



RTG MINING INC.  
COMPILATION REPORT

4 April 2014



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The Directors

RTG Mining Inc.

Level 2, 338 Barker Road

SUBIACO WA 6008

Dear Sirs,

## COMPILATION REPORT

### 1. Introduction

We have been engaged by RTG Mining Inc. ("RTG" or "the Company") to prepare this Compilation Report on the pro-forma financial statements ("Report") which comprises the pro forma consolidated statement of financial position as at 31 December 2013 and the pro forma consolidated statement of profit or loss and other comprehensive income for the six months ended 31 December 2013 to be included in Section 6.4 of the Scheme Booklet to be issued by Sierra Mining Ltd ("Sierra") on or around 9 April 2014 for schemes of arrangement to implement the proposed Merger between the Company and Sierra.

Capitalised terms in the Scheme Booklet have the same meaning in this Report, unless the context requires otherwise.

### 2. Scope

Historical financial information

You have requested BDO Corporate Finance (WA) Pty Ltd ('BDO') to review the following historical financial information of RTG and Sierra included in this Compilation Report:

- The statement of profit or loss and other comprehensive income for the period ended 31 December 2013; and
- The statement of financial position as at 31 December 2013.

(collectively the 'historical financial information').

The historical financial information has been prepared in accordance with the stated basis of preparation in Appendix 3 to this Report. The historical financial information has been extracted from the financial report of RTG for the period ended 31 December 2013, which was audited by BDO Audit (WA) Pty Ltd and the financial report for Sierra for the period ended 31 December 2013, which was reviewed by Deloitte Touche Tohmatsu.

The historical financial information is presented in the Appendices to this report in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.

## Pro Forma historical financial information

You have requested BDO to review the pro forma historical statement of financial position as at 31 December 2013 for the Combined Group referred to as the 'pro forma historical financial information'.

The pro forma historical financial information has been prepared using the same accounting policies as described in the audited financial statements of RTG (refer Annexure 10 of the Scheme Booklet). However, the pro forma consolidated statement of financial position is presented in an abbreviated form and does not include all disclosures applicable to annual financial reports under the Corporations Act. It should be read in conjunction with the rest of the Scheme Booklet (particularly the explanation of adjustments) and the notes and assumptions applicable to that the statement of financial position of Sierra and RTG respectively.

The pro forma historical statement of financial position has been prepared for illustrative purposes only and may not be indicative of RTG's consolidated statement of financial position had the Merger been in effect at the dates indicated. The pro forma consolidated statement of financial position should be read in conjunction with the audited RTG financial statements and the reviewed interim financial statements of Sierra.

### 3. Background

The pro forma financial information set out in Appendices 1, 2 and 3 has been prepared for illustrative purposes to show the potential effect of the Merger on RTG and Sierra if the Merger had been completed as at 31 December 2013. The information does not represent the financial position of the Combined Group if and when the Merger is implemented and is not represented as being indicative of RTG's views on the Combined Group's future financial position or performance.

The information on which the pro forma information is based has been derived from the following:

- The reviewed interim consolidated statement of financial position of Sierra as at 31 December 2013 and consolidated statement of profit or loss and other comprehensive income of RTG for the period from 1 July 2013 to 30 December 2013.
- The audited consolidated statement of financial position of RTG as at 31 December 2013 and consolidated statement of profit or loss and other comprehensive income of RTG for the period from 1 July 2013 to 30 December 2013.

#### 4. Assumptions Adopted in Compiling the Pro-forma Statement of Financial Position

The pro-forma consolidated statement of financial position post the Merger is shown in Appendix 2. This has been prepared based on the audited financial statements of RTG as at 31 December 2013 and the following transactions and events relating to the Merger:

- Under the Merger, and pursuant to the unlisted Sierra option arrangements, all existing Sierra Shares, Sierra Options and Unlisted Sierra Options will be exchanged for RTG Shares (in the form of CDIs) and RTG Options resulting in the issue of 770,354,715 RTG Shares at C\$0.09 (based on the 31 December 2013 closing RTG share price) and 85,594,968 RTG Options exercisable at C\$0.15 (prior to the RTG Share Consolidation). The RTG Options have been valued using the Black and Scholes model at a value of C\$0.0447 per RTG Option.
- The functional currency of Sierra is Australian dollars (\$A). The 31 December 2013 Sierra consolidated statement of financial position has been transacted to US dollars (\$US) at the 31 December 2013 rate and consolidated statement of profit or loss and other comprehensive income has been translated to US dollars (\$US) at the 6 months to 31 December 2013 average rate, with the foreign exchange difference taken to the foreign exchange loss account under the Sierra statement of profit or loss and other comprehensive income.
- The pro forma accounts have also included the sale and deconsolidation of Segilola Gold Limited as a pro-forma adjustment. The \$1 million Initial Consideration due upon completion has been recognised as cash at its full face value. The \$5 million Deferred Consideration due 18 months from the Completion Date has been recognised as a non-current receivable and discounted to present value. Given the repayment of the Deferred Consideration is dependent on the purchaser completing a capital raising and will require an improvement in current debt and equity market conditions, a provision has been raised against the receivable for accounting purposes. No future income tax benefit has been recognised in relation to this provision. The Royalty Consideration of up to US\$8 million due under the Share Sale and Purchase Agreement has not been recognised on the balance sheet as yet as the Segilola Gold Project has not yet been developed.
- The consolidation of these two companies is on the basis that RTG is the acquirer and as such deemed to be the accounting parent.
- The acquisition has been accounted for as an asset acquisition in accordance with *AASB 2 Share Based Payments*, rather than a business combination in accordance with *AASB 3 Business Combinations*.



## 5. Disclosures

Without modifying our conclusions, we draw attention to the Scheme Booklet, which describes the purpose of the financial information, being for inclusion in the Scheme Booklet. As a result, the financial information may not be suitable for use for another purpose.

Neither BDO Corporate Finance (WA) Pty Ltd nor BDO, nor any director or executive or employee thereof, has any financial interest in the outcome of the proposed transaction except for the normal professional fee due for the preparation of this Report.

Yours faithfully

BDO Corporate Finance (WA) Pty Ltd

A handwritten signature in blue ink, appearing to read 'Peter Toll', with the letters 'BDO' written above it in a smaller, blue, sans-serif font.

Peter Toll

Director



APPENDIX 1  
RTG MINING INC.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

This consolidated statement of profit or loss and other comprehensive income shows the historical financial performance of the Company and is to be read in conjunction with the notes to and forming part of the historical financial information set out in Appendix 3. The consolidated statement of profit or loss and other comprehensive income for the six month period ended December 31, 2013 include pro-forma adjustments to reflect the results of RTG if it were to have controlled Sierra during that period.

(a) Pro-forma Consolidated Statement of profit or loss and other Comprehensive Income

For the six months ended 31 December 2013

	Notes	RTG (consolidated) US\$	Sierra (consolidated) US\$	Pro-forma Adjustments US\$	Pro-forma US\$
REVENUE		24,598	38,782	-	63,380
Exploration and evaluation expenditure		(91,333)	(1,369,604)	-	(1,460,937)
Business development		(790,426)	-	-	(790,426)
Foreign exchange (losses)		(201,060)	(13,725)	-	(214,785)
Administrative expenses	5, 8	(2,038,845)	(288,849)	(4,347,826)	(6,675,520)
Transaction costs	2, 5	-	-	(160,875)	(160,875)
LOSS FROM OPERATIONS		(3,097,066)	(1,633,396)	(4,508,701)	(9,239,163)
Income tax benefit		-	-	-	-
LOSS FOR THE PERIOD		(3,097,066)	(1,633,396)	(4,508,701)	(9,239,163)
Discontinued operations					
Gain from discontinued operations	10	2,215,826	-	5,197,471	7,413,297
LOSS FOR THE PERIOD		(881,240)	(1,633,396)	688,770	(1,825,866)

APPENDIX 2  
RTG MINING INC.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The pro-forma consolidated statement of financial position after the Merger is as per the statement of financial position before the Merger adjusted for any events relating to the issue of RTG Shares and RTG Options pursuant to the Merger. The statement of financial position is to be read in conjunction with the notes to and forming part of the historical financial information set out in Appendix 3.

(b) Pro-forma consolidated Statement of Financial Position

As at 31 December 2013

	Note	RTG (consolidated) US\$	Sierra (consolidated) US\$	Pro-forma Adjustments US\$	Pro-forma US\$
<b>Assets</b>					
<b>Current Assets</b>					
Cash and cash equivalents	2	10,987,534	1,749,589	(318,538)	12,418,585
Trade and other receivables	8	276,442	16,547	(2,256)	290,733
Other financial assets		-	253,356	-	253,356
Other current assets		-	60,056	-	60,056
<b>TOTAL CURRENT ASSETS</b>		<b>11,263,976</b>	<b>2,079,548</b>	<b>(320,794)</b>	<b>13,022,730</b>
<b>Non Current Assets</b>					
Trade and other receivables	8	-	171,865	-	171,865
Exploration and evaluation assets	6	-	1,882,964	61,189,502	63,072,466
Investments		1,841,854	-	-	1,841,854
Convertible note		1,330,228	-	-	1,330,228
Property, plant and equipment	9	362,329	105,125	(134,453)	333,001
Other non-current assets		-	16,113	-	16,113
<b>TOTAL NON CURRENT ASSETS</b>		<b>3,534,411</b>	<b>2,176,067</b>	<b>61,055,049</b>	<b>66,765,527</b>
<b>TOTAL ASSETS</b>		<b>14,798,387</b>	<b>4,255,615</b>	<b>60,734,255</b>	<b>79,788,257</b>
<b>Current Liabilities</b>					
Trade and other payables		208,625	477,772	-	686,397
Provisions		-	15,211	-	15,211
<b>TOTAL CURRENT LIABILITIES</b>		<b>208,625</b>	<b>492,983</b>	<b>-</b>	<b>701,608</b>

	Note	RTG (consolidated) US\$	Sierra (consolidated) US\$	Pro-forma Adjustments US\$	Pro-forma US\$
TOTAL NON CURRENT LIABILITIES		-	-	-	-
TOTAL LIABILITIES		208,625	492,983	-	701,608
NET ASSETS		14,589,762	3,762,632	60,734,255	79,086,649
Shareholders Equity					
Contributed equity	3	34,162,759	18,736,691	44,930,774	97,830,224
Reserves	4	(1,160,957)	1,524,863	2,051,771	2,415,677
Accumulated losses	5	(18,412,040)	(13,062,940)	13,751,710	(17,723,270)
Equity attributable to owners		14,589,762	7,198,614	60,734,255	82,522,631
Non-controlling interests		-	(3,435,982)	-	(3,435,982)
TOTAL SHAREHOLDER'S EQUITY		14,589,762	3,762,632	60,734,255	79,086,649

APPENDIX 3  
RTG MINING INC.

NOTES TO AND FORMING PART OF THE HISTORICAL FINANCIAL INFORMATION

1. BASIS OF PREPARATION

The accompanying pro-forma is the pro-forma consolidated statement of financial position and pro-forma consolidated statement of profit or loss and other comprehensive income of RTG as at 31 December 2013 and for the period from 1 July 2013 to 31 December 2013. The pro-forma consolidated statement of profit or loss and other comprehensive income has been prepared by management as if the proposed Merger occurred at the beginning of the period presented. The pro-forma consolidated statement of financial position has been prepared as if the transaction occurred at the date of the statement of financial position.

The pro-forma consolidated statement of financial position and pro-forma consolidated statement of profit or loss and other comprehensive income have been derived from the following:

- The reviewed interim consolidated statement of financial position and consolidated statement of profit or loss and other comprehensive income of Sierra as at 31 December 2013 and for the period from 1 July 2013 to 30 December 2013.
- The consolidated statement of financial position and consolidated statement of profit or loss and other comprehensive income from the audited RTG financial statements as at 31 December 2013 and for the period from 1 July 2013 to 30 December 2013.

The pro-forma consolidated statement of financial position and pro-forma consolidated statement of profit or loss and other comprehensive income have been prepared using the same accounting policies as described in the audited financial statements of RTG.

The pro forma consolidated statement of financial position and pro forma consolidated statement of profit or loss and other comprehensive income have been prepared for illustrative purposes only and may not be indicative of RTG's consolidated statement of financial position and consolidated statement of profit or loss and other comprehensive income had the proposed Merger been in effect at the dates indicated. The pro-forma consolidated statement of financial position and pro-forma consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the audited financial statements of RTG and the reviewed interim financial statements of Sierra.

The compilation report has been prepared in accordance with the accounting policies described in the historical consolidated financial information as included in Annexure 10 of the Scheme Booklet.

	Audited 31-Dec-13 US\$	Pro-forma After issue US\$
<b>NOTE 2. CASH</b>		
Cash	10,987,534	12,418,585
<i>Adjustments to arise at the pro-forma balance:</i>		
Reviewed balance of Sierra at 31 December 2013		1,749,589
<i>Pro-forma adjustments:</i>		
Cash in Sierra		1,749,589
Deconsolidation of Segilola Gold Limited cash on hand		(13,644)
Employee termination and insurance costs		(160,875)
Recognise Segilola Gold Limited sale consideration due upon completion		1,000,000
Estimated expenses of the scheme		(1,144,019)
Pro-forma Balance		12,418,585

	Audited 31-Dec-13 US\$	Pro-forma After issue US\$
<b>NOTE 3. ISSUED CAPITAL</b>		
Issued capital	34,162,759	97,830,224
<i>Adjustments to arise at the pro-forma balance:</i>		
Reviewed balance of Sierra at 31 December 2013		18,736,691
<i>Pro-forma adjustments:</i>		
770,354,715 RTG Shares issued under the Merger		64,811,484
Estimated expenses of the Merger		(1,144,019)
Eliminate Sierra issues capital upon Merger		(18,736,691)
Pro-forma Balance		97,830,224

	Audited 31-Dec-13 US\$	Pro-forma After issue US\$
<b>NOTE 4. RESERVES</b>		
Reserves	(1,160,957)	(2,415,677)
<i>Adjustments to arise at the pro-forma balance:</i>		
Reviewed balance of Sierra at 31 December 2013		1,524,863
<i>Pro-forma adjustments to reserves:</i>		
Eliminate Sierra Reserves upon merger		(1,524,863)
Recognise 85,594,698 RTG Options in share option reserve		3,576,634

Pro-forma Balance	(2,415,677)
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	Audited 31-Dec-13 US\$	Pro-forma After issue US\$
<b>NOTE 5. ACCUMULATED LOSSES</b>		
Accumulated Losses	(18,412,040)	(17,723,270)
<i>Adjustments to arise at the pro-forma balance:</i>		
Reviewed balance of Sierra at 31 December 2013		(13,062,940)
<i>Pro-forma adjustments:</i>		
Eliminate Sierra accumulated losses upon Merger		13,062,940
Recognise gain on sale of Segilola Gold Limited		5,197,471
Recognise transaction costs expensed		(160,875)
Provision for Deferred Consideration		(4,347,826)
Pro-forma Balance		(17,723,270)

	Audited 31-Dec-13 US\$	Pro-forma After issue US\$
<b>NOTE 6. EXPLORATION AND EVALUATION ASSETS</b>		
Exploration and evaluation assets	-	63,072,466
<i>Adjustments to arise at the pro-forma balance:</i>		
Reviewed balance of Sierra at 31 December 2013		1,882,964
<i>Pro-forma adjustments:</i>		
Recognised exploration and evaluation assets acquired upon Merger		61,189,502
Pro-forma Balance		63,072,466

	Audited 31-Dec-13 US\$	Pro-forma After issue US\$
<b>NOTE 7. TRANSACTION EXPENSES</b>		
Transaction expenses	-	160,875
<i>Adjustments to arise at the pro-forma balance:</i>		
Reviewed balance of Sierra at 31 December 2013		-
<i>Pro-forma adjustments:</i>		
Recognise transaction expenses		160,875
Pro-forma Balance		160,875

	Audited 31-Dec-13 US\$	Pro-forma After issue US\$
<b>NOTE 8. TRADE AND OTHER RECEIVABLES</b>		
<b>CURRENT</b>		
Trade and other receivables	276,442	290,733
<i>Adjustments to arise at the pro-forma balance:</i>		
Reviewed balance of Sierra at 31 December 2013		16,547
<i>Pro-forma adjustments:</i>		
Derecognition of Segilola receivables		(2,256)
Pro-forma Balance		290,733
<b>NON-CURRENT</b>		
Trade and other receivables	-	171,865
<i>Adjustments to arise at the pro-forma balance:</i>		
Reviewed balance of Sierra at 31 December 2013		171,865
<i>Pro-forma adjustments:</i>		
Recognise discounted value of deferred sale consideration due 18 months from completion of sale		4,347,826
Provision for Segilola Deferred Consideration		(4,347,826)
Pro-forma Balance		171,865

	Audited 31-Dec-13 US\$	Pro-forma After issue US\$
<b>NOTE 9. PROPERTY, PLANT AND EQUIPMENT</b>		
Property, plant and equipment	362,329	333,001
<i>Adjustments to arise at the pro-forma balance:</i>		
Reviewed balance of Sierra at 31 December 2013		105,125
<i>Pro-forma adjustments:</i>		
Deconsolidated of Segilola		(134,453)

Pro-forma Balance

333,001

	Audited 31-Dec-13 US\$	Pro-forma After issue US\$
<b>NOTE 10. GAIN FROM DISCONTINUED OPERATIONS</b>		
Gain from discontinued operations	2,215,826	7,413,297
<i>Adjustments to arise at the pro-forma balance:</i>		
Reviewed balance of Sierra at 31 December 2013		-
<i>Pro-forma adjustments:</i>		
Recognise gain on sale of Segilola Gold Limited		5,197,471
Pro-forma Balance		7,413,207