Proposed Transaction is **less than the value** of a PMR share prior to the Second Proposed Transaction, and the estimated value of the consideration to be received from SOC, is less than the value of the assets to be sold to SOC, **the Second Proposed Transaction is considered to be Not Fair to the non-associated shareholders of PMR.**

5. Overall Opinion as to Fairness of the Proposed Transactions Considered Together

- 5.1 In order to assess the fairness of the Proposed Transactions when considered together we have compared the value of a PMR share held by a non-associated shareholder prior to the Proposed Transactions to the value of a PMR share assuming that both the First Proposed Transaction and the Second Proposed Transaction have been approved and implemented, as set out in the table below:

PRECIOUS METAL RESOURCES LIMITED			
	SECTION	LOW VALUE	HIGH VALUE
Value based on Net Assets			
Value of a PMR share prior to the First and Second proposed Transactions	6.31	\$ 0.0157	\$ 0.0157
Value of a PMR share following the completion of the First and Second proposed Transactions	7.57	\$ 0.0383	\$ 0.0391

- 5.2 As the estimated value of a PMR share following approval and implementation of the First and Second Proposed Transactions is greater than the value of a PMR share prior to the First and Second Proposed Transactions, **the First Proposed Transaction and the Second Proposed Transaction, when considered together, are considered to be Fair to the non-associated shareholders.**

6. Reasonableness

- 6.1 As we have formed the opinion that the Proposed Transactions, when considered together, are Fair to the non-Associated shareholders, it follows from RG 111 that they are also considered Reasonable.
- 6.2 We have also considered other factors which may indicate that the Relevant Transaction may be reasonable to the shareholders, as follows:

7. Advantages if the Proposed Transactions are Approved

7.1 Advantage 1

There will be significantly less shares on issue in PMR, entitling each shareholder to a larger proportion of both the resulting net assets of PMR but also any potential future benefit from any resources which may be proven from the tenements that will remain in PMR.

7.2 Advantage 2

The directors of PMR believe that the new structure and removal of the SUGEC related tenements will simplify the company structure, enable a reduction in the number of directors and overall administrative costs as the resources currently applied to the SUGEC arrangements will no longer be required.

7.3 Advantage 3

The directors of PMR are of the opinion that the removal of the complicated arrangements with SUGEC and SOC will enable them to concentrate on the exploration and development of the Peel Fault Gold Project and make it easier for them to raise funds to carry out these works.

7.4 Advantage 4

PMR will retain a very small exposure to the SUGEC joint ventures through its shareholding in SOC which will be acquired as consideration for the Second Proposed Transaction.

7.5 Advantage 5

PMR will cease to be controlled by SOC and will be free to make its own decisions and to determine future strategy.

8. Disadvantages if the Proposed Transactions are Approved

8.1 Disadvantage 1

The non-associated shareholders in PMR will lose their current investments in the SUGEC joint ventures and the potential upside that may result if the exploration and development of the tenements which form part of these joint ventures are ultimately successful.

8.2 Disadvantage 2

PMR will lose the potential beneficial input of the SOC board and expertise in relation to the PMR operations as a result of the cessation of the substantial shareholding of SOC in PMR.

9. Opinion as to Reasonableness

9.1 Based on the analysis above we are of the opinion that the Proposed Transactions are reasonable to the non-associated shareholders of PMR.

9.2 Full details of our assessment are set out in the attached report.

Yours faithfully,



DEBORAH CARTWRIGHT
Director
Pitcher Partners NSW Corporate Pty Limited

Independent Expert's Report

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GLOSSARY

ASIC	Australian Securities and Investment Commission
ASX	Australian Securities Exchange
DCF	Discounted Cash Flow
FME	Future Maintainable Earnings
Gossan Hill	Gossan Hill Gold Limited
Hudson	Hudson SPC Limited
HKGR	Hong Kong Global Resource Limited
Pitcher Partners	Pitcher Partners NSW Corporate Pty Limited
PMR	Precious Metal Resources Limited
RG 74	ASIC Regulatory Guide 74 'Acquisitions approved by members'
RG 111	ASIC Regulatory Guide 111 'Contents of Expert's Reports'
RG 112	ASIC Regulatory Guide 112 'Independence of Expert's Reports'
SOC	Soverign Gold Company Limited
SRL	SUGEC Resources Limited
SUGEC	Jiangsu Geology and Engineering Co. Ltd
The First Proposed Transaction	The selective capital reduction of 64 million shares in PMR held by SOC for no consideration
The Second Proposed Transaction	The sale by PMR to SOC of the tenements and the equity interest in Hudson in consideration for which 1 million shares in SOC will be issued to PMR.
The Proposed Transactions	The First Proposed Transaction and the Second Proposed Transaction
The Report	The Independent Expert Report prepared by Pitcher Partners NSW Corporate Pty Limited in relation to the Proposed Transactions.
The Tenements	EL 4474 and EL 5339

1 DETAILS OF THE PROPOSED TRANSACTIONS

Background of the Proposed Transactions

- 1.1 On 9 April 2014 PMR announced that it had reached an agreement with SOC on a proposed corporate restructuring to rationalise and simplify the structure and assets of each company.
- 1.2 Under the terms of the proposed corporate restructuring SOC will agree to PMR undertaking a selective capital reduction to cancel 64 million PMR shares held by SOC for zero consideration. This will result in SOC relinquishing control of PMR. (**"The First Proposed Transaction"**).
- 1.3 SOC will then acquire tenements EL 4474 and EL 5339 from PMR together with the equity interest in Hudson held by PMR, in consideration for which SOC will issue 1 million fully paid ordinary shares to PMR. (**"The Second Proposed Transaction"**).
- 1.4 The Second Proposed Transaction is dependent upon the First Proposed Transaction being approved by the non-associated shareholders of PMR.
- 1.5 The First Proposed Transaction and the Second Proposed Transaction are referred to as **"the Proposed Transactions"**.
- 1.6 The non-associated directors of PMR are of the view that the Proposed Transactions, and corporate restructure which results, will provide a simpler and more efficient structure for PMR shareholders and which will eliminate unnecessary corporate overheads.
- 1.7 On 9 April 2014 SOC made a similar announcement via the ASX advising its shareholders of the Proposed Transactions.

The First Proposed Transaction

- 1.8 The First proposed Transaction involves the cancellation, by way of a selective buyback, of 64 million ordinary fully paid shares in PMR held by SOC for zero consideration. This will result in SOC relinquishing control of PMR.

The Second Proposed Transaction

- 1.9 Subject to the approval of the First Proposed Transaction by the non-associated shareholders, the Second Proposed Transaction involves the sale by PMR of tenements EL 4474 and EL 5339, and PMR's equity interest in Hudson, to SOC. In consideration for the acquisition of these assets, SOC will issue 1,000,000 fully paid ordinary shares to PMR.
- 1.10 The First proposed Transaction and the Second Proposed Transaction are conditional on each other and neither will proceed unless shareholder approval is obtained for both the Proposed Transactions.

2 PURPOSE OF INDEPENDENT EXPERT REPORT

- 2.1 The cancellation of 64 million fully paid ordinary shares held by SOC in PMR under the First Proposed Transaction is considered to be a selective capital reduction. Section 256C(2) of the Corporations Act requires that the proposed selective buyback must be approved by the shareholders.

- 2.2 PMR is currently controlled by SOC, which holds 76.52% of the issued ordinary shares in PMR. As such PMR and SOC are considered to be related parties and SOC is also considered to be a substantial holder in PMR.
- 2.3 Under Australian Securities Exchange (“ASX”) Listing Rules 10.1.1 and 10.1.3, shareholder approval is required for the acquisition or disposal of a substantial asset from or to a related party or substantial holder of securities.
- 2.4 ASX Listing Rule 10.2 describes an asset as being substantial if *‘its value, or the value of the consideration for it is 5% or more of the equity interests of the entity as set out in the latest accounts given to ASX under the listing rules’*.
- 2.5 The equity interests of PMR, as set out in the 31 December 2013 audited annual report are \$1,362,207 (we note that these 31 December 2013 accounts included the 2,000,000 PMR shares issued to Gossan Hill Gold Limited as consideration for the acquisition of the interest in the Peel Fault Gold Project which were the subject of a Shareholders Resolution on 4 April 2014). An asset would be considered to be substantial if it was valued at 5% or more of these equity interests, which would be a value of \$68,110 or more.
- 2.6 In section 7.22 we have considered the value of the assets which are to be sold to SOC if the Second Proposed Transaction is approved to be \$541,931. The tenements and the equity interest in Hudson are therefore considered to be substantial assets of PMR as their estimated value exceeds 5% of the equity interests of PMR.
- 2.7 In section 7.35 we have considered the value of the shares in SOC which will be acquired by PMR in consideration for the sale of the tenements and equity interest in Hudson to SOC if the Second Proposed Transaction is approved to be in the range of \$60,000 to \$80,000. The shares in SOC to be acquired by PMR would also therefore be considered to be substantial asset of PMR.
- 2.8 As the sale of the tenements and equity interest in Hudson by PMR to SOC represents the sale of a substantial asset to a related party, and the acquisition of 1,000,000 shares in SOC by PMR would represent the acquisition of a substantial asset from a related party, shareholder approval is required to be obtained from the shareholders of PMR for both the acquisition and the disposal under the Second Proposed Transaction.
- 2.9 We have considered the outcome for shareholders of each of the Proposed Transactions. However, as the Second Proposed Transaction is subject to the First Proposed Transaction being approved the overall opinion expressed in this report has been prepared on the basis that either both the Proposed Transactions are approved, or both the Proposed Transactions are not approved.
- 2.10 ASIC Regulatory Guide 111 ‘Contents of Experts Reports’ (“**RG 111**”) states that in the case of a selective capital reduction an independent expert report should usually accompany the explanatory memorandum to satisfy the information requirements of fairness under s256C(4) of the Corporations Act.
- 2.11 ASIC Regulatory Guide 74 ‘Acquisitions approved by members’ (“**RG 74**”) states that shareholders should be provided with all necessary information to enable them to form an opinion as to whether or not the Second Proposed Transaction is fair and reasonable to them.

- 2.12 RG 74 further provides that this information should include a report from an independent expert advising whether in their opinion, the Second Proposed Transaction is fair and reasonable to the shareholders.
- 2.13 The independent directors of PMR have engaged Pitcher Partners to prepare this independent experts report to satisfy the requirements of the Corporations Act and the ASX Listing Rules.
- 2.14 This experts report will accompany the Notice of Meeting to be sent to the shareholders of PMR.

3 BASIS OF EVALUATION

- 3.1 In determining whether the Proposed Transactions are “fair and reasonable” we have had regard to the views expressed by ASIC in Regulatory Guide 111 ‘Contents of Expert’s Reports’ (“RG 111”).
- 3.2 In order to assess whether the First Proposed Transaction is fair and reasonable we have:
- Assessed whether the First Proposed Transaction is fair by comparing the value of a PMR share held by a non-associated shareholder prior to the First Proposed Transaction to the estimated value of a PMR share assuming that the First proposed Transaction has been approved and implemented. Sections 6.30 and 6.37.
- 3.3 In order to assess whether the Second Proposed Transaction is fair and reasonable we have:
- Assessed whether the Second Proposed Transaction is fair by comparing the value of a PMR share held by a non-associated shareholder prior to the Second Proposed Transaction and assuming that the capital reduction from the First Proposed Transaction has occurred, to the estimated value of a PMR share assuming that the Second Proposed Transaction has been approved and implemented; Sections 7.46 and 7.60.
 - We have also considered the value of the consideration to be received by PMR from SOC under the Second Proposed Transaction to the value of the assets being sold to SOC in Section 7.38.

Overall Opinion as to the Fairness of the Proposed Transactions Considered Together

- In order to assess the fairness of the Proposed Transactions when considered together we have compared the value of a PMR share held by a non-associated shareholder prior to the Proposed Transactions to the value of a PMR share assuming that both the First Proposed Transaction and the Second Proposed Transaction have been approved and implemented. Sections 6.30 and 7.60.
- Assessed the reasonableness of the Proposed Transactions by considering other advantages and disadvantages to the non-associated shareholders. Section 9.

4 PROFILE OF PRECIOUS METAL RESOURCES LIMITED

Overview

- 4.1 PMR is a junior exploration company listed on the ASX and is engaged in exploring for gold in NSW. It was admitted to the official list of the ASX on 2 December 2011 and quoted on the ASX on 6 December 2011, after raising \$2m (before costs) through an initial public offering.

Capital Structure and Shareholders

- 4.2 Prior to the Proposed Transactions PMR had 87,000,000 ordinary shares on issue.
- 4.3 From the audited 31 December 2013 financial report of PMR we have extracted details of the top 5 shareholders as at 28 February 2014 which are set out in the table below (This includes the 2,000,000 PMR shares issued to Gossan Hill Gold Limited which were the subject of a Shareholders Resolution on 4 April 2014):

PRECIOUS METAL RESOURCES LIMITED		
SHAREHOLDER	QUANTITY HELD	% OF SHARES HELD
Sovereign Gold Company Limited	66,570,938	76.52%
Raffles Capital Limited	10,000,000	11.49%
Gossan Hill Gold Limited	2,000,000	2.30%
Code Nominees Pty Ltd <Mata>	1,800,000	2.07%
Mr Richard Yap	1,000,000	1.15%
TOTAL TOP 5 SHAREHOLDERS	81,370,938	93.53%
Other Shareholders (385 Shareholders)	5,629,062	6.47%
TOTAL ALL SHAREHOLDERS	87,000,000	100.00%

- 4.4 SOC was the largest shareholder as at 28 February 2014, holding 66,570,938 shares, being 76.52% of the shares on issue.
- 4.5 The second largest shareholder was Raffles Capital Limited, holding 10,000,000 shares, being 11.49% of the shares on issue. We have been provided with copies of documents which show that Raffles Capital Limited has disposed of 9,100,000 of the shares in PMR that it held, on or around 1 April 2014. The transactions were all off-market and sold to 4 separate unrelated parties. Raffles Capital Limited now holds only 900,000 shares in PMR as at the date of this report.
- 4.6 Of the parties which acquired shares in PMR from Raffles Capital Limited, the relevant holdings for the largest two after this acquisition were as follows;

PRECIOUS METAL RESOURCES LIMITED			
SUBSTANTIAL SHAREHOLDERS FOLLOWING RAFFLES DISPOSAL	QUANTITY ACQUIRED FROM RAFFLES CAPITAL LIMITED	TOTAL QUANTITY HELD	% OF SHARES HELD
Mayfair Capital	4,263,000.00	4,263,000.00	4.9%
Sakura Capital	2,939,424.00	2,944,424.00	3.4%

- 4.7 If the First Proposed Transaction is approved and implemented, with the cancellation of the 64 million shares taking place, the relevant shareholding for the top 5 shareholders will be as follows;

PRECIOUS METAL RESOURCES LIMITED			
PMR TOP 5 SHAREHOLDERS POST FIRST PROPOSED TRANSACTION			
TOP 5 SHAREHOLDERS	QUANTITY HELD	PREVIOUS % HELD	CURRENT % HELD
Mayfair Capital	4,263,000.00	5.8%	18.5%
Sukura Capital	2,944,424.00	3.4%	12.8%
Sovereign Gold	2,570,938.00	76.5%	11.2%
Gossan Hill	2,000,000.00	2.3%	8.7%
Code Nominees	1,800,000.00	2.1%	7.8%
TOTAL TOP 5 SHAREHOLDERS	13,578,362.00	90.1%	59.0%

- 4.8 As disclosed in this table the largest shareholder, being Mayfair Capital will hold 18.5% of the issued capital of PMR, with no shareholder holding more than 20%.
- 4.9 The audited 31 December 2013 financial report disclosed that PMR also had 3,600,000 options outstanding, which are exercisable as follows:

PRECIOUS METAL RESOURCES LIMITED			
OPTION	NUMBER	EXPIRY DATE	EXERCISE PRICE
Success Options	1,650,000	24/10/2014	\$ 0.30
ESOP Options	1,950,000	24/10/2016	\$ 0.30

- 4.10 All ESOP options are held by directors or other officers of PMR.
- 4.11 The holders of the success options are detailed in the following table:

PRECIOUS METAL RESOURCES LIMITED	
OPTION HOLDER	NUMBER
Luisa Tan	100,000
Sing Capital Pty Limited	250,000
Safico Sdn Bhd	250,000
Nicholas Raffan	100,000
Qinjing Qiu	100,000
David Hughes	100,000
Arotama Sdn Bhd	250,000
Anything Communications Pty Limited	250,000
JT Capital Pty Ltd	250,000
	1,650,000

- 4.12 Of the options listed above, all of the Success Options and 1,500,000 of the ESOP Options were subject to escrow arrangements for a period of two years from the date of initial listing, being until 6 December 2013, which meant that if they had been exercised the shares acquired would then have been held in escrow until 6 December 2013.
- 4.13 Based on documents with the ASX it would appear that none of these options have been exercised up to the date of this report, despite the fact that the price at which shares have traded in recent months has been higher than the exercise price of 30 cents.

Directors

- 4.14 The 2013 Annual Report for PMR showed that the following persons were directors of the company, with those in the first column also being directors of SOC;;

Both PMR and SOC

John Dawkins
Rado Jacob Rebek
Michael Leu
Peter Meers

PMR Only

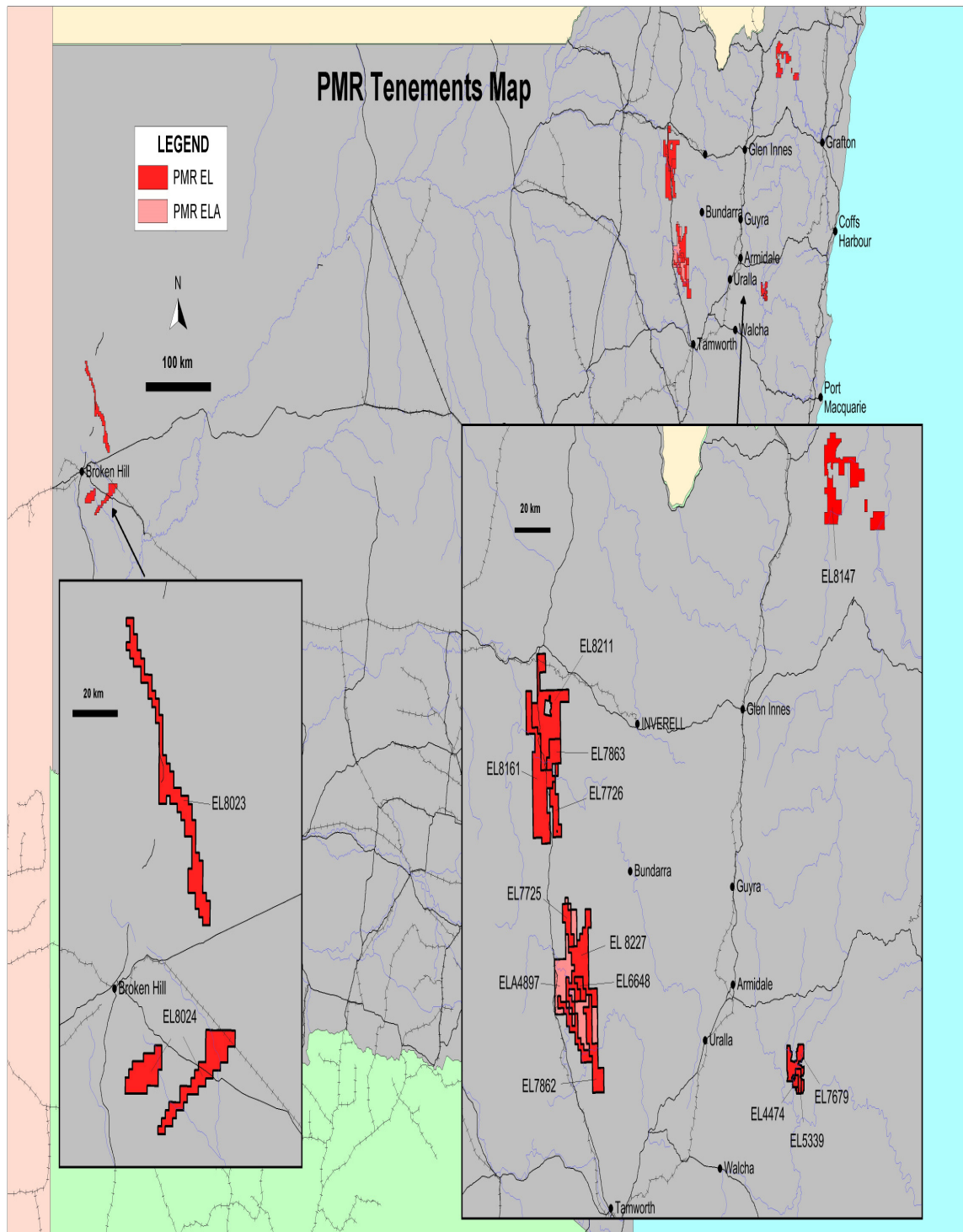
John Foley
Bruce Dennis
Peter Kennewell

Current Activities

- 4.15 The 2013 Annual Report issued on 24 March 2014 (prior to the announcement of the Proposed Transactions) disclosed the following tenements as being held by PMR as at 28 February 2014:

PRECIOUS METAL RESOURCES LIMITED	
TENEMENT NO.	LOCATION
EL 4474	Halls Peak
EL 5339	Halls Peak
EL 7679 (Held via interest in Hudson)	Halls Peak
EL 8017	Halls Peak North
EL 8069	Halls Peak West
EL 7998	South Southwest Broken Hill
EL 7999	Southwest Broken Hill
EL 8000	South East Broken Hill
EL 8015	Broken Hill South South East
EL 8023	East Broken Hill
EL 8024	South Broken Hill
EL 8080	Broken Hill North 2
EL 8145	North West Broken Hill
EL 8146	Timbarra
EL 8147	Timbarra
ELA 4897	Teatree Creek
EL 8227	King Solomon
EL 7726	Bingara South
EL 8161	Spring Creek
EL 8211	Bingara North
EL 6648	Crow King
EL 7725	Adam Scrub
EL 7862	Manilla
EL 7863	Bingara

- 4.16 Tenements highlighted in blue in the above table represent the tenements to be sold by PMR to SOC as part of the Second Proposed Transaction (EL4474 is held by Hudson and PMR's equity interest in this company will be transferred to SOC).
- 4.17 The tenements highlighted in pink form the Peel Fault Gold Project acquired from Gossan.
- 4.18 The map of New South Wales below outlines the location of the tenements owned by PMR.



Gossan Hill and Peel Fault Gold Project

- 4.19 On 17 July 2013 PMR announced to the ASX that they had entered into a Farm-In and Joint Venture Agreement with Gossan Hill Gold Limited ("**Gossan**") with respect to the Peel Fault Gold Project. Under the terms of the agreement PMR was able to earn up to a 70% interest in the Peel Fault Gold Project through sole funding of exploration expenditure up to \$1 million.
- 4.20 On 18 November 2013 PMR announced that it was acquiring a 100% interest in the Peel Fault Gold Project, which was previously the subject of the Farm-In Joint Venture Agreement with Gossan. On 4 April 2014 PMR shareholders approved the acquisition of the Peel Fault Gold Project from Gossan in consideration for which PMR issued 2,000,000 ordinary shares to Gossan. The tenements acquired by PMR which comprised the Peel Fault Gold Project were;

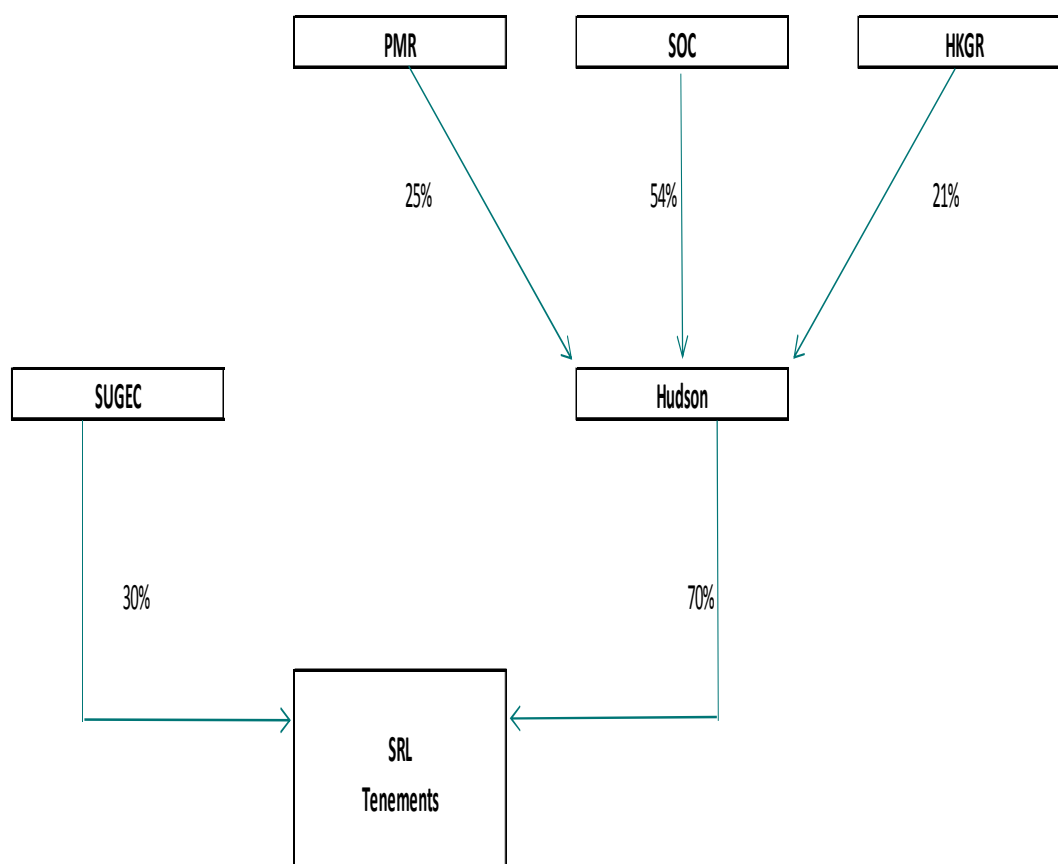
PRECIOUS METAL RESOURCES LIMITED	
TENEMENT NO.	LOCATION
EL 6648	Peel Fault
EL 7725	Peel Fault
EL 7726	Peel Fault
EL 7862	Peel Fault
EL 7863	Peel Fault
EL 8161	Peel Fault
EL 8211	Peel Fault
ELA 4859	Peel Fault (Now EL8221)
ELA 4897	Peel Fault

Arrangements with Jiangsu Geology and Engineering Co. Ltd ("**SUGEC**")

- 4.21 As noted in the 2012 Annual Report for PMR, and in the ASX announcement on 29 March 2012, PMR had entered into a cooperation and investment agreement with SUGEC of Nanjing, China, whereby SUGEC would contribute \$2 million towards exploration on EL 7679 before 31 March 2014 to earn a 30% interest in the tenement. . Around the same time SOC also entered into a similar agreement with SUGEC with respect to tenements it owned, being EL 6483, EL 7491 and EL 7768.
- 4.22 On 26 November 2012 PMR announced that it had entered into a further cooperation and investment agreement with SUGEC. Under the terms of the new agreement SUGEC would contribute a further \$8 million toward exploration on EL 4474 and EL 5339, being tenements owned by PMR, over a two year period, entitling them to a 30% interest in each tenement upon meeting the expenditure commitment. These arrangements had not been finalised at the date of this report.
- 4.23 Following the agreements referred to in Section 4.22 above, a further agreement was entered into in February 2013 between SOC, PMR and SUGEC, and a new special purposed joint venture company was established. This new company is called SUGEC Resources Limited ("**SRL**")
- 4.24 The shares held by PMR and SOC in SRL, are actually held through an intermediary company Hudson SPC Limited ("**Hudson**"). A third company, Hongkong Global Resources Limited ("**HKGR**") also owns shares in Hudson. The current shareholding in Hudson is as follows;

PRECIOUS METAL RESOURCES LIMITED	
SHAREHOLDER	% HELD
SOC	54%
PMR	25%
HKGR	21%
TOTAL	100%

- 4.25 Following the establishment of SRL (and Hudson) the 4 tenements which were subject to Farm-In Agreements between PMR and SUGEC (EL 7679), and SOC and SUGEC (EL 6483, EL 7491 and EL 7768), were transferred into SRL. In consideration for the transfer of these tenements to SRL, Hudson was issued with shares in SRL.
- 4.26 At the commencement of the arrangements with SRL, SUGEC was issued with warranty shares in SRL. As SUGEC spends the required funds in relation to the exploration and development of the tenements now owned by SRL, their shareholding in SRL will increase by conversion of these warrants to ordinary shares. This conversion process will continue until such time as the agreed and committed funding has been expended by SUGEC and their holding in SRL will reach a maximum of 30% (with the remaining 70% being held by Hudson).
- 4.27 The diagram below shows the ownership structure of Hudson and SRL on completion of the committed expenditure;.



- 4.28 The result of the above transactions is that PMR originally would have retained a 70% interest in EL 7679 following completion of the Farm In agreement with SUGEC, but now holds a 25% interest through Hudson, of 70% of the 4 tenements now owned by SRL (therefore 17.5%).
- 4.29 The cooperation agreement with SUGEC in relation to EL 4474 and EL 5339 is still in place, with the tenements continuing to be owned by PMR.
- 4.30 Upon successful completion of the Second Proposed Transactions, PMR will no longer have an interest in any of the tenements which are subject to agreements with SUGEC. All tenements subject to agreements with SUGEC will be owned by SOC and HKGR, via Hudson, with PMR no longer holding any direct equity interest in Hudson.

Focus for PMR if the Proposed Transactions are approved and implemented.

- 4.31 The directors of PMR have advised that if the Proposed Transactions are approved and implemented they will then be in a position to be able to concentrate on the further exploration and development of the Peel Fault Gold project which had recently been acquired by PMR from Gossan Hill.
- 4.32 The directors further believe that after the restructure they will be able to obtain funding to for the development of the Peel Fault Gold Project without the complication of the arrangements with SUGEC and SOC.

Financial Performance

- 4.33 The financial performance of PMR for the financial years ended 31 December 2011, 31 December 2012 and 31 December 2013 is set out in the table below. The information and has been sourced from PMR's audited financial statements.

PRECIOUS METAL RESOURCES LIMITED STATEMENT OF COMPREHENSIVE INCOME			
	FULL YEAR TO 31/12/2013 \$	FULL YEAR TO 31/12/2012 \$	FULL YEAR TO 31/12/2011 \$
REVENUE	80,423	241,675	8,490
TOTAL REVENUE	80,423	241,675	8,490
EXPENSES			
Administrative and exploration expenses	(1,349,958)	(938,192)	(401,479)
Finance Costs	(22,495)	(4,193)	(392)
Shares based payment expenses	-	-	(97,246)
TOTAL EXPENSES	(1,372,453)	(942,385)	(499,117)
(LOSS)/PROFIT BEFORE INCOME TAX	(1,292,030)	(700,710)	(490,627)
Other comprehensive income for the year net of tax	-	-	-
TOTAL COMPREHENSIVE (LOSS)/INCOME ATTRIBUTABLE TO MEMBERS OF THE CONSOLIDATED ENTITY	(1,292,030)	(700,710)	(490,627)

Financial Position

- 4.34 The financial position of PMR as at 31 December 2011, 31 December 2012 and 31 December 2013 is shown in the table below. The information has been sourced from PMR's audited or reviewed financial statements.

PRECIOUS METAL RESOURCES LIMITED BALANCE SHEET SUMMARY			
	AS AT 31/12/2013 \$	AS AT 31/12/2012 \$	AS AT 31/12/2011 \$
CURRENT ASSETS			
Cash and cash equivalents	207,246	174,357	59,786
Trade and other receivables	493,125	1,058,383	1,782,343
TOTAL CURRENT ASSETS	700,371	1,232,740	1,842,129
NON CURRENT ASSETS			
Trade and other receivables	-	-	638,000
Mining tenements	754,700	656,324	200,250
Financial assets	72,143	70	-
Equipment	801	1,038	-
Other non current assets	799,998	-	-
TOTAL NON CURRENT ASSETS	1,627,642	657,432	838,250
TOTAL ASSETS	2,328,013	1,890,172	2,680,379
CURRENT LIABILITIES			
Trade and other payables	940,109	26,758	7,897
Employee benefits provision	14,312	5,279	4,687
TOTAL CURRENT LIABILITIES	954,421	32,037	12,584
NON CURRENT LIABILITIES			
Employee benefits provision	11,385	3,898	1,391
TOTAL NON CURRENT LIABILITIES	11,385	3,898	1,391
TOTAL LIABILITIES	965,806	35,935	13,975
NET ASSETS	1,362,207	1,854,237	2,666,404
EQUITY			
Issued capital	3,673,965	2,873,965	2,985,422
Reserves	179,532	179,532	179,532
Accumulated losses	(2,491,290)	(1,199,260)	(498,550)
TOTAL EQUITY	1,362,207	1,854,237	2,666,404

5 VALUATION APPROACH

Definition of market value

- 5.1 In forming our opinion as to whether or not the Proposed Transactions are fair and reasonable to the non-associated shareholders of PMR we have assessed the fair value of a share of PMR prior to the Proposed Transactions compared to the estimated fair value of a share in PMR assuming that the Proposed Transactions are approved and implemented.

5.2 For the Second Proposed Transaction we have also considered the fair value of the consideration received from SOC, being the 1,000,000 shares in SOC, to the estimated fair value of the assets being sold to SOC, being the tenements and the equity interest in Hudson.

5.3 Fair value is generally defined as:

“The amount at which an asset could be exchanged between a knowledgeable and willing but not anxious seller and a knowledgeable and willing but not anxious buyer both acting at arm’s length”.

Valuation Methodologies

5.4 RG 111 outlines the appropriate methodologies that a valuer should generally consider when valuing assets or securities for the purposes of, amongst other things, share buybacks, selective capital reductions, schemes of arrangement, takeovers and prospectuses. These include:

- Discounted cash flow (“DCF”) method and the estimated realisable value of any surplus assets;
- Application of earnings multiples to the estimated future maintainable earnings or cash flows of the entity, added to the estimated realisable value of any surplus assets;
- Net assets basis as a going concern;
- Quoted price for listed securities, when there is a liquid and active market; and
- Any recent genuine offers received by the target for any business units or assets as a basis for valuation of those business units or assets.
- Replacement cost in the case of specialised projects such as R & D or IT development which has not yet reached the stage of commercialisation.

5.5 Further details on these methodologies are set out in Appendix 1 to this report. The appropriate methodology to use in each case is dependent on the individual circumstances and the particular transaction or transactions..

5.6 RG 111 does not prescribe the above methodologies as the method(s) that an expert should use in preparing their report. The decision as to which methodology to use lies with the expert based on the expert’s skill and judgement and after considering the unique circumstances of the entity or asset being valued. In general, an expert would have regard to valuation theory, the accepted and most common market practice in valuing the entity or asset in question and the availability of relevant information.

General Comments In Relation to PMR

5.7 We are not aware of any recent takeover offers for PMR.

5.8 However in July 2012, SOC did announce a takeover offer for PMR, following which they increased their shareholding in PMR from zero shares or 0% to 69,070,938 shares or 81.26% of the issued PMR capital. As this takeover offer occurred within the last two years we will consider the terms of such a transaction as a guide to the reasonableness of the value range we calculate for the shares in PMR under the current Proposed Transactions. In the Independent expert report for this transaction dated 2 August 2012 the shares in PMR at that time were valued in the range of \$0.215 to \$0.235 per share. We would expect that this valuation range would have included a premium for control as it was SOC’s stated objective to

obtain control of PMR and hopefully be in a position to move to a compulsory acquisition of the remaining shares not acquired under the offer.

- 5.9 PMR is a listed entity and therefore an active market exists for the shares in PMR, however the tenements subject to the Second Proposed Transaction are not the only tenements or assets owned by PMR and as such it is not possible to use the value of PMR shares to value the tenements as individual assets using this methodology.

Selected Valuation Methods

- 5.10 In performing our valuation analysis of the Proposed Transactions we have elected to use the following valuation methodologies as set out below.

First Proposed Transaction – Cancellation of 64 million ordinary shares in PMR held by SOC for no consideration.

- 5.11 Whilst we are able to arrive at an estimate of the value of a share in PMR before the First Proposed Transaction using the quoted price for listed securities we are not able to estimate what the quoted price will be after completion of the First Proposed Transaction. We will however calculate an estimate assuming that the overall market capitalisation does not change as a result of the First Proposed Transaction.
- 5.12 We have therefore selected the net assets per share as the primary basis on which to assess the fairness of the First Proposed Transaction.

Second Proposed Transaction – Sale of certain assets to SOC in consideration for the receipt of 1,000,000 shares in SOC.

- 5.13 Whilst we are able to arrive at an estimate of the value of a share in PMR before the First Proposed Transaction using the quoted price for listed securities we are not able to estimate what the quoted price will be after completion of the Second Proposed Transaction as there will be a change in asset composition. As such we are not able to use an estimate based on market capitalisation as we did for the First Proposed Transaction.
- 5.14 The tenements subject to the Second Proposed Transaction, being EL 4474 and EL 5339, and the equity interest in Hudson, and which all are subject to the agreements with SUGEC, are in the junior stages of exploration and it is not possible to estimate any earnings or cash flow from their exploration and development. Hence we are unable to use the earnings or discounted cash flow methodologies to value the tenements.
- 5.15 In circumstances such as these, the valuer usually has regard to the costs that have been incurred to date by the vendor in relation to the acquisition and development of the tenements and this is the approach we will take in valuing the tenements subject to the Proposed Transaction (referred to as the Replacement Cost Method). This methodology will also be used when valuing Hudson as the only asset of Hudson are shares in SRL, and the only asset of SRL is the tenements.
- 5.16 We have considered that the most appropriate means in which to compare the position of a non-associated shareholder before and after the Second Proposed Transaction is to adopt the Net Asset approach and using the replacement cost methodology for the relevant assets.

- 5.17 We will also compare the value of the assets being sold to SOC under the Second Proposed Transaction to the value of the shares in SOC being acquired by PMR as consideration, as a cross check to the net asset methodology and valuing the shares in PMR.

6 THE FIRST PROPOSED TRANSACTION

Selective Capital Reduction of 64 Million Ordinary Shares in PMR held by SOC

- 6.1 As noted in section 1.8 above, the First Proposed Transaction will involve PMR undertaking a selective reduction in capital, cancelling 64 million fully paid ordinary shares in PMR held by SOC, for zero consideration. We note that the shareholders of SOC will be required to approve this transaction before it can proceed.
- 6.2 In determining whether the First Proposed Transaction is fair and reasonable to the non-associated shareholders we need to compare the value of a share in PMR prior to the First Proposed Transaction to the estimated value of a share in PMR assuming that the First Proposed Transaction has been approved and implemented, and considering both the traded price and the net assets value for the shares.

Estimate of Value based on Market Trading Activity

PMR Share Price and Liquidity Analysis

- 6.3 In considering the market value of the listed securities we need to consider the current and recent quoted price and traded volumes for shares in PMR.
- 6.4 We also need to consider the depth of the market for the securities. If there are few trades, and at low volumes, it does not always provide a fair indication of the underlying market value of the securities. Similarly if there are factors which limit the marketability of the securities, the underlying market value may not be evident from the trading history.
- 6.5 As SOC made a successful takeover offer for PMR in July 2012, and was hoping to be able to proceed to a compulsory acquisition and acquire the remaining shares that it had not acquired as part of the offer, we do not consider that SOC should generally be considered a seller on market for shares in PMR, and as such the shares held by SOC, being 66,570,938, were not available to be traded during most of the period since this takeover offer in July 2012.
- 6.6 However, SOC did announce that it was selling down its interest in PMR to fund Gossan's Mount Adrah Project and 1,500,000 shares were sold off market during the period prior to February 2014.
- 6.7 We have also been advised that SOC completed an off market sale of 1,000,000 shares to another entity within the Hudson Limited Group in July 2013. We have then been further advised that SOC reacquired these shares in PMR on 5 March 2014.
- 6.8 Therefore we consider that there was between 66,570,938 and 67,570,938 shares, held by SOC, and which were not available for sale on market at any point during the period from July 2012 to the date of this report. As a result there was only a small proportion of the shares in PMR that would have been available to be traded on market.

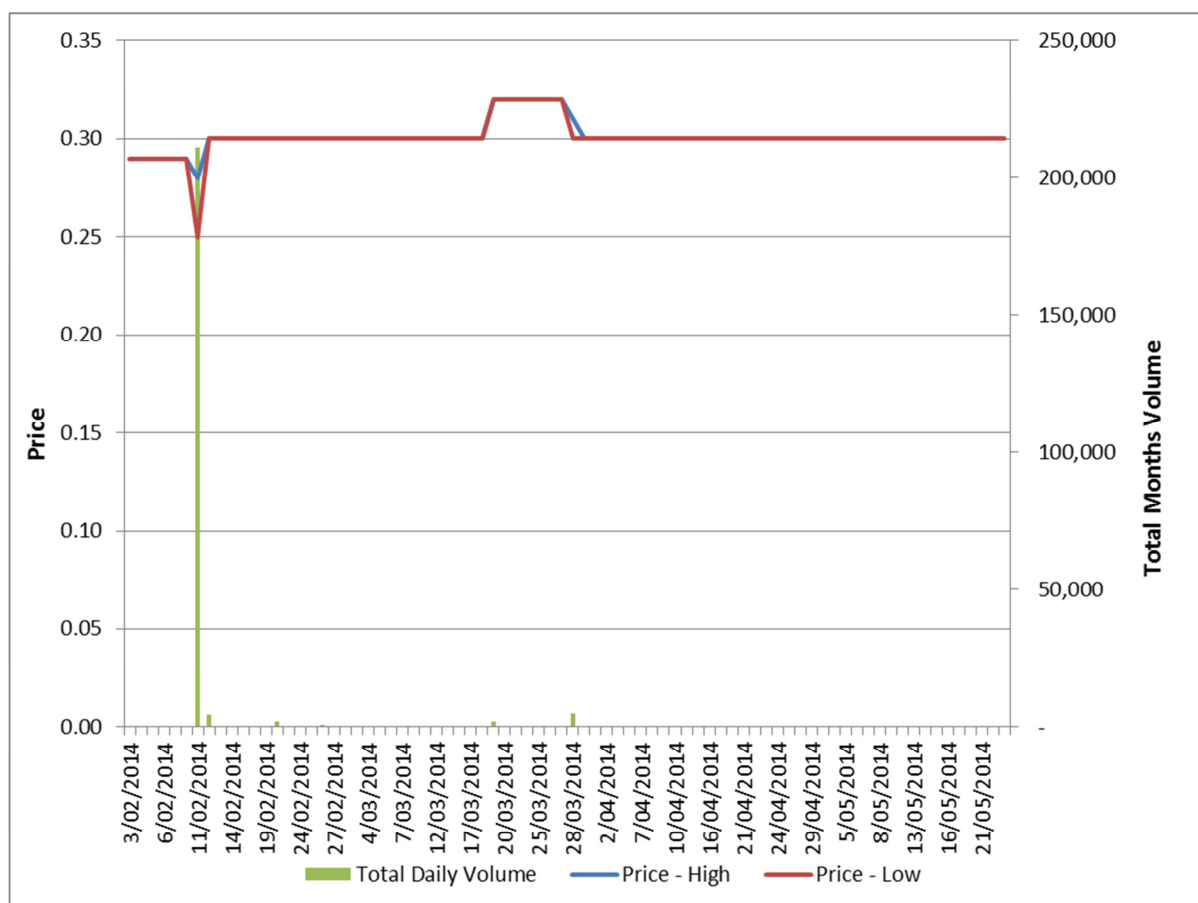
- 6.9 From the date of the takeover in July 2012 to the off market transfer in July 2013 there were therefore only 15,929,062 shares held by other parties which were available for trading. After the off market transfers by SOC in July 2013, there were 18,429,062 shares held by other parties which were available for trading on market up until 19 November 2013 when 2,000,000 were issued to Gossan, taking the total available to 20,429,062. Of these 20,429,062 shares we note that 10,000,000 were held in escrow until 6 December 2013.
- 6.10 The result of the above analysis is that in our opinion there were only a maximum of 10,429,062 shares available to be traded on the ASX at any time during the period from July 2012 to 6 December 2013.
- 6.11 In the table below we have set out the actual number of shares which in our opinion were available to be traded on the ASX over the period from 1 July 2012 to the date of this Report.

PRECIOUS METAL RESOURCES LIMITED					
DATE	EVENT	SHARES HELD BY SOC	SHARES HELD IN ESCROW	SHARES AVAILABLE TO BE TRADED	% OF TOTAL AVAILABLE TO BE TRADED
10/07/2012	Announcement of SOC takeover of PMR	-	75,000,000	10,000,000	11.76%
04/09/2012	Announcement of Top 20 Shareholders post takeover	69,070,938	10,000,000	5,929,062	6.98%
31/12/2012	2012 Annual Report	69,070,938	10,000,000	5,929,062	6.98%
19/07/2013	Off-market transfer of securities by SOC	67,570,938	10,000,000	7,429,062	8.74%
19/07/2013	Off-market transfer of securities by SOC	66,570,938	10,000,000	8,429,062	9.92%
19/11/2013	Issue of ordinary shares as consideration for acquisition of the Peel Fault Gold Project	66,570,938	10,000,000	10,429,062	11.99%
06/12/2013	Release of securities from escrow	66,570,938	-	20,429,062	23.48%
5/03/2014	Off-market acquisition of securities by SOC	67,570,938	-	19,429,062	22.33%
	The date of this report	67,570,938	-	19,429,062	22.33%

- 6.12 From the period 6 December 2013 to 5 March 2014 we consider that there were 20,429,062 shares available to be traded. From the period 5 March 2014 and after there were 19,429,062 shares available to be traded.

Historical Share Trading Activity of PMR Shares

- 6.13 In considering the price at which shares have been trading on the ASX we believe that the period leading up to and after the announcement of the Proposed Transactions on 9 April 2014 should be considered, being from 1 February 2014 to 16 May 2014.
- 6.14 The following chart sets out the daily high and low share price for PMR and the volume traded for the period from 1 February 2014 to 16 May 2014.



- 6.15 The period represented in the above graph covers the period of about 9 weeks prior to the announcement of the Proposed Transactions and 5 weeks after.
- 6.16 We note that during this period, on 4 March 2014, PMR dispatched a notice of meeting to all shareholders requesting them to attend a general meeting of the company on 4 April 2014 to pass a resolution to ratify the acquisition of the Peel Fault Gold Project from Gossan Hill which had taken place prior to 31 December 2013.
- 6.17 At the general meeting on 4 April 2014 shareholders overwhelming approved the acquisition with no votes cast against the motion. The value placed on a share in PMR at the time of the Gossan Hill transactions was \$0.29 to \$0.30 based on market trading activity.
- 6.18 The price at which PMR shares traded reached a high throughout the period of \$0.32 on 19 March 2014, with the majority of time trading around \$0.30. The low for the period was \$0.25 on 11 February 2014.
- 6.19 The announcement by PMR and SOC of the Proposed Transactions was made on 9 April 2014. Based on the graph in section 6.14 above it is not possible to estimate a price per share following the announcements no shares have actually been traded since before the date of the announcement to the date of this report.
- 6.20 During the period from 1 February to 30 April 2014 there appears to have only been 6 days where trades of PMR shares occurred, out of a possible 78 trading days. These trading days are detailed in the table below:

PRECIOUS METAL RESOURCES LIMITED			
			% OF SHARES AVAILABLE TO BE TRADED
DATE	VOLUME	TRADED PRICE	
11/02/2014	211,200	\$ 0.25	0.0103%
12/02/2014	4,700	\$ 0.30	0.0002%
20/02/2014	2,000	\$ 0.30	0.0001%
26/02/2014	700	\$ 0.30	0.0000%
19/03/2014	2,000	\$ 0.32	0.0001%
28/03/2014	5,000	\$ 0.30	0.0002%

- 6.21 Although the trades represent an extremely small percentage of the shares available to be traded, it does however show that trades were occurring in the \$0.25 to \$0.32 range up to 28 March 2014.
- 6.22 Over the same period there is one distinct spike in volume trading activity, being on 11 February 2014 when 211,200 shares were traded in one day. This represented only 0.002% of the total shares on issue at the time, but excluding the shares held by SOC this represents 0.01% of the shares available to be traded.
- 6.23 We are not aware of any information that may have caused this spike in trading activity on 11 February 2014.
- 6.24 The spike in trading activity did however have the effect of bringing the trading price up from the low over the period of \$0.25 back to \$0.30, where it stayed for the only two days following this on which trades occurred.
- 6.25 In determining the value per PMR share based on trading activity we have excluded the small parcel of 2,000 shares traded on 19 March 2014 at \$0.32. We consider this transaction to be an outlier and as it was only a small parcel of shares, we do not consider it reflects the price at which the majority of shares had been trading over the period
- 6.26 Based on the price at which shares have traded during the period prior to the announcement of the Proposed Transactions, and given no shares have traded since the announcement of the Proposed Transactions, **we consider that the value of the shares in PMR based on trading activity is in the range of \$0.25 to \$0.30 prior to the implementation of the Proposed Transactions. We note that this range is higher than the value provided in the February 2014 Expert report in relation to the acquisition of the Peel Fault Gold Project from Gossan Hill of \$0.215 to \$0.235. Section 5.8.**

Estimate of Market price of Shares following Completion of the First Proposed Transaction

- 6.27 Although it is not possible to accurately determine in advance what the market trading price might be for the shares in PMR following completion of the First Proposed Transaction it is possible in this case to make a reasonable estimate based on the market capitalisation of the company prior to the First Proposed Transaction and allocating it over the reduced number of shares which will be on issue if the capital reduction takes place.
- 6.28 Based on the estimated range of values we have calculated above for the shares in PMR based on market traded prices prior to the First Proposed Transaction of \$0.25 to \$0.30, and given

that there are currently 87 million shares in issue, we calculate that the market capitalisation of PMR is in the range of \$21.750 million and \$26.1 million.

- 6.29 After the capital reduction to cancel 64 million shares held by SOC there will only be 23 million shares remaining on issue in PMR. Assuming that the market capitalisation remains the same, as there as been no other change to the company's assets at this stage, this would lead to an estimated market based price per share of \$0.9456 to \$1.1347.
- 6.30 **Therefore the non-associated shareholders would appear to benefit from the First Proposed Transaction as the value of a share in PMR, on the market based price, will have increased from a range of \$0.25 to \$0.30 to a range of \$0.9456 to \$1.1347.**

ESTIMATED MARKET PRICE OF PMR SHARE FOLLOWING COMPLETION OF FIRST PROPOSED TRANSACTION			
	SECTION	LOW	HIGH
Calculation of Market Capitalisation Prior to First proposed Transaction			
Market Price	6.26	\$0.25	\$0.30
Number of Shares On Issue	4.3	87,000,000	87,000,000
Market Capitalisation		\$21,750,000	\$26,100,000
Number of Shares issued Following completion of First Proposed Transaction	6.33	23,000,000	23,000,000
Estimated Market price following completion	6.29	\$0.9457	\$1.1348

Valuation based on Net Assets

- 6.31 From the 2013 Annual Report, and as noted in section 4.34, the net assets of PMR prior to the First Proposed Transaction were \$1,362,207 and there were 87,000,000 ordinary shares on issue. We have calculated the Net Assets per share as at 31 December 2013 in the Table below.

PRECIOUS METAL RESOURCES LIMITED	
Net Assets per Audited Statement of Financial Position as at 31 December 2013	\$ 1,362,207
Number of Issued Shares	87,000,000
Net Assets per Share	\$ 0.0157

- 6.32 We therefore estimate that the value of a share in PMR prior to the First Proposed Transaction was \$0.0157 per share based on net assets and as set out in the table above.
- 6.33 Should the First Proposed Transaction be approved and implemented, the number of ordinary shares on issue in PMR will decrease, as a result of the selective capital reduction of 64 million ordinary shares, as calculated in the table below:

PRECIOUS METAL RESOURCES LIMITED	
Ordinary Shares on Issue per the 2013 Annual Report	87,000,000
Selective Capital Reduction of Ordinary Shares held by SOC as part of the Proposed Transaction	(64,000,000)
Ordinary Shares on Issue Post the First Proposed Transaction	23,000,000

- 6.34 Based on the reduced number of ordinary shares on issue in PMR assuming the completion of the First Proposed Transaction, and again using the net assets from the 2013 Annual Report of \$1,362,207, we have calculated the net asset value per share following completion to be \$0.0592 per share as calculated in the table below.

PRECIOUS METAL RESOURCES LIMITED	
Net Assets per Audited Statement of Financial Position as at 31 December 2013	\$ 1,362,207
Number of Issued Shares	23,000,000
Net Assets per Share following the completion of the First Proposed Transaction	\$ 0.0592

- 6.35 In summary we estimate that the value of an ordinary share in PMR prior to the First Proposed Transaction, based on the net assets, is \$0.0157 per share.
- 6.36 Assuming that the First Proposed Transaction is approved and implemented we have calculated that the estimated value per share in PMR, again using the Net Assets methodology, to be \$0.0592.
- 6.37 **Therefore the non-associated shareholders would appear to benefit from the First Proposed Transaction as the value of a share in PMR, on the Net Assets basis, will have increased from \$0.0157 to \$0.0592 – an increase of \$0.0435 per share, or an increase in value of over 277%.**

7 THE SECOND PROPOSED TRANSACTION

- 7.1 As outlined in section 1.9, if the Second Proposed Transaction is approved PMR will sell the two tenements it owns, being EL4474 and EL5339, as well as the equity interest in Hudson, to SOC and in consideration will receive 1,000,000 shares in SOC.
- 7.2 In assessing whether the Second Proposed Transaction is fair and reasonable to the non-associated shareholders, we need to consider the value of each PMR share prior to the Second Proposed Transaction and compare this to the value of a share in PMR assuming that the Second Proposed Transaction has been approved and implemented.
- 7.3 As a start to the process of calculating the value of a share in PMR before and after the Second Proposed Transaction we have considered the value of the tenements and equity interest in Hudson being sold to SOC and compared this to the value of the shares in SOC being acquired as consideration.

Comparison of Value of Assets being sold to the value of the SOC shares to be received

Valuation of Assets Being Sold by PMR

Value of Tenements EL 4474 and EL 5339 to be sold by PMR to SOC

- 7.4 As noted in section 5.14, the tenements being acquired by SOC are in the junior stages of exploration and as such there is no reliable estimate of future income from which to base a valuation.
- 7.5 These tenements are both subject to a further cooperation agreement with SUGEC which may see these two tenements being transferred into Hudson and SRL in due course. The arrangements would be similar to those which now exist between PMR, SOC and HKGR in relation to Hudson and SRL and PMR's interest in these tenements reduced accordingly.
- 7.6 We have determined that the most appropriate methodology to adopt to value the tenements is to use the Replacement Cost Methodology. To do this we will need to identify the costs that have been incurred to date by PMR in relation to the acquisition and development of the particular tenements.
- 7.7 We have obtained a summary of the expenditure on each tenement from the Management Accounts of PMR for the month of March 2014, and which have been advised have been approved by the Directors of PMR.
- 7.8 Expenditure incurred for each tenement includes the following:
- Application fees;
 - Rent;
 - Administration levies;
 - Transfer costs.
- 7.9 The table below summarises the total expenditure incurred for each tenement as obtained from the March 2014 Management Accounts of PMR:

PRECIOUS METAL RESOURCES LIMITED	
TENEMENT NO.	TOTAL COSTS INCURRED
EL 4474	\$ 318,294
EL 5339	\$ 151,493
	\$ 469,787

- 7.10 Based on the figures disclosed in the above table we are of the opinion that the costs incurred to date on the two wholly owned tenements which PMR may sell to SOC if the Second Proposed Transaction is approved are \$469,787 and that this represents a fair estimate of the value of the tenements both in March 2014 and at the date of this Report.

Value of Equity Interest in Hudson SPC Pty Limited which may be sold by PMR to SOC.

- 7.11 As noted in section 1.9 above, PMR may also sell its equity interest in Hudson to SOC.
- 7.12 Hudson was registered on 12 November 2012 and was established to hold the respective interests of PMR, SOC and HKGR in SRL. Further details of these arrangements are set out in Section 4.21 to 4.30.
- 7.13 Hudson, indirectly through its interest in SRL, currently holds an interest in 4 tenements, of which PMR has only vended in one, being EL 7679 and the remaining 3 were acquired from SOC.

- 7.14 By acquiring an interest in Hudson through vending in this one tenement, EL 7679, PMR has effectively gained an indirect interest in the 3 other tenements in which it previously had no interest, but at the same time reduced its ownership of EL 7679 from 100% originally, and then 70% under the original Farm In agreement with SUGEC to 17.5% - Section 4.28.
- 7.15 As a result of this structure, where tenements which were owned by PMR and tenements which were owned by SOC, have all been merged into Hudson, both PMR and SOC will benefit from any value attributable to any of the 4 tenements, rather than just the tenement or tenements which it previously owned as to 100%.
- 7.16 By transferring the tenements and the interests of each party into the one company, SUGEC has a commitment to spend \$21.5 million which can be spread in any proportion across all of the tenements held in SRL.
- 7.17 The tenements held by SRL are detailed in the table below:

PRECIOUS METAL RESOURCES LIMITED		
TENEMENT NO.	LOCATION	VENDED IN BY
EL 6483	Rocky River-Uralla	Sovereign
EL 7491	Uralla	Sovereign
EL 7679	Halls Peak	PMR
EL 7768	Bundarra	Sovereign

- 7.18 The only assets of Hudson are the shares in SRL, and the only assets of SRL are the tenements that have been vended in by both PMR and SOC. As noted in sections 5.15 and 5.16 above, the only way to value these assets is to use the Replacement Cost Methodology.
- 7.19 For PMR the cost of this investment which it now holds in Hudson, and with Hudson having an interest in SRL, is the costs that PMR had incurred to date in acquiring and developing the tenement EL 7679.
- 7.20 Alternatively we could calculate the value of PMR's equity interest in Hudson by determining the total costs of acquisition of all 4 tenements in SRL, which include the 3 vended in by SOC. The value of PMR's equity interest in Hudson would then be equal to 25% (this being the % of equity in Hudson that PMR holds) of the total costs for the 4 tenements. However we do not have the details as to the costs which relate to the 3 tenements vended into SRL by SOC. We have therefore elected to use the costs incurred by PMR on the one tenement that was vended in by PMR.
- 7.21 From the March 2014 management accounts we note that PMR had incurred expenditure of \$72,144 on EL 7679 up until it was vended into Hudson and SRL and accordingly we have determined that this represents the fair value of PMR's equity interest in Hudson.

Total Estimated Value of the Assets to be sold to SOC

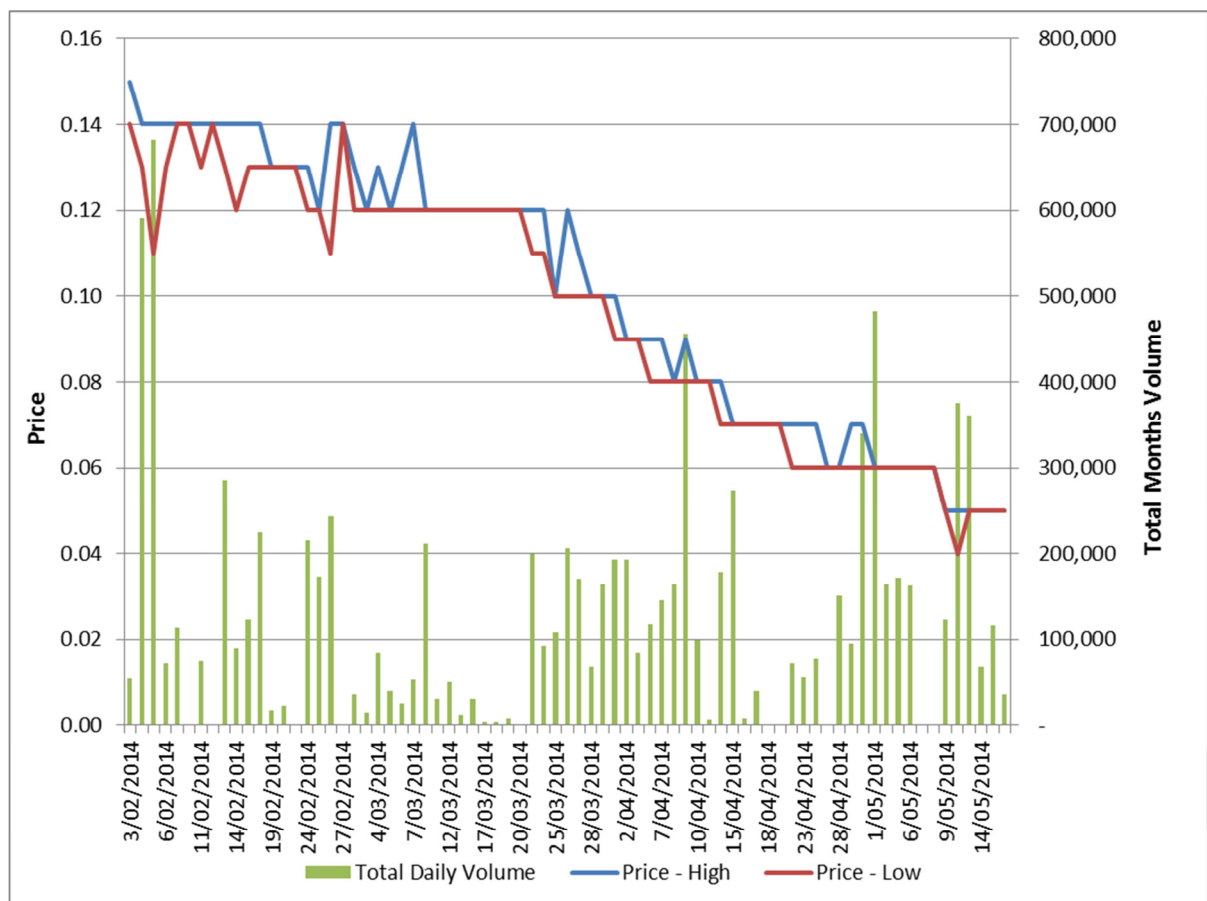
- 7.22 In the table below we have calculated the total value of the assets which are to be sold to SOC if the Second Proposed Transaction is approved to be \$541,931:

PRECIOUS METAL RESOURCES LIMITED	
ASSET	VALUE
EL 4474	\$ 318,294
EL 5339	\$ 151,493
Equity Interest in Hudson	\$ 72,144
TOTAL	\$ 541,931

7.23 Value of 1,000,000 Fully Paid Ordinary Shares in SOC to be Acquired by PMR

Share Price, Liquidity and Historical Trading Analysis

- 7.24 In considering the market value of the 1,000,000 fully paid ordinary shares in SOC that would be issued to PMR if the Second Proposed Transaction was approved and implemented we have started with a consideration of the current and recent quoted price and traded volumes for shares in SOC.
- 7.25 We also need to consider the depth of the market for the securities. If there are few trades, and at low volumes, it does not always provide a fair indication of the underlying market value of the securities. Similarly if there are factors which limit the marketability of the securities, the underlying market value may not be evident from the trading history.
- 7.26 In considering the price at which shares have been trading on the ASX we believe that the period leading up to and after the announcement of the Proposed Transactions should be considered, being from 1 February 2014 to 16 May 2014.
- 7.27 The following chart sets out the daily high and low share price and the volume traded for the period from 1 February 2014 to 16 May 2014.



- 7.28 The period represented in the above graph covers the period of about 9 weeks prior to the announcement of the proposed transaction and 5 weeks after and demonstrates that SOC is a much more liquid stock than PMR.
- 7.29 The share price reached a high throughout the period of \$0.15 on 3 February 2014, with a steady decline in the price over the period, reaching a low for the period of \$0.04 on 12 May 2014. The period of continual decline appears to have started on or around 21 March 2014.
- 7.30 The announcement by PMR and SOC of the Proposed Transactions was made on 9 April 2014. As we can see from the graph above, the announcement of the Proposed Transactions appeared to have had very little impact on the price at which PMR shares were trading, although it did result in a spike in the volume traded on that day. The decline in the share price continued after the date of the announcement despite this spike in volume.
- 7.31 As outlined in the graph above, the shares in SOC appear to be quite liquid, with trades occurring on 65 out of a possible 75 trading days.
- 7.32 Over the period represented in the graph above, a total of 9,399,800 SOC shares were traded which represents 7.9% of the total shares on issue as at 28 February 2014.
- 7.33 We note that trades in SOC shares have been occurring at prices right across the period of in a range of \$0.04 to \$0.15, with the most recent trades both pre and post the announcement of the Proposed Transactions occurring in the range of \$0.06 to \$0.08.

- 7.34 Based on the recent most recent prices at which SOC shares have been trading during the period both prior to and post the announcement of the Proposed Transactions, we consider that the value of SOC shares as at the date of the announcement is in the range of \$0.06 to \$0.08 per share. We acknowledge that this value may not take into account the overall impact on the share price of SOC on the successful acquisition of the assets from PMR, but given the relatively low value of these assets and the large number of shares issued in SOC we do not consider that this would make any material difference in the share price at which securities in SOC would be traded.
- 7.35 Based on the range of values calculated in section 7.33 above, we consider the value of the 1,000,000 fully paid ordinary shares in SOC to be issued to PMR should the Second Proposed Transaction be approved and implemented, to be \$60,000 to \$80,000 as calculated in the table below;:

PRECIOUS METAL RESOURCES LIMITED		
	LOW VALUE	HIGH VALUE
Number of Sovereign Shares to be Issued to PMR	1,000,000	1,000,000
Value per Share	\$ 0.06	\$ 0.08
Value of Shares to be Issued to PMR	\$ 60,000	\$ 80,000

7.36 Overall Comparison of Assets to be Sold to Consideration to be Received

- 7.37 Based on the above analysis we have determined that the value of the assets which may be sold to SOC by PMR, and the value of the shares in SOC which may be acquired as consideration if the Second Proposed Transaction is approved and implemented to be as follows:

PRECIOUS METAL RESOURCES LIMITED			
	REFERENCE	LOW VALUE	HIGH VALUE
Value of Assets sold by PMR to SOC	7.29	\$ 541,931	\$ 541,931
Value of Shares in SOC to be Issued to PMR	7.41	\$ 60,000	\$ 80,000

- 7.38 **Based on the above analysis it is our opinion that the Second Proposed Transaction is not Fair to the non-associated shareholder of PMR and the value of the shares to be acquired in SOC is less than the value of the assets to be sold by PMR to SOC.**

7.39 Comparison of the Position of PMR Shareholders Prior to and Post the Proposed Transaction

- 7.40 In determining whether the Second Proposed Transaction is fair and reasonable to the non-associated shareholders of PMR, we have also considered the value of a PMR share prior to the Second Proposed Transaction and compared this to the estimated value of a PMR share assuming that the Second Proposed Transaction was approved and implemented.

Value of a share in PMR prior to the Second Proposed Transaction

- 7.41 In determining the value per PMR share prior to the Second Proposed Transaction we have taken into account the price at which PMR shares have been trading on the ASX as well as the volume of shares that have been traded. In Section 6.26 we calculated that the value of a share in PMR based on trading activity before the Proposed Transactions was \$0.25 to \$0.30.

- 7.42 We note however that this can only be used as an indication of value before the Second Proposed Transaction as we are not able to estimate the traded price of PMR shares assuming that the Second Proposed Transaction had been approved and implemented.
- 7.43 We have therefore adopted the net asset methodology as our primary basis on which to value the shares in PMR both before and after the Second Proposed Transaction.

Valuation of a Share in PMR Prior to the Second Proposed Transaction Based on Net Assets

- 7.44 As noted above we have selected the net assets basis as the primary valuation methodology to adopt to value the shares in PMR both before and after the Second proposed Transaction.
- 7.45 The major assets of PMR are the tenements held, which are carried in the accounts at the original cost of acquisition plus exploration costs incurred by PMR to date. This is excluding the costs funded by SUGEC. It is not possible or reasonable to try and actually put a value on these assets when they are at such an early stage of development. In such circumstances the net assets basis is considered to be an acceptable method of valuing the company.
- 7.46 Based on the audited Annual Report of PMR as at 31 December 2013, and contained at section 4.34, we have calculated the net assets per share in Section 6.31 and Section 6.34 to be \$0.0157 per share before the First Proposed Transaction and \$0.0592 after the First Proposed Transaction. These calculations are reproduced in the tables below:

PRECIOUS METAL RESOURCES LIMITED	
Net Assets per Audited Statement of Financial Position as at 31 December 2013	\$ 1,362,207
Number of Issued Shares	87,000,000
Net Assets per Share	\$ 0.0157

PRECIOUS METAL RESOURCES LIMITED	
Net Assets per Audited Statement of Financial Position as at 31 December 2013	\$ 1,362,207
Number of Issued Shares	23,000,000
Net Assets per Share following the completion of the First Proposed Transaction	\$ 0.0592

- 7.47 Whilst this value is considerably lower than the range of values obtained based on market activity, it demonstrates that the market has factored into the price the potential for PMR to develop and explore the various tenements it owns.
- 7.48 We also note that the above net assets calculation does not take into account the expenditure incurred to date by SUGEC, although if such costs were taken up, a reduction to reflect the ownership interest of SUGEC in the tenements would also need to be made.

Summary of Value of a Share in PMR Prior to the Second Proposed Transaction

- 7.49 As outlined in section 7.33 above, we believe the value per PMR share prior to the Second Proposed Transactions, and based on market trading, is in the range of \$0.25 to \$0.30 per share.
- 7.50 As set out in Section 7.46 above we estimate that the value of a share in PMR prior to the Second Proposed Transaction, and assuming that the First Proposed Transaction has not been completed, based on net assets, is \$0.0157.
- 7.51 However it is a condition of the Second Proposed Transaction that the First Proposed Transaction must be approved by shareholders before the Second Proposed Transaction will be put to the shareholder vote. In these circumstances we consider it appropriate when considering the Second Proposed Transaction to take into account the capital reduction which would take place if the First Proposed Transaction was approved.
- 7.52 **As such we consider that the value of one of the 23m shares in PMR prior to the Second Proposed Transaction is \$0.0592.**

Value of a Share in PMR assuming that the Second Proposed Transaction has been approved and implemented and using the Net Assets basis.

- 7.53 In determining the value of a PMR share assuming that the Second Proposed Transaction has been approved and implemented we are unable to use the trading price or volumes as we are not able to estimate with any degree of certainty what the traded price of PMR shares will be at a future date and assuming certain transactions have occurred.
- 7.54 As such we are only able to use the value per share based on the estimated net assets of the company assuming that the Second Proposed Transaction has been approved and implemented to compare to the value of a share in PMR prior to the Second Proposed Transaction.

Balance Sheet as at 31 December 2013 adjusted to include impact of the Second Proposed Transaction.

- 7.55 We have taken the balance sheet of PMR as at 31 December 2013 from the audited Annual Report and processed the adjustments that would need to be taken into account should the Second Proposed Transaction be approved and implemented. The adjusted balance sheet is detailed below:

PRECIOUS METAL RESOURCES LIMITED						
ADJUSTED BALANCE SHEET						
	AS AT	REFERENCE	ADJUSTMENTS		ADJUSTED 31/12/13	
	31/12/2013		LOW VALUE	HIGH VALUE	LOW VALUE	HIGH VALUE
	\$		\$	\$	\$	\$
CURRENT ASSETS						
Cash and cash equivalents	207,246				207,246	207,246
Trade and other receivables	493,125				493,125	493,125
TOTAL CURRENT ASSETS	700,371				700,371	700,371
NON CURRENT ASSETS						
Mining tenements	754,700	A	(469,787)	(469,787)	284,913	284,913
Financial assets	72,143	B	(72,143)	(72,143)	60,000	80,000
		C	60,000	80,000		
Equipment	801				801	801
Other non current assets	799,998				799,998	799,998
TOTAL NON CURRENT ASSETS	1,627,642				1,145,712	1,165,712
TOTAL ASSETS	2,328,013				1,846,083	1,866,083
CURRENT LIABILITIES						
Trade and other payables	940,109				940,109	940,109
Employee benefits provision	14,312				14,312	14,312
TOTAL CURRENT LIABILITIES	954,421				954,421	954,421
NON CURRENT LIABILITIES						
Employee benefits provision	11,385				11,385	11,385
TOTAL NON CURRENT LIABILITIES	11,385				11,385	11,385
TOTAL LIABILITIES	965,806				965,806	965,806
NET ASSETS	1,362,207				880,277	900,277
EQUITY						
Issued capital	3,673,965				3,673,965	3,673,965
Reserves	179,532				179,532	179,532
Accumulated losses	(2,491,290)	D	(481,930)	(461,930)	(2,973,220)	(2,953,220)
TOTAL EQUITY	1,362,207				880,277	900,277

7.56 The adjustments processed in the above balance sheet are detailed below using the same reference numbers:

- A. As noted in sections 7.9 to 7.22, the value of the tenements to be transferred to SOC, being the expenditure incurred on those tenements to date of \$469,787, will need to be removed as the tenements will not be owned by PMR;
- B. The financial assets of PMR in the above balance sheet represent their interest in Hudson. This interest will be transferred to SOC as a result of the Proposed Transaction and as such the cost of this investment, which is the costs incurred by PMR in relation to the underlying tenement of \$72,143, will need to be removed as it will no longer be an asset of PMR;
- C. As noted in section 3.5, PMR will receive 1,000,000 fully paid ordinary shares in SOC as part of the Proposed Transaction. This investment in SOC will have to be recognised in the balance sheet of PMR as an asset at the value we have estimated, to be in the range of \$60,000 to \$80,000;

- D. Any gain or loss from the acquisition or disposal of the above assets will go through the profit & loss account of PMR.

- 7.57 Based on the balance sheet of PMR as at 31 December 2013 adjusted to reflect the implementation of the Second Proposed Transaction, and assuming that the capital reduction from the First Proposed Transaction has occurred, we have calculated the net assets per share assuming the Second Proposed Transaction has been approved and implemented to be as follows;

PRECIOUS METAL RESOURCES LIMITED		
	LOW	HIGH
Net Assets per Adjusted Statement of Financial Position as at 31 December 2013	\$ 880,277	
Number of Issued Shares	23,000,000	
Net Assets per Share	\$ 0.0383	

- 7.58 **Summary of Comparison of Value of a share in PMR prior to the Second Proposed Transaction and the value of a PMR share assuming that the Second Proposed Transaction has been approved and implemented.**
- 7.59 In section 7.52 above we have calculated the value of a share in PMR prior to the Second Proposed Transaction, based on Net Assets, of \$0.0592, to the value of a PMR share assuming the approval and completion of the Second Proposed Transaction as calculated in Section 7.57 of \$0.0383 to \$0.391 per share.
- 7.60 **As the value of a share in PMR assuming that the Second Proposed Transaction has been approved and implemented, of \$0.0383 to \$0.0391 is less than the value of a share in PMR prior to the Second Proposed Transaction of \$0.0592, we consider that the Second Proposed Transaction is Not Fair to the non-associated shareholders of PMR.**

The Proposed Transactions considered together

- 7.61 As noted the Second Proposed Transaction is subject to the First Proposed Transaction being approved by the non-associated shareholders. Therefore we consider that it is appropriate to consider the position of a non-associated shareholder before and after both the Proposed Transactions.
- 7.62 As calculated in Section 6.31 the value of a share in PMR prior to either of the Proposed Transactions, and based on net assets, is \$0.0157 per share.
- 7.63 As calculated in Section 7.57, the value of a share in PMR, and assuming that the First Proposed Transaction has been approved and the capital reduction has taken place, and assuming that the Second Proposed Transaction has been approved and implemented is \$0.0383 to \$0.0391.
- 7.64 **Therefore as the value of a share in PMR after the Proposed Transactions, being the First and Second Proposed Transactions, of \$0.0383 to \$0.0391 is greater than the value of a share**

in PMR prior to the Proposed Transactions of \$0.0157, the Proposed Transactions when considered together are Fair to the non-associated shareholders of PMR.

8 OPINION AS TO WHETHER THE PROPOSED TRANSACTIONS ARE FAIR

Opinion as to Whether the First Proposed Transaction is Fair

- 8.1 As set out in section 7.57 we estimate that the value of a PMR share prior to the First Proposed Transaction based on Net Assets was \$0.0157.
- 8.2 As set out in section 6.34 we estimate that the value of a PMR share assuming the First Proposed Transaction was approved and implemented would be \$0.0592.
- 8.3 **In our opinion, as the estimated value of a PMR share following the First Proposed Transaction is greater than the value of a PMR share prior to the First Proposed Transaction, the First Proposed Transaction is Fair to the non-associated shareholders of PMR.**

Opinion as to Whether the Second Proposed Transaction is Fair

- 8.4 As set out in Section 6.34 we have therefore considered the value of a share in PMR prior to the Second proposed Transaction, but assuming that the capital reduction from the First proposed Transaction has occurred, to be \$0.0592 per share calculated on the basis of Net Assets.
- 8.5 As set out in Section 7.57 we have calculated the estimated value of a share in PMR assuming that the Second Proposed Transaction has been approved and implemented to be \$0.0383 to \$0.0391.
- 8.6 **Therefore in our opinion, as the estimated value of a PMR share following approval and implementation of the Second Proposed Transaction is less than the value of a PMR share prior to the Second Proposed Transaction, the Second Proposed Transaction is Not Fair to the non-associated shareholders of PMR. We also note that the value of the consideration to be received from SOC is less than the value of the assets to be sold to SOC – Section 7.38.**

Overall Opinion as to whether the First Proposed Transaction and the Second Proposed Transaction when considered as One Transaction are Fair to the non-Associated Shareholders

- 8.7 In order to consider whether the two Proposed Transactions, when considered together as one transaction, are fair, we have compared the value of a share in PMR held by a non-associated shareholder prior to either of the Proposed Transactions, to the value of a share in PMR held assuming that both the First Proposed Transaction and the Second Proposed Transaction are approved and implemented, as follows;

PRECIOUS METAL RESOURCES LIMITED			
	SECTION	LOW VALUE	HIGH VALUE
Value based on Net Assets			
Value of a PMR share prior to the First and Second proposed Transactions	6.31	\$ 0.0157	\$ 0.0157
Value of a PMR share following the completion of the First and Second proposed Transactions	7.57	\$ 0.0383	\$ 0.0391

- 8.8 **In our opinion as the value of a share in PMR following completion of both the Proposed Transactions is greater than the value of a share in PMR prior to both Proposed Transactions, the Proposed Transactions are Fair to the non-associated shareholders of PMR.**

9 CONSIDERATION AS TO REASONABLENESS

- 9.1 As we have formed the opinion that the Proposed Transactions, when considered together, are Fair to the non-associated shareholders, it follows from RG 111 that they are also considered Reasonable.
- 9.2 We have also considered other factors which may indicate that the Relevant Transaction may be reasonable to the shareholders, as follows:

Advantages if the Proposed Transactions are Approved

- 9.3 **Advantage 1**
There will be significantly less shares on issue in PMR, entitling each shareholder to a larger share of both the resulting net assets of PMR but also any potential future benefit from any resources which may be proven from the tenements that will remain in PMR.
- 9.4 **Advantage 2**
The directors of PMR believe that the new structure and removal of the SUGEC related tenements will simplify the company structure, enable a reduction in the number of directors and overall administrative costs as the resources currently applied to the SUGEC arrangements will no longer be required.
- 9.5 **Advantage 3**
The directors of PMR are of the opinion that the removal of the complicated arrangements with SUGEC and SOC will enable them to concentrate on the exploration and development of the Peel Fault Gold Project and make it easier for them to raise funds to carry out these works.
- 9.6 **Advantage 4**
PMR will retain a very small exposure to the SUGEC joint ventures through its shareholding in SOC which will be acquired as consideration for the Second Proposed Transaction.
- 9.7 **Advantage 5**
PMR will cease to be controlled by SOC and will be free to make its own decisions and to determine future strategy.

Disadvantages if the Proposed Transactions are Approved

9.8 Disadvantage 1

The non-associated shareholders in PMR will lose their current investments in the SUGEC joint ventures and the potential upside that may result if the exploration and development of the tenements which form part of these joint ventures are ultimately successful.

9.9 Disadvantage 2

PMR will lose the potential beneficial input of the SOC board and expertise in relation to the PMR operations as a result of the cessation of the substantial shareholding on SOC in PMR.

Opinion as to Reasonableness

9.10 Based on the analysis above we are of the opinion that the Proposed Transactions are reasonable to the non-associated shareholders of PMR.

if the Second Proposed Transaction is Approved

10 CONCLUSION ON THE PROPOSED TRANSACTION

10.1 In our opinion the First Proposed Transaction is Fair to the non-associated shareholders as set out in Section 8.1 to 8.3.

10.2 In our opinion the Second Proposed Transaction is Not Fair to the non-associated shareholders as set out in Section 8.4 to 8.6.

10.3 In our opinion the Proposed Transactions, when considered together, are Fair to the non-associated shareholders as of PMR set out in Section 8.7 to 8.8

10.3 For the reasons considered in Section 9 we consider that the Second Proposed Transaction are Reasonable to the non-associated shareholders.

11 INDEPENDENCE

11.1 Prior to accepting this engagement, Pitcher Partners considered its independence with respect to the Relevant Transaction with reference to the ASIC Regulatory Guide 112 "Independence of Expert's Reports" ("RG 112").

11.2 Pitcher Partners has no professional involvement with any of PMR, SOC, their directors and shareholders, nor interest in, the outcome of the approval of the Proposed Transaction other than that of an independent expert. Pitcher Partners is entitled to receive a fee based on commercial rates and including reimbursement of out-of-pocket expenses for the preparation of this report. The fee for this report will be \$20,000 plus GST.

11.3 Except for these fees, Pitcher Partners will not be entitled to any other pecuniary or other benefit, whether direct or indirect, in connection with the issuing of this report. The payment of this fee is in no way contingent upon the success or failure of the Proposed Transaction.

11.4 A draft of this report was provided to the non-associated directors of PMR for confirmation of factual accuracy of its contents. Other than spelling corrections no other changes were made to the Report as a result of this review.

12 LIMITATIONS AND RELIANCE ON INFORMATION

- 12.1 We have considered a number of sources in preparing this independent expert's report and arriving at our opinion, including management of PMR and publically available information.
- 12.2 This report is based upon financial and other information provided by the non-associated directors of PMR and other information available on public record. We have considered and relied upon this information. The information provided to us has been evaluated through analysis, enquiry and review for the purposes of forming an opinion as to whether the Relevant Transaction is fair and reasonable to the Shareholders of PMR. However we do not warrant that our enquiries have identified all of the matters that an audit, or an extensive examination or due diligence might disclose.

13 CURRENT MARKET CONDITIONS

- 13.1 Our opinion is 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.

14 QUALIFICATIONS

- 14.1 Ms Deborah Cartwright is a director of Pitcher Partners NSW Corporate Pty Limited. Ms Cartwright is a Fellow of the Institute of Chartered Accountants with extensive experience in the field of corporate valuations and the provision of independent expert's reports and investigating accountant reports for transactions involving publicly listed and unlisted companies in Australia.

15 CONSENT

- 15.1 Pitcher Partners NSW Corporate Pty Limited consents to the inclusion of this report in the form and context in which it is included with the Notice of Meeting to be issued to shareholders. Other than this report, none of the staff of Pitcher Partners NSW Corporate Pty Limited has been involved with the preparation of the Notice of Meeting and accordingly we take no responsibility for the contents.

16 INDEMNITY

- 16.1 PMR has indemnified Pitcher Partners and their respective officers and employees, who may be involved in or in any way associated with this report, against any and all losses, claims, damages and liabilities arising out of or related to the performance of those services by Pitcher Partners, occasioned by reliance by Pitcher Partners on information provided by PMR or its representatives which is subsequently found to be false or misleading or not complete.
- 16.2 Complete information is deemed to be information, which at the time of completing this report should have been available to Pitcher Partners and would reasonably been expected to have been made available to Pitcher Partners to enable us to form our opinion. PMR will reimburse any indemnified party for all expenses (including but without limitation, legal expenses) on a full indemnity basis.
-

APPENDIX 1: VALUATION METHODOLOGIES

In assessing the fairness of the Relevant Transaction we have considered a range of valuation methodologies. RG 111 proposes that it is generally appropriate for an expert to consider using the following methodologies:

- the discounted cash flow (“DCF”) method and the estimated realisable value of any surplus assets;
- the application of earnings multiples to the estimated future maintainable earnings or cash flows added to the estimated realisable value of any surplus assets;
- the amount which would be available for distribution on an orderly realisation of assets;
- the quoted price for listed securities; and
- any recent genuine offers received.

We consider that the valuation methodologies proposed by RG 111 can be split into three valuation methodology categories, as follows:

Market Based Methods

Market based methods estimate the fair market value by considering the market value of a company’s securities or the market value of comparable companies. Market based methods include:

- The quoted price for listed securities; and
- Industry specific methods.

The recent quoted price for listed securities method provides evidence of the fair market value of a company’s securities where they are publicly traded in an informed and liquid market.

Industry specific methods usually involve the use of industry rules of thumb to estimate the fair market value of a company and its securities. Generally rules of thumb provide less persuasive evidence of the fair market value of a company than other market based valuation methods because they may not account for company specific risks and factors.

Income Based Methods

Income based methods includes:

- Capitalisation of maintainable earnings; and
- Discounted cash flow.

The capitalisation of earnings methodology is generally considered a short form DCF, where an estimation of the Future Maintainable Earnings (“FME”) of the business, rather than a stream of cash flows is capitalised based on an appropriate capitalisation multiple. Multiples are derived from the analysis of transactions involving comparable companies and the trading multiples of comparable companies. The DCF technique has a strong theoretical basis, valuing a business on the net present value of its future cash flows. It requires an analysis of future cash flows, the capital structure and costs of capital and an assessment of the residual value or the terminal value of the company’s cash flows at the end of the forecast period.

Asset Based Methods

Asset based methodologies estimate the fair market value of a company's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- orderly realisation of assets method;
- liquidation of assets method; and
- net assets on a going concern basis.

The value achievable in an orderly realisation of assets is estimated by determining the net realisable value of the assets of a company which would be distributed to security holders after payment of all liabilities, including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner. This technique is particularly appropriate for businesses with relatively high asset values compared to earnings and cash flows.

The liquidation of assets method is similar to the orderly realisation of assets method except the liquidation method assumes that the assets are sold in a shorter time frame.

The net assets on a going concern method estimates the market values of the net assets of a company but unlike the orderly realisation of assets method it does not take into account realisation costs. Asset based methods are appropriate when companies are not profitable, a significant proportion of the company's assets are liquid, or for asset holding companies.

Valuation Methods not Outlined in ASIC RG 111

In situations where the valuation methods outlined above would not be applicable or there is insufficient information available to allow them to be used, the valuer usually has regard to the costs that have been incurred to date in relation to the asset being valued. This is commonly referred to as the replacement cost method.

The replacement cost method is similar to the net assets on a going concern basis method as outlined above, however rather than using the market value of assets, the costs incurred to date are taken into account in determining the value of the asset.

APPENDIX 2: LIST OF INFORMATION

In preparing this report we have relied upon the following principal sources of information:

- Annual Report to 31 December 2013 for Precious Metal Resources Limited;
- Management Accounts to 31 March 2014 for Precious Metal Resources;
- 2012 Annual Report of Precious Metal Resources Limited;
- 2011 Annual Report of Precious Metal Resources Limited;
- List of recent announcements as stated on the ASX for Precious Metal Resources Limited from the ASX website and all underlying announcements;
- Daily share price and trading volume for Precious Metal Resources Limited from 3 February 2014 to 16 May 2014 as obtained from yahoo finance;
- Annual Report to 31 December 2013 for Sovereign Gold Limited;
- List of recent announcements as stated on the ASX for Sovereign Gold Limited from the ASX website and all underlying announcements;
- Cooperation and Investment Agreements with SUGEC;
- Register of Members of Precious Metal Resources as at 16 May 2014;

APPENDIX 3 – FINANCIAL SERVICES GUIDE (FSG)



Financial Services Guide

12 June 2014

What is a Financial Services Guide?

This Financial Services Guide ("FSG") is an important document the purpose of which is to assist you in deciding whether to use any of the general financial product advice provided by Pitcher Partners NSW Corporate Pty Ltd. The use of "we", "us" or "our" is a reference to Pitcher Partners NSW Corporate Pty Ltd as the holder of Australian Financial Services Licence ("AFSL") No. 227719. The contents of this FSG include:

- who we are and how we can be contacted
- what services we are authorised to provide under our AFSL
- how we (and any other relevant parties) are remunerated in relation to any general financial product advice we may provide.
- details of any potential conflicts of interest
- details of our internal and external dispute resolution systems and how you can access them.

Information about us

We have been engaged by you to give general financial product advice in the form of a report to be provided to you in connection with a financial product to be issued by another party. You are not the party or parties who engaged us to prepare this report. We are not acting for any person other than the party or parties who engaged us. We are required to give you an FSG by law because our report is being provided to you. You may contact us by writing to Level 3, 60 Castlereagh Street, SYDNEY NSW 2000, or by telephone on +61 (02) 9221 2099.

Pitcher Partners NSW Corporate Pty Ltd is ultimately owned by Pitcher Partners NSW Pty Ltd, a provider of accounting, tax, corporate advisory, superannuation, investment advisory and consulting services. Directors of Pitcher Partners Corporate Pty Ltd are directors of Pitcher Partners NSW Pty Limited.

Pitcher Partners NSW Pty Limited is an independent company of Pitcher Partners. As such, neither it nor any of the other independent member firms has any liability for each other's acts or omissions. Each of the member firms is a separate and independent legal entity operating under the name "Pitcher Partners", or other related names.

The financial product advice in our report is provided by Pitcher Partners NSW Corporate Pty Ltd and not by Pitcher Partners NSW or its related entities.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, we and the Pitcher Partners NSW Pty Limited (and its related bodies corporate) may from time to time provide professional services to financial product issuers in the ordinary course of business.

What financial services are we licensed to provide?

The AFSL we hold authorises us to provide the following financial services to both retail and wholesale clients:

- to provide general financial advice only in respect to interests in managed investment schemes, excluding investor directed portfolio services, and securities.

Information about the general financial product advice we provide

The financial product advice provided in our report is known as "general advice" because it does not take into account your personal objectives, financial situation or needs. You should consider whether the general advice contained in our report is appropriate for you, having regard to your own personal objectives, financial situation or needs.

Pitcher Partners NSW Corporate Pty Ltd
ABN: 72 103 614 446
AFSL: 227 719

Level 22
19 Martin Place
SYDNEY NSW 2000
Tel: 02 9221 2099
Fax: 02 9223 1762

If our advice is being provided to you in connection with the acquisition or potential acquisition of a financial product issued by another party, we recommend you obtain and read carefully the relevant Product Disclosure Statement ("PDS") or offer document provided by the issuer of the financial product. The purpose of the PDS is to help you make an informed decision about the acquisition of a financial product. The contents of the PDS will include details such as the risks, benefits and costs of acquiring the particular financial product.

How are we and our employees remunerated?

Our fees are usually determined on an hourly basis; however they may be a fixed amount or derived using another basis. We may also seek reimbursement of any out-of pocket expenses incurred in providing the services.

Fee arrangements are agreed with the party or parties who actually engage us and we confirm our remuneration in a written letter of engagement to the party or parties who actually engage us.

Neither Pitcher Partners NSW Corporate Pty Ltd nor its directors and officers, nor any related bodies corporate or associates and their directors and officers, receives any commissions or other benefits, except for the fees for services rendered to the party or parties who actually engage us. Our fee will be disclosed in the relevant PDS or offer document prepared by the issuer of the financial product it required.

All of our employees receive a salary with some directors also having an equity interest in the company. We do not receive any commissions or other benefits arising directly from services provided to you. The remuneration paid to our directors reflects their individual contribution to the company and covers all aspects of performance.

We do not pay commissions or provide other benefits to other parties for referring prospective clients to us.

What should you do if you have a complaint?

If you have any concerns regarding our report, you may wish to advise us. Our internal complaint handling process is designed to respond to your concerns promptly and equitably. Please address your complaint in writing to:

The Managing Partner
Pitcher Partners NSW Pty Limited
Level 19, MLC Centre
19 – 29 Martin Place
SYDNEY NSW 2000

If you are not satisfied with the steps we have taken to resolve your complaint, you may contact the Financial Industry Complaints Service ("FICS"). FICS provides free advice and assistance to consumers to help them resolve complaints relating to members of the financial services industry. Complaints may be submitted to FICS at:

Financial Industry Complaints Service
Telephone: 1800 335 405
Internet: <http://fics.asn.au>

The Australian Securities and Investments Commission ("ASIC") regulates Australian companies, financial markets, financial services organisations and professionals who deal and advise in investments, superannuation, insurance, deposit taking and credit. Their website contains information on lodging complaints about companies and individual persons and sets out the types of complaints handled by ASIC. You may contact ASIC as follows:

Info line: 1 300 300 630
Email: info@asic.gov.au
Internet: <http://www.asic.gov.au/asic/asic.nsf>