



SCHEME BOOKLET

for schemes of arrangement to implement the proposed merger
between Sierra Mining Limited
and RTG Mining Inc.

Your Directors unanimously recommend that you

VOTE IN FAVOUR

of the Merger

This is an important document and requires your immediate attention. You should read this document in its entirety before deciding whether or not to vote in favour of the Merger. If you are in any doubt as to how to deal with this document, you should consult your financial, legal or other professional adviser immediately.

HARDY • BOWEN
LAWYERS

Australian Legal Advisers

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Important Notices

Defined terms

Capitalised terms and certain abbreviations used in this Scheme Booklet (other than in the Independent Expert's Report (including the Technical Specialist's Report) contained in Annexure 1 and the Solicitor's Report on Tenements contained in Annexure 2) and the Proxy Form accompanying this Scheme Booklet have the defined meanings set out in the Glossary in section 13. The Independent Expert's Report, the Technical Specialist's Report and the Solicitor's Report on Tenements contain their own defined terms which are sometimes different from those set out in the set out in the Glossary in section 13.

Purpose of this Scheme Booklet

This Scheme Booklet includes the explanatory statement for each Scheme required by section 412(1) of the Corporations Act.

The purpose of this Scheme Booklet is to explain the terms of the Schemes and the manner in which the Schemes will be considered and, if approved, implemented. This Scheme Booklet provides all information required to be given to Sierra Securityholders or that is otherwise material to the decision of Sierra Securityholders whether or not to vote in favour of the Schemes at the Scheme Meetings.

General

You should read this Scheme Booklet in its entirety before making a decision as to how to vote on the resolution to be considered at the Scheme Meetings. If you have any questions, you may contact the Company Secretary of Sierra on +61 8 9322 6322 between 9.00am and 5.00pm (WST) Monday to Friday. If you are in any doubt as to what to do, you should consult your financial, legal or other professional adviser immediately.

Responsibility statement

Sierra has prepared, and is responsible for, the Sierra Information in this Scheme Booklet, and neither RTG nor any of its directors, officers, employees or advisers assumes any responsibility for the accuracy or completeness of the Sierra Information.

RTG has prepared, and is responsible for, the RTG Information in this Scheme Booklet, and neither Sierra nor any of its directors, officers, employees or advisers assumes any responsibility for the accuracy or completeness of the RTG Information.

BDO Corporate Finance (WA) Pty Ltd has prepared and is responsible for the Independent Expert's Report and none of Sierra, RTG and their respective directors, officers, employees and advisers assumes any responsibility for the accuracy or completeness of the information in that report, except in the case of Sierra and RTG in relation to information given by them respectively to the Independent Expert.

CSA Global has prepared and is responsible for the Technical Specialist's Report (which is included as an annexure to the Independent Expert's Report) and none of Sierra, RTG and their respective directors, officers, employees and advisers assumes any responsibility for the accuracy or

completeness of the information in that report except in the case of Sierra and RTG in relation to information given by them respectively to CSA Global.

Cruz Marcelo & Tenefrancia has prepared and is responsible for the Solicitor's Report on Tenements and takes responsibility for that report and none of Sierra, RTG and their respective directors, officers, employees and advisers assumes any responsibility for the accuracy or completeness of the information in that report except in the case of Sierra in relation to information given by Sierra to Cruz Marcelo & Tenefrancia.

Effect of registration outside Australia

As RTG is not established in Australia, its general corporate activities (apart from any offering of securities in Australia) are not regulated by the Corporations Act or by ASIC but instead are regulated by the BVI Business Companies Act and its registration is administered by the Registrar of Corporate Affairs of the British Virgin Islands.

Role of ASIC

A copy of this Scheme Booklet has been lodged with, and registered by, ASIC for the purposes of section 412(6) of the Corporations Act. ASIC has been given the opportunity to comment on this Scheme Booklet in accordance with section 411(2)(b) of the Corporations Act. Neither ASIC nor any of its officers takes any responsibility for the contents of this Scheme Booklet.

ASIC has been requested to provide a statement, in accordance with section 411(17)(b) of the Corporations Act, that it has no objection to the Schemes. If ASIC provides that statement, it will be produced to the Court at the Second Court Hearing.

Role of ASX

A copy of this Scheme Booklet has been lodged with ASX. Neither ASX nor any of its officers takes any responsibility for the contents of this Scheme Booklet. The fact that ASX may admit RTG to its official list is not to be taken in any way as an indication of the merits of RTG.

Court order under subsection 411(1) of the Corporations Act

An order by the Court that the Scheme Meetings be convened does not indicate that the Court has approved or will approve the Schemes, nor should it be treated as an endorsement by the Court of, or any other expression of opinion by the Court on, the Schemes. In addition, the Court is not responsible for the contents of this Scheme Booklet.

Forward looking statements

Certain statements in this Scheme Booklet relate to the future. The forward looking statements in this Scheme Booklet are not based on historical facts, but rather reflect the current views and expectations of Sierra or, in relation to the RTG Information, RTG concerning future events and circumstances. These statements may generally be identified by the use of forward looking verbs such as "aim", "anticipate", "believe", "estimate", "expect", "foresee", "intend" or "plan", qualifiers such as "may", "should", "likely" or "potential", or similar words. Similarly, statements that describe the expectations, goals, objectives, plans or targets of RTG or Sierra are, or may be, forward looking statements.

These forward looking statements are based on certain assumptions regarding the operations of Sierra and RTG and the economic and regulatory environment in which Sierra and RTG will operate in the future. They are subject to known and unknown risks and uncertainties that could cause the actual outcomes, and the actual performance or results of Sierra and RTG, to be materially different from the outcomes, or the performance or results of Sierra and RTG expressed or implied by such statements, including, among other things, general economic conditions, changes in law, regulation or government policy and other risks specific to the resources industry. All forward looking statements should be read in light of such risks and uncertainties.

The forward looking statements in this Scheme Booklet reflect views and expectations held only at the date of this Scheme Booklet. Sierra believes that all forward looking statements included in the Sierra Information have been made on a reasonable basis and RTG believes that all forward looking statements included in the RTG Information have been made on a reasonable basis. However, none of Sierra, RTG and their respective directors nor any other person gives any representation, assurance or guarantee that any outcome, performance or results expressed or implied by any forward looking statements in this Scheme Booklet will actually occur. Sierra Securityholders should therefore treat all forward looking statements with caution and not place undue reliance on them.

Subject to any continuing obligations under law or the ASX Listing Rules, Sierra, RTG and their respective directors disclaim any obligation to revise or update, after the date of this Scheme Booklet, any forward looking statements to reflect any change in views, expectations or assumptions on which those statements are based.

Notice to Ineligible Foreign Securityholders

This Scheme Booklet has been prepared having regard to the disclosure requirements applicable in Australia and Australian accounting standards. These disclosure requirements and accounting standards may be different from those in other countries. It is important that Sierra Securityholders who are not Australian resident taxpayers or who are liable for tax outside Australia seek specific tax advice in relation to the Australian and overseas tax consequences of the Schemes.

This Scheme Booklet and the Schemes do not, either individually or in combination, constitute an offer to sell to Sierra Shareholders or Sierra Optionholders any securities in RTG or a solicitation of an offer to acquire from Sierra Shareholders or Sierra Optionholders any securities in Sierra in any jurisdiction where such offer or solicitation would be illegal. Sierra Securityholders who are Ineligible Foreign Securityholders (which, as at the date of this Scheme Booklet, means Sierra Securityholders with registered addresses in jurisdictions outside Australia and its external territories, New Zealand or Canada) will not be issued with RTG Shares and RTG Options but will receive a cash payment instead. See section 2.4 for further details.

Notice to Shareholders in the Philippines

Any offer or sale of the RTG Securities within the Philippines is subject to registration unless such offer or sale is made under circumstances in which the RTG Securities qualify as exempt securities or pursuant to an exempt transaction under the Philippines Securities Regulation Code (**SRC**). The offer or sale of the RTG Securities in the Philippines to (a) the RTG's stockholders exclusively pursuant to section 10.1(e) of the SRC or (b) persons who are "qualified buyers" pursuant to section 10.1(l) of the SRC or (c) not more than nineteen (19) persons who are not "qualified buyers" during any twelve-month period pursuant to section 10.1(k) of the SRC is exempt from registration.

Sierra and RTG have not obtained confirmation from the Philippine Securities and Exchange Commission that the offer and sale of the RTG Securities within the Philippines qualifies as an exempt transaction. If necessary, RTG will file a notice of exemption from registration with the Philippine Securities and Exchange Commission pursuant to SRC Rule 10.1.

Notice to United States Shareholders

The solicitation of proxies made pursuant to this Scheme Booklet is not subject to the requirements of section 14(a) of the US Exchange Act. Accordingly, this Scheme Booklet has been prepared in accordance with disclosure requirements applicable in Australia and Canada. Sierra Shareholders in the United States should be aware that such requirements are different from those of the United States applicable to registration statements under the US Securities Act and to proxy statements under the US Exchange Act.

The financial information relating to Sierra included in this Scheme Booklet has been prepared in accordance with IFRS and is subject to Australian auditing and auditor independence standards and thus may not be comparable to financial statements of United States companies.

The financial information including pro-forma financial information relating to RTG included in this Scheme Booklet has been prepared in accordance with IFRS as issued by the International Accounting Standards Board (IASB) and thus may not be comparable to financial statements of United States companies.

Sierra Shareholders who are resident in, or citizens of, the United States are advised to consult their own tax advisors to determine the particular United States tax consequences to them of the Schemes in light of their particular situation, as well as any tax consequences that may arise under the laws of any other relevant foreign, state, local, or other taxing jurisdiction.

Exemption from United States registration requirements

The RTG Shares and RTG Options to be issued under the Schemes have not been and will not be registered under the US Securities Act or applicable state securities laws.

RTG and Sierra intend to rely on an exemption from the registration requirements of the US Securities Act provided by section 3(a)(10) thereof, and applicable exemptions from registration under state securities laws, in connection with the implementation of the Merger and the distribution of Ineligible Foreign Securityholders pro rata share of the net proceeds from the sale of RTG Shares and RTG Options sold through the Sale Facility to United States Shareholders. Refer to section 10.5 for further information in respect of the Sale Facility. Approval of the Scheme by the Court will be relied upon by RTG and Sierra and will constitute the basis for the RTG Shares and RTG Options to be issued in reliance upon the exemption from the registration requirements of the US Securities Act provided by section 3(a)(10).

THIS SCHEME BOOKLET HAS NOT BEEN PREPARED IN ACCORDANCE WITH UNITED STATES SECURITIES LAWS AND REGULATIONS AND NONE OF THE SEC, ANY US STATE SECURITIES COMMISSION OR ANY OTHER US REGULATORY AUTHORITY HAS APPROVED OR DISAPPROVED THE TRANSACTION IN CONNECTION WITH THE SCHEME NOR HAVE ANY OF THEM PASSED UPON OR ENDORSED THE MERITS OF THE SCHEME OR THE ACCURACY, ADEQUACY OR COMPLETENESS OF THIS SCHEME BOOKLET. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE.

The enforcement by investors of civil liabilities under the United States federal securities laws may be affected adversely by the fact that Sierra and RTG are incorporated or organised outside the United States, that some or all of their respective officers and directors and the experts named in this Scheme Booklet are residents of a foreign country, and that all or a substantial portion of the assets of Sierra and RTG and said persons are located outside the United States. As a result, it may be difficult or impossible for United States Shareholders to effect service of process within the United States upon Sierra or RTG, their respective officers or directors or the experts named in this Scheme Booklet, or to realise against them upon judgments of courts of the United States predicated upon civil liabilities under the federal securities laws of the United States or “blue sky” laws of any state within the United States. In addition, United States Shareholders should not assume that the courts of Canada or Australia: (a) would enforce judgments of United States courts obtained in actions against such persons predicated upon civil liabilities under the federal securities laws of the United States or “blue sky” laws of any state within the United States; or (b) would enforce, in original actions, liabilities against such persons predicated upon civil liabilities under the federal securities laws of the United States or “blue sky” laws of any state within the United States.

Privacy and personal information

Sierra and RTG and their respective share registries may collect personal information in the process of implementing the Schemes. The personal information may include the names, addresses, other contact details, bank account details, details of the holdings of Sierra Securityholders, and the names of individuals appointed by Sierra Securityholders as proxies, corporate representatives or attorneys at the Scheme Meetings. Sierra Securityholders who are individuals and the other individuals in respect of whom personal information is collected as outlined above have certain rights to access the personal information collected in relation to them. Such individuals should in the first instance contact the Sierra Registry on 1300 850 505 (from within Australia) or +61 3 9415 4000 (from outside Australia) between 9.00am and 5.00pm (WST) Monday to Friday if they wish to request access to that personal information. The personal information is collected for the primary purpose of assisting Sierra and RTG to implement the Schemes and conduct the Scheme Meetings. The personal information may be disclosed to the registries of Sierra and RTG, to securities brokers, to third party service providers, including print and mail service providers and professional advisers, and to ASX and other regulatory authorities, and in any case, where disclosure is required or allowed by law or where the individual Sierra Securityholders has consented to such disclosure. Personal information of Sierra Securityholders may also be used to call them in relation to their Sierra Shares or Sierra Options or the Schemes. Sierra Securityholders who appoint an individual as their proxy, corporate representative or attorney to vote at the Scheme Meetings should ensure that they inform such an individual of the matters outlined above.

Investment decisions

This Scheme Booklet does not constitute financial product advice and has been prepared without reference to the investment objectives, financial situation, tax position or particular needs of any Sierra Securityholder or any other person. This Scheme Booklet should not be relied upon as the sole basis for any investment decisions in relation to RTG CDIs, RTG Options CDIs, RTG Shares, RTG Options, Sierra Shares, Sierra Options or any other securities, and you should seek independent financial, legal, tax or other professional advice before making any such investment decision.

References

All references in this Scheme Booklet to:

- (a) \$, A\$, dollars and cents are to Australian currency;
- (b) C\$ and Canadian dollars and cents are to Canadian currency; and
- (c) US\$, USD and US are to the currency of the United States of America,

unless otherwise specified.

All references to time in this Scheme Booklet are to the time in Perth, Australia, unless otherwise specified.

Date of this Scheme Booklet

This Scheme Booklet is dated 9 April 2014.

Key Dates

RTG Shareholders meeting to approve matters in connection with the Merger	13 May 2014
Last time and date by which Proxy Forms can be lodged	10.00am (WST) 14 May 2014
Time and date for determining eligibility of Sierra Securityholders to vote at the Scheme Meetings	5.00pm (WST) 14 May 2014
Time and date of the Scheme Meetings	10.00am (WST) 16 May 2014

If the resolutions considered at the Scheme Meetings are approved:

Court hearing for approval of the Schemes	22 May 2014
Effective Date	23 May 2014
Last day of trading on ASX of Sierra Shares and Sierra Options	23 May 2014
Time and date for determining entitlements of Sierra Shareholders and Sierra Optionholders to Scheme Consideration under the Schemes	28 May 2014
Implementation Date – issue of RTG CDIs and RTG Option CDIs under the Schemes and transfer of Sierra Shares and Sierra Options to RTG	4 June 2014
Despatch of holding statements for RTG CDIs and RTG Option CDIs issued under the Schemes	4 June 2014
RTG CDIs and RTG Option CDIs begin trading on ASX	5 June 2014

This timetable is indicative only. The actual timetable will depend upon the time at which the conditions precedent to the Scheme, including conditions relating to receipt of regulatory approvals, are satisfied or, if applicable, waived. Those conditions are summarised in section 2.7(a) of this Scheme Booklet. Sierra has the right to vary the timetable set out above, subject to the approval of such variation by the Court and ASX where required. Any variation to the timetable set out above will be announced to ASX (www.asx.com.au) and published on Sierra's website (www.sierramining.com.au).

Letter from Managing Director of Sierra

Dear Sierra Securityholder,

On 24 February 2014, Sierra announced that it had entered into a Merger Agreement with RTG under which it is proposed that RTG will acquire all of the Sierra Shares and Sierra Options by way of schemes of arrangement.

The merger combines Sierra's excellent portfolio of exploration and development projects in the Philippines with a management team that has an outstanding track record of success in Philippines mining. The merged company will also have substantial cash and other realisable assets as well as a profile in international capital markets to fund its development.

Sierra shareholders will hold approximately 72% of the diluted capital of the merged entity.

RTG is a mining exploration company led by the previous management team of CGA Mining Limited. CGA developed the 200,000oz pa Masbate Gold Project in the Philippines and successfully merged with B2Gold Corp. in a US\$1.1bn scheme of arrangement in January 2013. Prior to this, the RTG management team has been involved in the development of 6 other gold mines, including Boroo in Mongolia, Golden Pride in Tanzania, Obotan in Ghana and the Marymia, Bullabulling and Chalice mines in Western Australia. This outstanding track record of bringing assets into production will be advantageous as the merged entity seeks to transition from explorer to developer at the Mabilo Project.

RTG is listed on the main board of the TSX, and also intends to seek a listing on the ASX as part of the transaction. RTG has a strong balance sheet with cash and receivables in excess of A\$14.1m¹ as at 31 December 2013.

RTG has sold its interest in the Mkushi Copper Project in Zambia for consideration of US\$13.1m, including US\$6.6m in shares of Elephant Copper and a US\$6.5m convertible note due in January 2015. RTG has also entered into a sale agreement for its interest in the Segilola Gold Project in Nigeria to the current joint venture partner for a total consideration of up to US\$14m. There are risks associated with the recoverability and timing of these payments. Please see section 7.1(a) for further details.

If the Share Scheme is implemented, Sierra Shareholders will receive the following on a pre-RTG Share Consolidation basis:

- (a) 3 RTG Shares for each Sierra Share held; plus
- (b) 1 RTG Option for every 3 Sierra Shares held,

The RTG Options will be exercisable for a period of three years at an exercise price of C\$0.15 (\$A0.15²).

¹ This assumes an exchange rate on 21 February 2014 of C\$:A\$ 1.005 and US\$:A\$ 1.114.

² The exercise price of the RTG Options will be adjusted to C\$1.50 after the RTG Share Consolidation.

This consideration represents:

- (a) approximately A\$0.301³ (C\$0.301) per Sierra Share;
- (b) a premium of 27.4% to the 30 day VWAP of the Sierra Share price based on the 30 day VWAP of the RTG Share price⁴; and
- (c) a premium of 15.9%⁵ to the closing price of Sierra Shares of A\$0.26 on 21 February 2014.

Sierra's listed options will be acquired under a separate scheme of arrangement (Option Scheme). Sierra Optionholders will receive the following on a pre-RTG Share Consolidation basis:

- (a) 2 RTG Shares for each Sierra Option held; plus
- (b) 2 RTG Options for every 9 Sierra Options held,

This consideration represents approximately A\$0.201 (C\$0.20) per Sierra Option.

RTG intends to undertake a consolidation of every ten RTG Shares on issue into one RTG Share as part of the transaction to be completed prior to the Implementation Date. It is expected that the Scheme Consideration will be issued on a post-consolidation basis.

Your Directors have considered the advantages and disadvantages of the Schemes and unanimously recommend that Shareholders vote in favour of the Share Scheme and Optionholders vote in favour of the Option Scheme in the absence of a Superior Proposal. Each Director of Sierra intends to vote in favour of the Share Scheme and the Option Scheme with respect to any Sierra Shares or Sierra Options they hold or control in the absence of a Superior Proposal.

In addition, B2Gold, the largest Shareholder of both Sierra and RTG, which holds 7.44% of Sierra's issued share capital, has advised both companies that it supports the transaction.

The Independent Expert, BDO Corporate Finance (WA) Pty Ltd, has concluded that the Share Scheme and the Option Scheme are not fair but reasonable and in the best interests of Sierra Shareholders and Sierra Optionholders.

The Share Scheme requires the approval of Sierra Shareholders at the Share Scheme Meeting, which will be held at Plaza Level, BGC Centre, 28 The Esplanade, Perth, Western Australia at 10.00am (WST) on 16 May 2014. The Option Scheme requires the approval of Sierra Optionholders at the Option Scheme Meeting, which will be held at Plaza Level, BGC Centre, 28 The Esplanade, Perth, Western Australia at 10.30am (WST) on 16 May 2014.

Your vote is important in determining whether or not the Schemes proceed. You should cast your vote in person or by proxy at the Scheme Meetings. If you intend to vote by proxy, you should complete and return the enclosed proxy forms in the envelope provided as soon as possible, so it is

³ Calculated using the closing share price for RTG on TSX on 21 February 2014, and the Black-Scholes option pricing model based on Sierra's 12 month volatility. This assumes an exchange rate on 21 February 2014 of C\$:A\$ 1.005 and US\$:A\$ 1.114.

⁴ As at 21 February 2014.

⁵ Based on the closing price for RTG Shares and Sierra Shares on 21 February 2014.

received by the Sierra Registry by no later than 10.00am (WST) on 14 May 2014 in respect of the Share Scheme Meeting and 10.30 (WST) on 14 May 2014 in respect of the Option Scheme Meeting.

This Scheme Booklet contains important information to help you make an informed decision about how to vote at the Scheme Meetings. I urge you to read it carefully.

If you have any questions about the Schemes, please contact the Company Secretary on +61 8 9322 6322 between 9.00am and 5.00pm (WST) Monday to Friday.

Yours sincerely



Matthew Syme
Managing Director

9 April 2014

Letter from Chairman of RTG

Dear Sierra Securityholder,

The Board and management of RTG are pleased to provide you with the opportunity to participate in the combination of Sierra and RTG, which will create a Combined Group well positioned to capitalise on the significant mine development opportunity at Sierra's Mabilo Project and Sierra's other regional projects in the Philippines.

The combination of Sierra and RTG is unanimously supported by the RTG Board. We encourage you to vote in favour of the combination at the Scheme Meetings on 16 May 2014.

The management of RTG has a history of delivering value to its shareholders through a proven, development and operations focused management team and an established track record of operating responsibly and efficiently in the Philippines.

If the Merger is completed, former Sierra Securityholders will become shareholders and optionholders in RTG which will:

- (a) have an expected cash and cash equivalents position of approximately A\$14.1 million⁶ (based on the pro-forma balance sheet as at 31 December 2013) and no debt, positioning the Combined Group to leverage RTG's strong balance sheet to provide resources to further unlock the potential of the Mabilo Project and other regional projects in the Philippines;
- (b) benefit from RTG's experienced operating and development teams with a track record of delivering value, combined with strong local in-country Philippines management and RTG's existing relationship with Sierra's joint venture partner, Galeo, a well respected local miner; and
- (c) provide improved funding capability, a listing on the TSX and a strong institutional following.

The Sierra Board unanimously recommends the Schemes in the absence of a Superior Proposal.

As a Sierra Securityholder, your vote is extremely important in order to ensure that the combination is implemented, unlocking benefits for all securityholders. On behalf of the RTG Board, I encourage you to vote in favour of the Schemes that affect you.

I look forward to welcoming you as a RTG Shareholder or RTG CDI holder following the successful implementation of the combination.

Yours sincerely



Michael Carrick

Chairman

9 April 2014

⁶ Based on US\$:A\$ exchange rate on 21 February of 1.114

1. This Scheme Booklet

1.1 What is this Scheme Booklet for?

This Scheme Booklet contains information about the proposed Merger between Sierra and RTG that was announced on 24 February 2014. The Merger is to be implemented through:

- (a) the Share Scheme between Sierra and Sierra Shareholders ; and
- (b) the Option Scheme between Sierra and Sierra Optionholders.

It provides you, as a Sierra Securityholder, with information to consider before voting on the resolutions to approve the Scheme(s) relevant to you at the Scheme Meetings scheduled to be held on 16 May 2014.

1.2 Reasons to vote in favour of the Merger

The reasons for your Directors' unanimous recommendation to vote in favour of the Merger, include the following:

- (a) Taken at announcement, the Scheme Consideration represents an attractive upfront premium to the trading price of Sierra Shares and Sierra Options.
- (b) The RTG management group have significant experience operating in the Philippines and have a track record of successfully developing gold projects, including recent experience in the Philippines where they were responsible for the successful development and operation of the Masbate Gold Mine for CGA Mining Limited prior to its acquisition by B2Gold Corp. in early 2013.
- (c) RTG has a strong financial position with cash and receivables of approximately A\$14.1m⁷ at 31 December 2013, and contracts for disposal of existing assets which are expected to generate future cash inflows. Accordingly, no further dilution is expected in the short term.
- (d) The Independent Expert considers the Merger to be not fair but reasonable and in the best interests of Sierra Shareholders and Sierra Optionholders, in the absence of a Superior Proposal.
- (e) The Scheme Consideration consists of RTG Securities, so Sierra Securityholders will be able to participate in the future upside of the Sierra assets, and potential benefits resulting from the scale, scope and growth profile of the Combined Group.
- (f) The advantages described above can be achieved whilst RTG retains its listing on TSX and seeks a listing on ASX.
- (g) Subject to obtaining the required relief from ASIC, Small Securityholders, unless they elect otherwise, will have the Scheme Consideration that would otherwise have been issued to them issued to the Sale Agent, as their nominee in trust, for sale on market following the

⁷ This assumes an exchange rate on 21 February 2014 of C\$:A\$ 1.005 and US\$:A\$ of 1.114.

implementation of the Schemes. Those Small Securityholders who have their Scheme Consideration sold will receive a pro rata share of the net proceeds converted into Australian dollars from the sale of all Scheme Consideration sold through the facility. A small brokerage fee of no more than 1% may be payable.

- (h) If the Schemes are not approved, and no alternative proposal emerges, the Sierra share price may fall.
- (i) Since the announcement of the Merger on 24 February 2014, no Superior Proposal has emerged.

The reasons for your Directors' unanimous recommendation are set out in full in section 3.2.

1.3 Possible reasons to vote against the Merger

The possible reasons to vote against the Merger include the following:

- (a) Change in risk profile and risks of investments in the Combined Group.
- (b) Sierra Securityholder's effective interest in Sierra's assets, including the Mabilo Project, will be diluted.
- (c) Sierra Securityholders may consider that the time is not yet right for this transaction.
- (d) A Superior Proposal for Sierra may yet emerge.
- (e) The exact value of the Scheme Consideration on implementation of the Schemes is not certain.
- (f) Following the implementation of the Schemes, the price of ASX listed RTG CDIs and RTG Option CDIs might change.
- (g) The change in jurisdiction of incorporation may result in less rigorous investor protections under the BVI Business Companies Act than those existing under the Corporations Act.
- (h) The tax consequences of implementation of the Merger may not suit your particular financial circumstances.
- (i) Implementation of the Schemes will give rise to additional one-off transaction costs. However, these costs have largely been incurred to date and will be payable by Sierra irrespective of whether the Scheme is implemented or not.

The possible reasons to vote against the Merger are set out in full in section 3.3.

1.4 Read this Scheme Booklet in full

You should read and carefully consider the information included in this Scheme Booklet to help you make an informed decision in relation to your Sierra Securities and on how you will vote on the Scheme(s) relevant to you. If you do not know what to do, you should promptly consult your financial, legal, tax or other professional adviser.

1.5 Voting on the Scheme(s) relevant to you

As a Sierra Securityholder, you have the right to vote on whether the Scheme(s) relevant to you should be approved. You may vote in person or appoint a proxy to vote on your behalf.

You can appoint a proxy by completing and returning the Proxy Form that accompanied this Scheme Booklet in accordance with the instructions on that form. Depending on the Sierra Securities held by you, you may be entitled to vote at more than one Scheme Meeting, in which case you should have received more than one Proxy Form (each a different colour) – one for each Scheme Meeting relevant to you. An explanation on your eligibility to vote and how you can vote is set out below. The deadline for receipt of a Proxy Form by the Sierra Registry is 48 hours before the relevant Scheme Meeting (see page 7 for the precise times).

1.6 Small Securityholders may elect not to participate in the Sale Facility

Subject to obtaining the required relief from ASIC, Small Securityholders will have their Scheme Consideration issued to the Sale Agent for sale on market through the Sale Facility, unless they elect to withdraw from the Sale Facility. The Sale Agent may sell the RTG Shares and RTG Options on TSX or may sell them in the form of RTG CDIs and RTG Option CDIs on ASX.

A Small Securityholder is a Scheme Shareholder or a Scheme Optionholder who will receive an aggregate of 9,000 or less RTG Shares under the Schemes. For instance, this will include:

- (a) any Sierra Shareholder who holds 3,000 or less Sierra Shares and no Sierra Options; or
- (b) any Sierra Optionholder who holds 4,500 or less Sierra Options and no Sierra Shares.

If you hold both Sierra Shares and Sierra Options you should calculate the number of RTG Shares you will receive under the Schemes using the Scheme Consideration described in this Scheme Booklet to determine whether you are a Small Securityholder. You will only be considered to hold both Sierra Shares and Sierra Options if they are registered under the same SRN or HIN.

Small Securityholders may withdraw from participating in the Sale Facility by completing and returning a Sale Facility Election Form in accordance with the instructions on that form. To receive a Sale Facility Election Form you should contact the Sierra Registry (see contact details on the inside back cover of this Scheme Booklet) and ask them to send you a Sale Facility Election Form. If you hold both Sierra Shares and Sierra Options, you can elect to withdraw from participating in the Sale Facility in respect of either your Sierra Shares or Sierra Options, or both. The deadline for receipt of Sale Facility Election Forms by the Sierra Registry is 5.00pm on the Record Date (expected to be 28 May 2014).

See section 10.5 for more information about the about the Sale Facility and section 10.6 for more information about how to withdraw from participating in the Sale Facility.

If you have any questions after reading this Scheme Booklet, please contact the Company Secretary of Sierra on +61 8 9322 6322. If you have questions in relation to your holding, please contact the Sierra Registry on 1300 850 505 (from within Australia) or +61 3 9415 4000 (from outside of Australia).

1.7 Sierra Securityholders may decide to have their Scheme Consideration listed on TSX, rather than quoted on ASX.

Sierra Shareholders and Sierra Optionholders (other than Sale Facility Participants) may elect to receive RTG Shares and RTG Options which will be listed on TSX, subject to meeting the TSX listing criteria, rather than RTG CDIs and RTG Option CDIs quoted on ASX by completing a Share Election Form in accordance with the instructions on that form.

The deadline for receipt of Share Election Forms by the Sierra Registry is 5.00pm on the Record Date (expected to be 28 May 2014). See section 10.4 for information on how to make this election.

1.8 How to vote

There will be two Scheme Meetings:

- (a) the Share Scheme Meeting – to approve the Share Scheme; and
- (b) the Option Scheme Meeting – to approve the Option Scheme.

You may attend and vote at each Scheme Meeting for which you meet the eligibility criteria below.

The Scheme Meetings will be held at the Plaza Level, BGC Centre, 28 The Esplanade, Perth, Western Australia on 16 May 2014 at 10.00am.

- | | | | |
|-----|-----------------------|-------------------|----------------------|
| (a) | Share Scheme Meeting | Green proxy form | 10.00am |
| (b) | Option Scheme Meeting | Yellow proxy form | 10.30am ⁸ |

1.9 Eligibility

- (a) Sierra Shareholders who are registered on the Sierra Share Register at 5.00pm on 14 May 2014 may attend and vote at the Share Scheme Meeting.
- (b) Sierra Optionholders who are registered on the Sierra Option Register at 5.00pm on 14 May 2014 may attend and vote at the Option Scheme Meeting.

Depending on the Sierra Securities you hold, you may be entitled to vote at one or more Scheme Meetings.

1.10 Voting in person

Sierra Securityholders who are entitled to vote and wish to do so in person, should attend the relevant Scheme Meeting(s). Please bring your meeting registration forms with you to facilitate admission to the meeting. The meeting registration form for the Scheme Meeting(s) is the Proxy Form included with this Scheme Booklet.

⁸ Or immediately after the Share Scheme Meeting.

1.11 Voting by attorney or corporate representative

Sierra Securityholders who are entitled to vote and wish to do so by attorney or corporate representative should ensure that their attorney or corporate representative attends the relevant Scheme Meeting(s) at the time, date and place referred to above. If you are attending as an attorney, you should bring the original power of attorney or a certified copy, unless you have already provided a certified copy of the power of attorney to Sierra. If you are attending as a representative of a corporate shareholder please bring evidence of your appointment to attend on behalf of that shareholder, unless previously lodged with the Sierra Registry.

1.12 Voting by proxy

Sierra Securityholders who are entitled to vote and wish to do so by proxy should read the detailed notes relating to the appointment of proxies accompanying the Notice of Share Scheme Meeting set out in Annexure 8 or the Notice of Option Scheme Meeting set out in Annexure 9 (as applicable). You should then complete the Proxy Form included with this Scheme Booklet. Your Proxy Form must be:

- (a) sent to the Sierra Registry (using the reply paid envelope included with this Scheme Booklet) at:

Computershare Investor Services Pty Ltd
GPO BOX 1282 Melbourne
VICTORIA 3000 AUSTRALIA

- (b) faxed to 1800 783 447 from within Australia or +61 3 9473 2555 from overseas; or
- (c) sent to Sierra's registered office at Level 9, BGC Centre, 28 The Esplanade, Perth, Western Australia,

in each case, so that it is received by no later than 48 hours before the Scheme Meetings.

If an attorney signs a Proxy Form on your behalf, a certified copy of the power of attorney under which the Proxy Form was signed must be received by the Sierra Registry at the same time as the Proxy Form (unless you have already provided a certified copy of the power of attorney to Sierra). If you complete and return a Proxy Form, you may still attend the meeting in person, revoke the proxy and vote at the meeting.

2. Summary of the Merger

2.1 Overview

On 24 February 2014, Sierra announced a proposal under which all existing shares and listed options in Sierra will be exchanged for shares and options in RTG, a company incorporated in the British Virgin Islands and which, upon implementation of the Schemes, is expected to be listed on ASX. The combination of Sierra and RTG will form the basis of a Philippine based exploration group with significant experience in the jurisdiction. See section 6 for a description of the future strategy and operations of RTG.

RTG is a mining exploration company which is incorporated in the BVI. RTG has its head office in Subiaco, Western Australia and is a foreign registered company under the Corporations Act. RTG is listed on the Toronto Stock Exchange (TSX: RTG) and has a strategic focus on acquiring and developing interests in mineral properties with demonstrated potential for hosting economic mineral deposits, with gold deposits as the primary focus, with a view to enhancing RTG's ability to move quickly to a producer status. The management of RTG was previously responsible for the successful development and operation of the Masbate Gold Mine for CGA Mining Limited prior to its acquisition by B2Gold Corp. in early 2013 for US\$1.1 billion.

Prior to implementation of the Schemes, RTG proposes to undertake a share consolidation on the basis of 10:1 (meaning that every ten (10) RTG Shares outstanding prior to the RTG Share Consolidation would be consolidated into one (1) RTG Share). The RTG Share Consolidation will affect the Scheme Consideration received by Sierra Securityholders. See section 9.10 for further details of the RTG Share Consolidation.

On 24 February 2014, Sierra entered into the Scheme Implementation Deed which sets out certain arrangements agreed between Sierra and RTG in relation to the Merger.

The Merger will be implemented by way of two schemes of arrangement.

- (a) The Share Scheme is an arrangement between Sierra and its shareholders which is voted on by those shareholders. If the required majority of shareholders vote in favour of the Share Scheme, and if it is then approved by the Court, then the Share Scheme is binding on Sierra and all of its shareholders.
- (b) The Option Scheme is an arrangement between Sierra and its optionholders which is voted on by those optionholders. If the required majority of optionholders vote in favour of the Option Scheme, and if it is then approved by the Court, then the Option Scheme is binding on Sierra and all of its optionholders.

If the Merger is approved by Sierra Shareholders, Sierra Optionholders and the Court, and RTG Shareholder approval is obtained (and the other conditions precedent to the Schemes are either waived or satisfied) then:

- (a) RTG will issue RTG Shares (in the form of RTG CDIs) and RTG Options (in the form of RTG Option CDIs) to Sierra Securityholders (other than Sale Facility Participants) in exchange for their Sierra Shares and Sierra Options and Sierra will become a wholly-owned subsidiary of RTG;

- (b) Sierra Shareholders will receive RTG Shares (in the form of RTG CDIs) and RTG Options (in the form of RTG Option CDIs) in exchange for their Sierra Shares (other than Sale Facility Participants) as further described in sections 2.2, 2.3 and 2.4;
- (c) Sierra Optionholders will receive RTG Shares (in the form of RTG CDIs) and RTG Options (in the form of RTG Option CDIs) in exchange for their Sierra Options (other than Sale Facility Participants) as further described in sections 2.2, 2.3 and 2.4;
- (d) RTG will issue RTG Shares (in the form of RTG CDIs) and RTG Options (in the form of RTG Option CDIs) to holders of unlisted Sierra options who have entered into agreements with RTG as described in section 9.22; and
- (e) Sierra will be delisted from ASX and become a wholly owned subsidiary of RTG, which is intended to be listed on ASX. However, it is possible that the Schemes may be implemented without the listing of RTG on the official list of ASX occurring. See section 6.1(c) for further details.

If the Share Scheme is not approved by the required majority of Sierra Shareholders or is not approved by the Court (or RTG Shareholder approval is not obtained), the Merger will not proceed, Sierra Shareholders will continue to hold Sierra Shares, and Sierra will continue to operate as a separate company listed on ASX.

2.2 What you will receive if the Merger is approved

If the Merger is approved:

- (a) Sierra Shareholders (other than Sale Facility Participants) will receive:
 - (i) prior to the RTG Share Consolidation, three (3) RTG Shares (in the form of RTG CDIs) for every one (1) Sierra Share held together with one (1) RTG Option (in the form of a RTG Option CDI) for every three (3) Sierra Shares held on the Record Date; and
 - (ii) after the RTG Share Consolidation, three (3) RTG Shares (in the form of RTG CDIs) for every ten (10) Sierra Shares held together with one (1) RTG Option (in the form of a RTG Option CDI) for every 30 Sierra Shares held on the Record Date.
- (b) Sierra Optionholders (other than Sale Facility Participants) will receive:
 - (i) prior to the RTG Share Consolidation, two (2) RTG Shares (in the form of RTG CDIs) for every one (1) Sierra Option together with two (2) RTG Options (in the form of RTG Option CDIs) for every nine (9) Sierra Options held on the Record Date; and
 - (ii) after the RTG Share Consolidation, two (2) RTG Shares (in the form of RTG CDIs) for every ten (10) Sierra Options together with two (2) RTG Options (in the form of RTG Option CDIs) for every 90 Sierra Options held on the Record Date.

Fractional entitlements will be rounded up or down to the nearest whole number, with entitlements to half of a RTG CDI or RTG Option CDI rounded down.

These RTG CDIs and RTG Option CDIs will be issued to Sierra Securityholders (other than Sale Facility Participants) on the Implementation Date. Holding statements and confirmations of CHESS holdings for RTG CDIs and RTG Option CDIs are expected to be despatched within five Business Days after the Implementation Date.

Sierra Securityholders who would prefer to receive RTG Shares and RTG Options listed on TSX, subject to meeting the TSX listing criteria, rather than RTG CDIs and RTG Option CDIs quoted on ASX should refer to section 10.4 for information about how to make an election to receive RTG Shares and RTG Options.

RTG will make an application for quotation of the RTG CDIs and RTG Option CDIs on ASX on or around 9 April 2014. If RTG does not obtain admission to the official list of ASX (and Sierra and RTG agree to waive this condition precedent to the Scheme), you will receive RTG Shares and RTG Options listed on TSX rather than RTG CDIs and RTG Option CDIs quoted on ASX. See sections 6.1(c) and 10.4 for further information.

It is the responsibility of each person who is issued RTG CDIs and RTG Option CDIs under the Schemes to confirm their holding before trading in RTG CDIs and/or RTG Option CDIs to avoid the risk of selling RTG CDIs or RTG Option CDIs that they do not own. Any person who sells RTG CDIs and/or RTG Option CDIs before they receive their holding statement or confirm their uncertificated holdings of RTG CDIs and RTG Option CDIs does so at their own risk. To the maximum extent permitted by law, Sierra and RTG disclaim all liability to persons who trade RTG CDIs and/or RTG Option CDIs before receiving their holding statements or confirming their uncertificated holdings.

2.3 Small Securityholders

Subject to obtaining the required relief from ASIC, Small Securityholders will have their Scheme Consideration issued to the Sale Agent, as their nominee in trust, for sale on market through the Sale Facility, unless they elect to withdraw from participating in the Sale Facility. The Sale Agent may sell the RTG Shares and RTG Options on TSX or may sell them in the form of RTG CDIs and RTG Option CDIs on ASX. A brokerage fee of no more than 1% may be payable in relation to RTG Shares and RTG Options or RTG CDIs and RTG Option CDIs sold through the Sale Facility.

Unless Small Securityholders withdraw from participating in the Sale Facility, they will not be issued with RTG CDIs, RTG Shares, RTG Options or RTG Option CDIs and will instead receive a pro rata share of the net proceeds, converted (if applicable) into Australian dollars, from the sale of all RTG Securities sold through the Sale Facility. See section 10.5 for more information about the Sale Facility and section 10.6 for more information about how to withdraw from participating in the Sale Facility.

2.4 Ineligible Foreign Securityholders

Ineligible Foreign Securityholders will not receive RTG CDIs and RTG Option CDIs or be entitled to make an election to receive RTG Shares and RTG Options. Instead, all Ineligible Foreign Securityholders will have the Scheme Consideration that would otherwise have been issued to them under the Schemes issued to the Sale Agent, as nominee in trust for the Sale Facility Participants, for sale on market following implementation of the Schemes. See section 10.5 for more information about the Sale Facility.

The distribution of Ineligible Foreign Securityholders pro rata share of the net proceeds from the sale of the RTG Securities sold through the Sale Facility to United States Shareholders under the Schemes will be issued in reliance on the exemption from the registration requirements of the US Securities Act provided in section 3(a)(10) thereunder based on the approval of the Scheme by the Court. United States Shareholders will have the right to appear before the Court at the hearing to give approval of the Schemes. If the Court approves the Schemes, its approval will constitute the basis for distribution of Ineligible Foreign Securityholders pro rata share of the net proceeds from the sale of RTG Shares and RTG Options sold through the Sale Facility to United States Shareholders. The Court will have been advised of the intention to rely on a section 3(a)(10) of the US Securities Act exemption based on the Court's approval of the Schemes.

2.5 Directors' recommendation

The Directors are of the opinion that the Merger is in the best interests of Sierra Shareholders and Sierra Optionholders as a whole and unanimously recommend that Sierra Shareholders and Sierra Optionholders vote in favour of the Merger, in the absence of a Superior Proposal. As at the date of this Scheme Booklet, no other proposal for Sierra or its business or assets has emerged.

Each of the Directors who holds Sierra Shares and Sierra Options, or on whose behalf Sierra Shares and Sierra Options are held at the time of the Scheme Meetings, intends to vote those Sierra Shares and Sierra Options in favour of the Merger, in the absence of a Superior Proposal.

Sierra Shares held by the Directors represent approximately 12.26% of the issued share capital of Sierra at the date of lodgement of this Scheme Booklet with ASIC. Sierra Options held by the Directors represent approximately 21.68% of the issued Sierra Options at the date of lodgement of this Scheme Booklet with ASIC.

The reasons for the unanimous recommendation of the Directors are set out in section 3.

2.6 Independent Expert's opinion

Sierra commissioned the Independent Expert to prepare a report on the Merger to determine whether it is in the best interests of Sierra Shareholders and Sierra Optionholders. The Independent Expert has concluded that, in its opinion:

- (a) the Share Scheme is not fair but reasonable and in the best interests of Sierra Shareholders as a whole; and
- (b) the Option Scheme is not fair but reasonable and in the best interests of Sierra Optionholders as a whole.

The Independent Expert assessed the preferred value of the Scheme Consideration for each Sierra Share and Sierra Option (on a minority interest basis) as being less than the preferred underlying value of Sierra Shares and Sierra Options (on a control basis) and is therefore not "fair" when assessed on the basis of existing ASIC Policy. However, the Independent Expert noted that the Schemes are nevertheless "reasonable" despite not being "fair" after considering other factors associated with the Merger. A copy of the Independent Expert's Report is contained in Annexure 1.

2.7 Implementation Agreement

The arrangements agreed between Sierra and RTG in relation to the Merger in the Scheme Implementation Deed include those set out below. A copy of the Scheme Implementation Deed is contained in Annexure 3.

(a) Conditions precedent to Schemes

The Schemes are subject to a number of conditions precedent which must be satisfied (or, if applicable, waived) before the Schemes can come into effect. These conditions are summarised in section 9.17 and are set out in full in clauses 3.1 and 3.2 of the Scheme Implementation Deed.

In particular, it should be noted that by agreement Sierra and RTG are able to waive the condition precedent of ASX providing in principle approval for RTG's admission to the official list of ASX and the quotation of RTG CDIs.

RTG Shareholder approval is also required to give effect to the Schemes.

(b) Exclusivity arrangements

Sierra has agreed to certain exclusivity arrangements that restrict it from encouraging, or engaging with a proponent of a Third Party Transaction. These restrictions include "no-shop", "no-talk" and "no due diligence" restrictions and an obligation to notify RTG of any Third Party Transaction. These exclusivity arrangements are summarised in section 9.19 and are set out in full in clause 11 of the Scheme Implementation Deed.

(c) Break Fees

Sierra and RTG have agreed that each party will incur significant costs pursuing and implementing the Merger. If the Merger is not implemented, Sierra and RTG have agreed to pay the other party a break fee of A\$150,000 (plus GST if applicable) in certain circumstances. A summary of the break fees payable by Sierra and RTG is set out in section 9.20 and are set out in full in clause 12 of the Scheme Implementation Deed.

(d) Termination

Each of Sierra and RTG has the right to terminate the Scheme Implementation Deed if certain conditions are satisfied. These conditions are summarised in section 9.21 and are set out in full in clause 13 of the Scheme Implementation Deed.

2.8 Australian taxation implications of the Merger

The Australian taxation implications of the Merger for certain Sierra Securityholders are set out in section 11. This section is expressed in general terms and is not intended to provide tax advice in respect of the circumstances of any particular securityholder. Sierra Securityholders are recommended to obtain their own independent tax advice as to the consequences of the Schemes.

In summary, the Australian taxation implications of the Merger include the following:

- (a) the disposal of Sierra Shares by Australian Sierra Shareholders will be a taxable event and may give rise to a gain or loss;

- (b) the disposal of Sierra Options by Australian Sierra Optionholders will be a taxable event and may give rise to a gain or loss;
- (c) Australian Sierra Shareholders who hold their Sierra Shares on capital account may be able to elect to obtain a partial CGT rollover relief (if eligible) to the extent their Sierra Shares are exchanged for RTG CDIs. CGT roll-over relief is not available to Sierra Shareholders in relation to any capital gains arising from the receipt of the RTG Option CDIs (i.e. Sierra Shareholders should calculate a capital gain or loss in respect of the RTG Options component of the Scheme Consideration as outlined in section 11);
- (d) Australian Sierra Optionholders who hold their Sierra Options on capital account may be able to elect to obtain a partial CGT rollover relief (if eligible) to the extent their Sierra Options are exchanged for RTG Option CDIs. CGT roll-over relief is not available to Sierra Optionholders in relation to any capital gains arising from the receipt of the RTG Shares (i.e. Sierra Optionholders should calculate a capital gain or loss in respect of the RTG Shares component of the Scheme Consideration as outlined in section 11);
- (e) individual Australian Sierra Securityholders (who hold their Sierra Shares or Sierra Options on capital account) who are not eligible to choose CGT rollover relief (including circumstances where a capital loss arises on the disposal of their Sierra Shares or Sierra Options), or do not elect to choose CGT rollover relief, should calculate a capital gain or loss from the disposal of their Sierra Shares or Sierra Options as outlined in section 11. Any capital gain arising should be treated as assessable, and may be reduced by the CGT discount if relevant to the Sierra Securityholder's circumstances. Prior to applying the CGT discount, the amount of any taxable gain to a Sierra Securityholder may also be reduced by the recoupment of any available tax losses during the relevant income year;
- (f) individual Australian Sierra Securityholders (who hold their Sierra Shares or Sierra Options on capital account) who do not elect to obtain CGT rollover relief may reduce any capital gain by 50% if they held their Sierra Shares or Sierra Options for more than 12 months; and
- (g) Australian complying superannuation fund Sierra Securityholders who do not elect for CGT rollover relief may reduce any capital gain by one third if they held their Sierra Shares or Sierra Options for more than 12 months.

2.9 Scheme Meeting

On 9 April 2014, the Court made an order convening the Scheme Meetings. The fact that, under subsection 411(1) of the Corporations Act, the Court has ordered that the Scheme Meetings be convened, and has approved the explanatory statement required to accompany the Notice of the Share Scheme Meeting and Notice of Option Scheme Meeting, does not mean that the Court has prepared, or is responsible for the content of, this Scheme Booklet or the explanatory statement contained within it, or has formed any view as to the merits of the proposed Schemes or as to how Sierra Securityholders should vote.

The purpose of the Scheme Meeting is for Sierra Securityholders to consider whether or not to approve the Merger. Except as mentioned below, Sierra Securityholders who are registered on the Sierra Scheme Register at 5.00pm on 14 May 2014 are entitled to vote at the Scheme Meetings. Please refer to the section 1.8 of this Scheme Booklet and the Notice of Share Scheme Meeting set out in Annexure 8 or Notice of Option Scheme Meeting set out in Annexure 9 for more details on how to vote.

3. Recommendation of the Directors and Other Matters Relevant to Your Vote

3.1 Directors' recommendation

The Directors recommend that you vote in favour of the Merger at the Scheme Meetings, in the absence of a Superior Proposal. For the reasons set out below, the Directors believe that the Merger is in the best interests of Sierra Securityholders.

Each of the Directors who holds Sierra Shares and Sierra Options, or on whose behalf Sierra Shares and Sierra Options are held at the time of the Scheme Meetings, intends to vote those Sierra Shares and Sierra Options in favour of the Merger, in the absence of a Superior Proposal. The interests of Directors in Sierra Shares and Sierra Options are set out in section 12.5 of this Scheme Booklet.

In making their recommendation, the Directors compared the reasons for Sierra Securityholders to vote in favour of the Merger set out in section 3.2 against the possible reasons to vote against the Merger set out in section 3.3, taking into account the other relevant considerations set out in section 3.4.

3.2 Reasons to vote in favour of the Scheme(s) relevant to you

- (a) **Taken at announcement, the Scheme Consideration represents an attractive upfront premium to the trading price of Sierra Shares and Sierra Options.**

Based on the RTG closing share price of C\$0.095 on the date prior to the announcement of the Merger (24 February 2014):

- (i) the Share Scheme Consideration will result in Sierra Shareholders effectively receiving an equivalent price of A\$0.301 per Sierra Share. This represents a premium of approximately:
 - (A) 27.4% to the 30 day VWAP and 15.9% to the last closing price of Sierra Shares on ASX, prior to the announcement of the Merger on 24 February 2014; and
 - (B) 1% to the closing price of Sierra Shares on ASX on 4 April 2014, being the last practicable date on which Sierra Shares traded on ASX, prior to the date of this Scheme Booklet.
- (ii) the Option Scheme Consideration will result in Sierra Optionholders effectively receiving an equivalent price of A\$0.201 per Sierra Option. This represents a premium of approximately:
 - (A) 60.7% to the last trade of Sierra Options on 15 January 2014, prior to the announcement of the Merger on 24 February 2014; and
 - (B) 9% to the closing price of Sierra Options on ASX on 4 April 2014, being the last practicable date on which Sierra Options traded on ASX, prior to the date of this Scheme Booklet.

The implied value of the Share Scheme Consideration and Option Scheme Consideration may increase or decrease prior to the Implementation Date based on movements in the RTG Share price and movements in C\$:A\$ exchange rate.

(b) The RTG management group have significant experience operating in the Philippines and have a track record of successfully developing gold projects.

The RTG management group, including Chairman Michael Carrick, President and Chief Executive Officer Justine Magee and Chief Operating Officer Mark Turner, were most recently responsible for the successful development and operations of the Masbate Gold Mine in the Philippines for CGA Mining Limited, prior to its acquisition by B2Gold Corp. in early 2013.

Prior to this, the RTG management group has been involved in the development of 6 other gold mines, including Boroo in Mongolia, Golden Pride in Tanzania, Obotan in Ghana and the Marymia, Bullabulling and Chalice mines in Western Australia. This outstanding track record of bringing assets into production will be advantageous as the merged entity seeks to transition from explorer to developer at the Mabilo Project.

Recent operating experience in the Philippines and a history of success in exploration, mine development and operation will be important as the Combined Group progresses its Mabilo and Bunawan Projects.

Mr Matthew Syme has been invited to join the RTG Board as a non-executive director upon implementation of the Merger.

(c) RTG has a strong financial position to fund the exploration and development activities of the Combined Group.

As at 31 December 2013, the Combined Group had a pro forma market capitalisation of approximately A\$104.1 million⁹, compared to Sierra's market capitalisation of A\$47.7 million¹⁰. The Combined Group will also have a strong balance sheet position, with a cash and receivables position of approximately A\$14.1 million¹¹ and total assets of A\$84.8 million¹² on a pro forma basis as at 31 December 2013. The financial resources of the Combined Group will enable further exploration and development of Sierra's Mabilo and Bunawan Projects while providing increased financial flexibility for the development of future projects without further dilution in the short term.

(d) The Independent Expert considers the Merger to be not fair but reasonable and in the best interests of Sierra Shareholders and Sierra Optionholders, in the absence of a Superior Proposal.

The Independent Expert has concluded in its Independent Expert's Report, which is set out in Annexure 1, that the Merger is not fair but reasonable and in the best interests of Sierra Shareholders and Sierra Optionholders.

⁹ Based on the TSX closing price of RTG Shares on 31 December 2013 of C\$0.10 and a C\$:A\$ exchange rate of 1.053.

¹⁰ Based on the ASX closing price of Sierra Shares on 31 December 2013 of A\$0.205.

¹¹ Based on the US\$:A\$ exchange rate on 21 February 2014 of 1.114.

¹² Based on the US\$:A\$ exchange rate on 21 February 2014 of 1.114.

- (e) **Sierra Securityholders will be able to participate in the potential benefits resulting from the scale, scope and growth profile of the Combined Group.**

Sierra Securityholders will receive RTG CDIs and RTG Option CDIs (or if they elect, RTG Shares and RTG Options) as Scheme Consideration, unless they are Sale Facility Participants, and share in any benefits associated with the Combined Group.

- (i) The Merger creates a Combined Group with an outstanding portfolio of exploration and development assets, and a strong financial position to progress the development of these assets.
- (ii) The Merger provides an attractive platform for growth.
- (iii) The Merger is likely to result in increased stock market appeal through enhanced liquidity and visibility.

The Merger will result in Sierra's Securityholders participating in the benefits associated with a larger company with increased liquidity and visibility, through listings on TSX and a proposed listing on ASX¹³. In addition to being able to trade RTG CDIs and RTG Option CDIs on ASX when RTG lists on ASX¹⁴, Sierra Securityholders can also benefit from exposure to trading of RTG Shares and RTG Options on TSX if they elect to receive their Scheme Consideration in the form of RTG Shares and RTG Options or later exchange their RTG CDIs and RTG Option CDIs for RTG Shares and RTG Options.

- (f) **The advantages described above can be achieved whilst RTG seeks an ASX listing of Sierra's projects.**

If the Merger is implemented, RTG intends to list on ASX in much the same way as Sierra is currently listed on ASX. The advantages described above may therefore be obtained while retaining an ASX listing and Sierra's assets. In addition, the Combined Group will be listed on TSX, subject to meeting the TSX listing criteria.

- (g) **Small Securityholders may have their Scheme Consideration sold through the Sale Facility and receive the proceeds from the sale. RTG Securityholders can withdraw from participating in the Sale Facility and be issued with RTG CDIs and RTG Option CDIs or RTG Shares and RTG Options.**

A Small Securityholder is a Scheme Shareholder or a Scheme Optionholder who will receive an aggregate of 9,000 or less RTG Shares under the Schemes. For instance, this will include:

- (i) any Sierra Shareholder who holds 3,000 or less Sierra Shares and no Sierra Options; or
- (ii) any Sierra Optionholder who holds 4,500 or less Sierra Options and no Sierra Shares.

If you hold both Sierra Shares and Sierra Options, to determine whether you are a Small Securityholder, you should calculate the number of RTG Shares you will receive under the

¹³ Subject to RTG obtaining admission to the official list of ASX.

¹⁴ Subject to RTG obtaining admission to the official list of ASX.

Schemes using the Scheme Consideration described in this Scheme Booklet. You will only be considered to hold both Sierra Shares and Sierra Options if they are registered under the same SRN or HIN.

Subject to obtaining the required relief from ASIC, all Sale Facility Participants under a Scheme will have their Scheme Consideration sold on market through the Sale Facility for a small brokerage fee of no more than 1% and receive a pro rata share of the net proceeds.

Any Small Securityholder who does not wish to participate in the Sale Facility and wants to be issued with RTG CDIs and RTG Option CDIs quoted on ASX or RTG Shares and RTG Options listed on TSX must withdraw from participating in the Sale Facility. See section 10.6 for further information.

(h) If the Schemes are not approved, and no alternative proposal emerges, the Sierra share price may fall.

If the Schemes are not implemented, Sierra will remain an independent company and will continue to explore and advance the Mabilo project. Should this occur, this may result in the Sierra Share price trading below its current levels in the near term.

(i) No Superior Proposal has emerged.

Since the initial announcement of the Merger on 24 February 2014, and up to the date of this Scheme Booklet, no Superior Proposal has emerged and the Board is not aware of any Superior Proposal that is likely to emerge.

3.3 Possible reasons to vote against the Merger

Although the Directors recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal, and although the Independent Expert has concluded that the Schemes are in the best interests of Sierra Shareholders and Sierra Optionholders, factors which may lead you to consider voting against the Schemes include the following:

(a) Change in risk profile and risks of investments in the Combined Group.

If the Schemes become Effective, there will be a change in the risk profile of Sierra Securityholders who receive Scheme Consideration.

Sierra will become part of RTG and Sierra Securityholders will become securityholders in RTG, exposing Sierra Securityholders to new risks relating to RTG and its business and certain additional risks associated with the Combined Group. The change in risk profile may be seen to be a disadvantage by some Sierra Securityholders.

Section 7 sets out the potential risk factors relating to the Merger, the Combined Group and RTG Securities. The Directors would like to draw particular attention to the following matters.

- (i) Counterparty risks relating to the sale of RTG's interests in the Mkushi Copper Project and Segilola Gold Project. There are risks associated with the recoverability and timing of these payments. Please see section 7.1(a) for further details; and

- (ii) Litigation risks relating to RTG's previous interests in the Mkushi Copper Project, Segilola Gold Project and the Obuasi Joint Venture.

(b) Sierra Securityholders effective interests in Sierra's assets will be diluted.

If the Schemes become Effective, then Sierra Shareholders' and Sierra Optionholders' effective interest in Sierra's assets, including the Mabilo and Bunawan Projects, will be diluted.

(c) Sierra Securityholders may consider that the time is not yet right for this transaction.

Sierra Securityholders may consider that Sierra should continue to develop its existing projects and will have opportunity for greater returns over the long term with Sierra remaining as an independent company.

The Directors evaluated the benefits of Sierra continuing to act as an independent company and decided that in recommending the Merger to Sierra Securityholders, on balance, the Merger was more favourable than the options that might otherwise be available to Sierra as an independent company.

(d) A Superior Proposal for Sierra may yet emerge.

It is possible that a Superior Proposal for Sierra, which is more attractive for Sierra Securityholders than the Schemes, may materialise in the future. The implementation of the Schemes would mean that you would not obtain the benefit of any such proposal.

The Directors are currently not aware of any such proposal.

While Sierra has agreed to certain exclusivity provisions that restrict it from encouraging or engaging with a proponent of a Third Party Transaction, the restrictions do not prevent Sierra from entering into negotiations for a Third Party Transaction where the Sierra Board determine, after taking advice, that it is more favourable to Sierra Securityholders having regard to all relevant factors relating to the Schemes. RTG has the right, but not the obligation within five Business Days of receipt of notice of a Superior Proposal, to amend the terms of the Schemes to match or improve on the offer made under the Superior Proposal. See section 9.19 for further information.

If a Superior Proposal for Sierra emerges, the Directors will carefully consider the proposal and inform you of any material developments.

(e) The exact value of the Scheme Consideration on implementation of the Schemes is not certain.

The exact value of the Scheme Consideration on the Implementation Date will be dependent upon the price at which RTG Shares trade at the Implementation Date and the C\$:A\$ exchange rate at the Implementation Date. The price of RTG Shares and the C\$:A\$ may fluctuate significantly in the period up to the Implementation Date which Sierra and RTG have no control over.

In the case of Sale Facility Participants, subject to ASIC providing the required relief, the Sale Agent will receive RTG Shares and RTG Options as their nominee in trust to sell on market as

soon as reasonably practicable after implementation of the Schemes. There is no guarantee regarding the price for RTG Shares and RTG Options that the Sale Agent may realise and it is possible that such sale may exert downward pressure on the price of RTG Shares and RTG Options during this period.

(f) **Following the implementation of the Schemes, the price of ASX listed RTG CDIs and RTG Option CDIs might change.**

Following implementation of the Schemes, the value of RTG CDIs and RTG Option CDIs may rise or fall based on market conditions and the business performance of the Combined Group. If the price of RTG CDIs or RTG Option CDIs falls, the value of the securities received by Sierra Securityholders as Scheme Consideration will decline in value. Accordingly, there is no guarantee that Sierra Securityholders will actually realise the implied value of the Scheme Consideration.

(g) **The change in jurisdiction of incorporation may result in less rigorous investor protections under the BVI Business Companies Act than those existing under the Corporations Act.**

If the Merger is implemented, Sierra Securityholders will hold shares and options in a company incorporated in the BVI, rather than a company incorporated in Australia. As a company incorporated in the BVI, RTG will be subject to the provisions of the BVI Business Companies Act and will not be subject to many of the provisions of the Corporations Act to which Sierra is currently subject and with which Sierra Securityholders are familiar. As RTG is a "reporting issuer" in the Canadian Jurisdictions it is also subject to the securities laws of the Canadian Jurisdictions.

A summary of certain provisions of BVI law to which RTG will be subject, and a comparison of the key differences between the Corporations Act, the BVI Business Companies Act, the TSX Rules and the securities laws of the Canadian Jurisdictions, are set out in section 8.2 and section 8.3 respectively. Your Directors particularly draw your attention to the fact that the takeover protection provisions currently afforded to Sierra Securityholders by Chapter 6 of the Corporations Act will not apply to RTG. As set out in more detail in section 8, no takeover protection is provided by the BVI Business Companies Act.

If the Merger is implemented and RTG is admitted to the official list of ASX, RTG will, subject to the grant of certain waivers by ASX, be subject to all of the same ASX Listing Rules to which Sierra is currently subject.

(h) **The tax consequences of implementation of the Merger may not suit your particular financial circumstances.**

Implementation of the Merger may have tax consequences for Sierra Securityholders. In particular, roll-over relief will not be available for all components of the Scheme Consideration which may give rise to a capital gain which may be taxed. Ineligible Foreign Securityholders and certain other Sierra Securityholders may also realise a gain on which they may be taxed, depending on their specific circumstances. A general guide to the Australian taxation implications of the Merger is set out in section 11. This guide is expressed in general terms based on the taxation laws as they currently stand and individual Sierra Securityholders should seek professional advice regarding the tax consequences applicable to their own circumstances.

(i) **Additional costs.**

Implementation of the Schemes will result in additional one-off transaction costs. The total cost of implementing the Schemes to Sierra is estimated to be in the range of A\$365,000 and A\$425,000. A majority of these costs have already been incurred or will be incurred whether or not the Schemes are approved by Sierra Securityholders.

Implementation of the Schemes may also result in additional costs being incurred by the Combined Group including, for example, those costs involved in maintaining dual listings on TSX and ASX.

3.4 Other relevant considerations

(a) **The Independent Expert has concluded that the Merger is in the best interests of Sierra Shareholders and Sierra Optionholders.**

Sierra commissioned the Independent Expert to prepare a report on the Merger to determine whether it is in the best interests of Sierra Shareholders and Sierra Optionholders. The Independent Expert has concluded that, in its opinion, the Merger is not fair but reasonable and in the best interests of Sierra Shareholders and Sierra Optionholders. A copy of the Independent Expert's Report is set out in Annexure 1.

The Independent Expert assessed the value of the Scheme Consideration for each Sierra Share and Sierra Option on a minority basis as being less than the full underlying value of Sierra Shares and Sierra Options on a control basis and is therefore not "fair" when assessed on the basis of existing ASIC policy. However, the Independent Expert noted that the Schemes are nevertheless "reasonable" despite not being "fair" after considering other factors associated with the Merger. The noted likely advantages of the Merger include the following:

- (i) on a minority interests basis and NAV basis the value of the Share Scheme Consideration and the value of a Sierra Share are similar;
- (ii) there is overlap in the valuation ranges in the Independent Expert's fairness assessment of the Share Scheme and Option Scheme and in some scenarios the Share Scheme and Option Scheme may be considered fair;
- (iii) increased strength of management with broader experience; and
- (iv) the Combined Group is intended to be listed on ASX and TSX.

(b) **Effect of BVI taxation laws for individual Sierra Securityholders.**

If the Merger is implemented, Sierra Securityholders will hold shares and options in a company incorporated in the BVI, rather than a company incorporated in Australia. This may have different consequences for Sierra Securityholders than Australian taxation laws. A summary of BVI tax considerations that are relevant to holding shares in a company incorporated in the BVI is set out in section 8.4.

(c) **The Schemes may be implemented even if you vote against it.**

You should be aware that even if you do not vote, or you vote against the Merger, the Merger will still be implemented if it is approved by the requisite majority of Sierra Shareholders or Sierra Optionholders (as applicable) and the Court. If this occurs, all Sierra Shares and Sierra Options (as applicable) will be transferred to RTG and you will receive the Share Scheme Consideration for your Sierra Shares and Option Scheme Consideration for your Sierra Options, even though you did not vote on, or voted against, the Merger.

4. Information about Sierra

4.1 Overview

This section contains information in relation to Sierra.

The Independent Expert's Report in Annexure 1 to this Scheme Booklet contains further detailed information on Sierra.

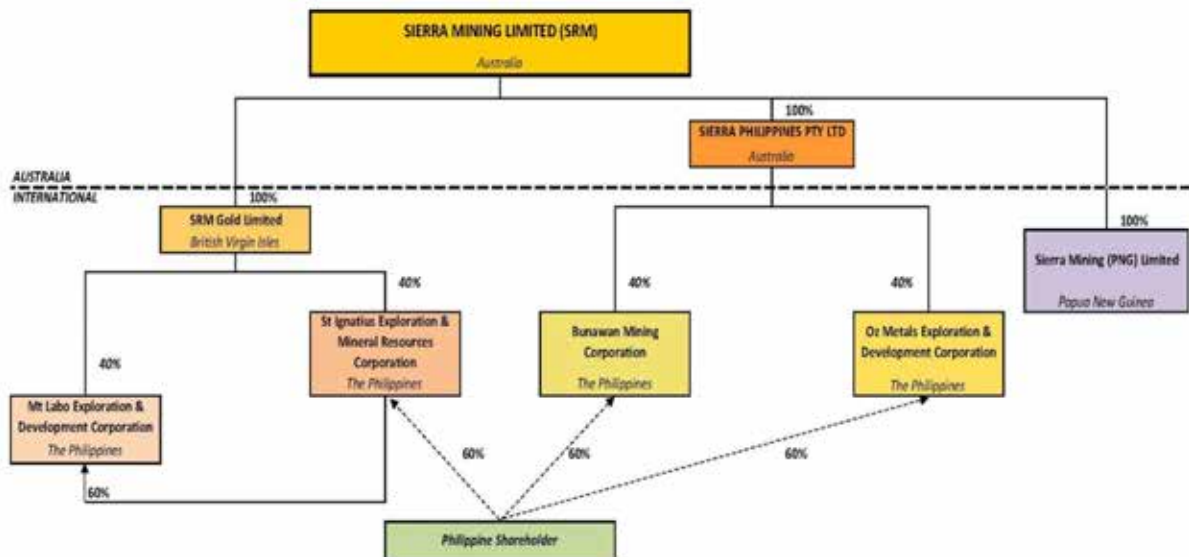
Sierra is a Perth based resource company focused on developing its copper and gold exploration portfolio in the Philippines. Sierra was admitted to the official list of the ASX on 13 December 2006 following an initial capital raising of A\$4,500,000. Sierra is a "disclosing entity" for the purposes of the Corporations Act and is therefore subject to regular reporting and disclosure obligations under the Corporations Act and the ASX Listing Rules. Subject to limited exceptions, Sierra is required to notify the ASX immediately after it becomes aware of any information which a reasonable person would expect to have a material effect on the price or value of Sierra Shares.

Copies of announcements made by Sierra to the ASX are available on the ASX website (www.asx.com.au).

4.2 Group Structure

Sierra's registered office is at Level 9, BGC Centre, 28 The Esplanade, Perth WA 6000.

Sierra's group structure is set out below, together with the governing law of each company and the percentage of voting securities beneficially owned by Sierra.



Note:

- (a) A 60% interest in Bunawan, OZ Metals and St Ignatius Exploration & Mineral Resources Corp is held directly and beneficially by a Philippine shareholder. In the case of Bunawan and OZ Metals, the Philippine shareholder has granted a call option in favour of Sierra Philippines Pty Ltd, subject to foreign ownership restrictions in the Philippines. In the case of St Ignatius, the Philippine shareholder has

granted a call option in favour of SRM Gold Limited, subject to foreign ownership restrictions in the Philippines. See section 4.6(b)(iv) for further details.

- (b) Sierra has a 64% direct and indirect economic interest in Mt Labo. Mt Labo has entered into a joint venture agreement with Galeo to partner Sierra in exploration and development activities at the Mabilo and Nalesbitan Projects. See section 4.6(b)(i) for further detail.

4.3 Strategy

Sierra is an active resource exploration and development company. Sierra's objective is to create long-term shareholder value through the discovery, development and acquisition of technically and economically viable mineral deposits.

To date, Sierra has not commenced production of any minerals. To achieve its objective, Sierra currently has the following business strategies and prospects over the medium to long term:

- (a) continue exploration activities in the Philippines with an initial focus on the Mabilo Project, Nalesbitan Project and the Bunawan Project (upon granting of exploration permits as applicable);
- (b) subject to the results of exploration programs at its projects, calculate mineral resource estimates in accordance with the JORC Code;
- (c) completion of positive scoping and feasibility studies which demonstrate that mining of resources can be economically undertaken on Sierra's projects;
- (d) continue to progress the permitting at each of Sierra's projects, with an initial focus on the Bunawan Project; and
- (e) continue to actively assess new domestic and overseas business opportunities in the mineral resources sector to complement Sierra's current projects.

All of these activities are inherently risky and the Board is unable to provide certainty that any or all of these developments will be able to be achieved.

4.4 Projects

Sierra's primary focus is the exploration of gold and copper assets in the Philippines and more specifically in the Parcale gold district, located in eastern Luzon and the eastern Mindanao mineral belt in southern Philippines, adjacent to the Philippine Fault Zone, which passes down the west edge of the Pacific Cordillera and is considered to be a fundamental control on the mineralisation of the region. Sierra's tenement applications have been carefully selected on the basis of their tectonic setting combined with extensive local knowledge of the geology and locations of both historical and current artisanal gold mining operations.

Sierra previously held two exploration licences in Papua New Guinea, but these licences expired during 2013.



Figure 1: Sierra's project locations

The following is a summary of Sierra's projects. See section 4.6(a) for further details on the constituent tenements.

(a) **Mabilo Project**

The Mabilo Project is a high grade Cu-Au magnetite skarn deposit located in the Camarines Norte Province, Eastern Luzon, Philippines. The project comprises one granted Exploration Permit (EP-014-2013-V) of approximately 498 ha and Exploration Permit Application EXPA-000188-V of 2,820 ha. The project area is accessed by 20km of all-weather road from the highway at the nearby town of Labo.

Sierra has a direct and indirect 64% economic interest in Mt Labo which holds the Mabilo Project permits. Mt Labo has entered into a joint venture agreement with Galeo to partner

Sierra in exploration and development activities whereby Galeo can currently earn up to a 36% interest in the joint venture. However subject to a number of conditions precedent, Galeo may earn an interest of up to 42% of the joint venture. See section 4.6(b)(i) for further detail.

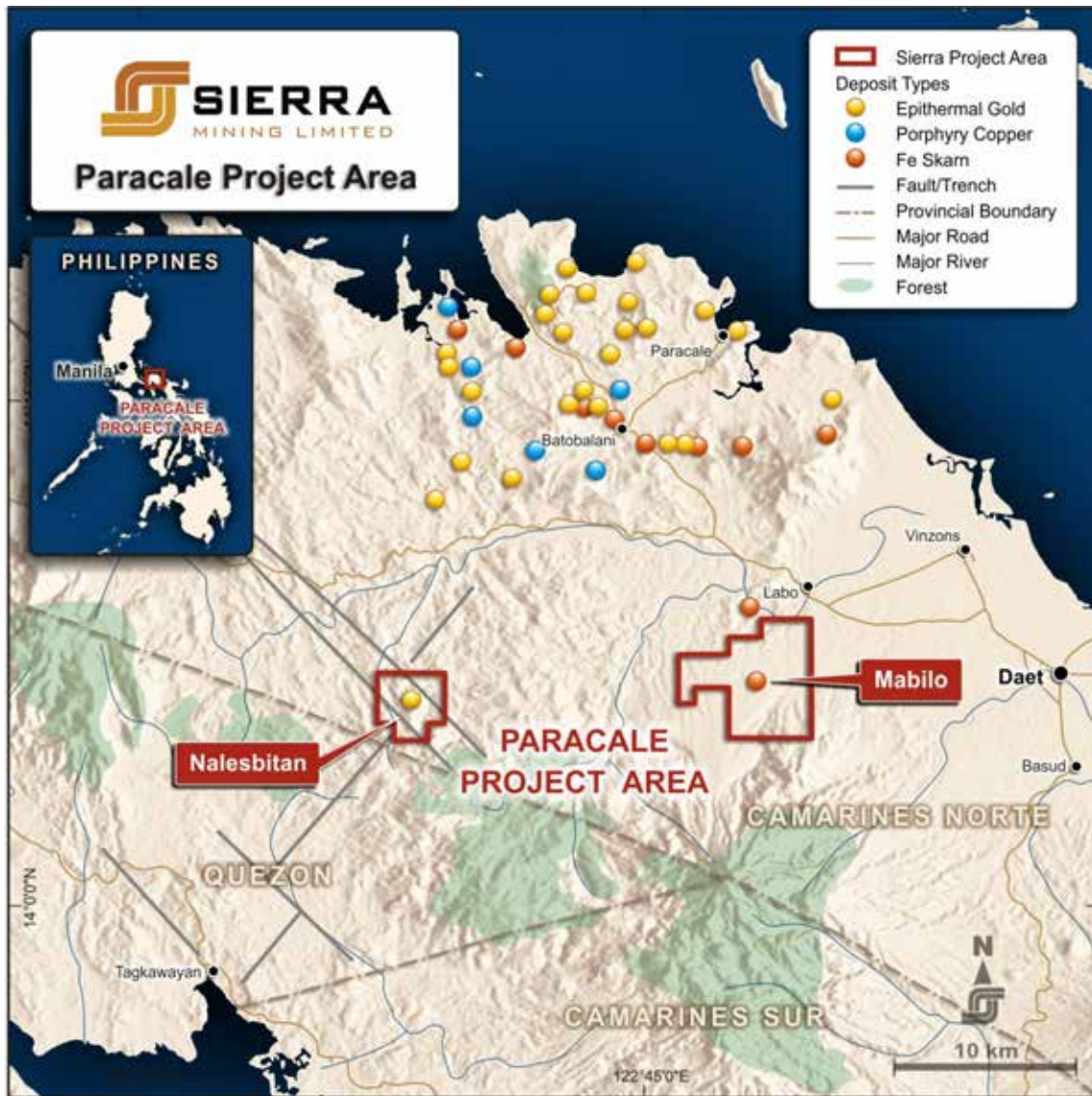


Figure 2: Sierra's Mabilo and Nalesbitan project

Sierra has followed up reconnaissance drilling in 2012 with a further ground magnetic survey early in 2013 to clarify anomalies from a previous survey conducted by a prior tenement owner. See Figure 3. Modelling of the data from the survey and the 2012 drilling was undertaken to provide initial targets for Phase 2 drilling. The survey also outlined two new anomalies, the South East and North East magnetic anomalies, neither of which were the subject of drilling in 2012. Phase 2 drilling began in July 2013 and has returned a number of mineralised intervals.

Drilling is being undertaken by Galeo pursuant to the joint venture arrangement with Mt Labo.

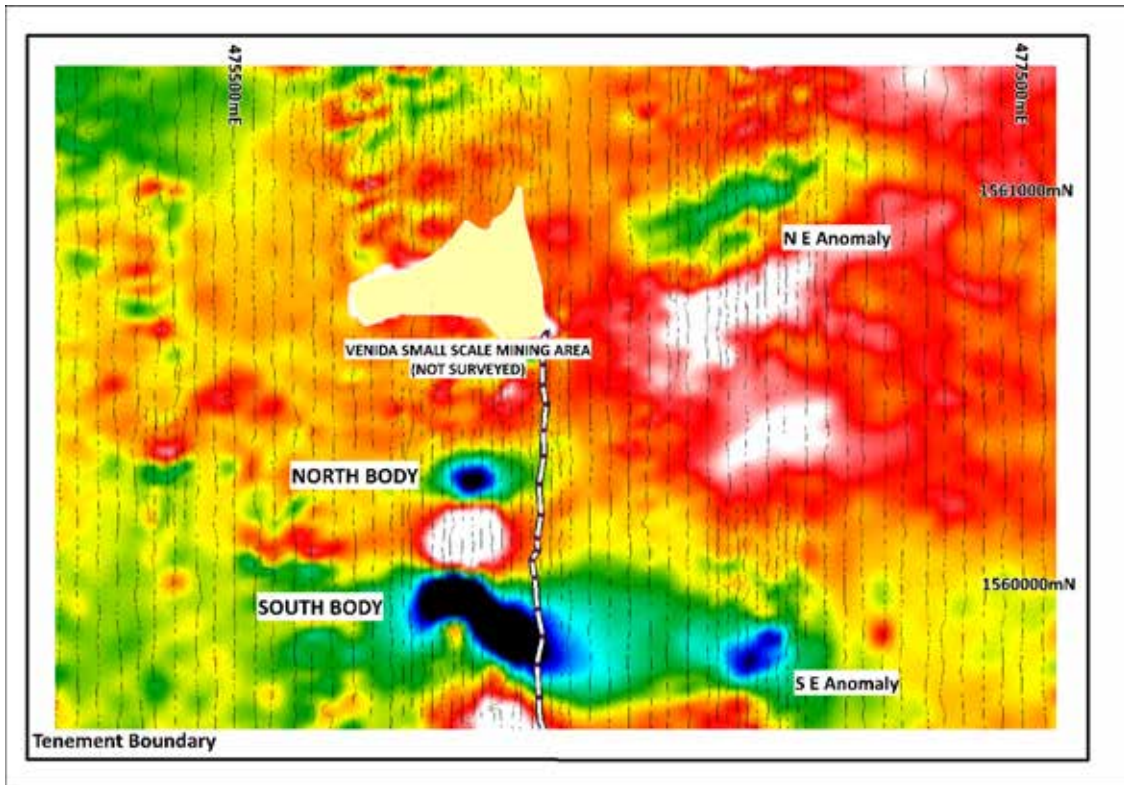


Figure 3: TMI image from the 2013 ground magnetic survey. A pre-existing small scale Mining Permit area of approximately 10.7Ha was not covered by the survey. Sierra's Philippines associate granted a consent for the small scale mining area which provides for a 1% production royalty and which expired in June 2013.

(b) **Nalesbitan Project**

The Nalesbitan Project is owned by Mt Labo and is subject to the joint venture arrangements with Galeo. See section 4.6(b)(i) for further detail. The project comprises a Mining Lease Contract MRD-459 of 497Ha and Mineral Production Sharing Agreement Application APSA-V-0002 of 637Ha, the latter of which has been denied and is the subject of a motion for reconsideration. The project is located in Camarines Norte Province on the Bicol Peninsular in Southern Luzon approximately 200km from Manila. Access is from Manila by 300km sealed highway to the town of Exiban and then by 13 kilometres of unsealed road to Nalesbitan.

The Nalesbitan area has been extensively explored and drilled by previous owners of the tenements.

On 21 March 2012, Sierra announced that it had completed its initial inferred mineral resource estimate for the Nalesbitan Hill deposit. The estimate totalled 5.0Mt at 1.05g/t Au (170k oz) and 4.0 g/t Ag (645k oz) at 0.5g/t cut/off. At a 0.3g/t cut off, the resource estimate increases to 7.7 Mt at 0.8 g/t Au (204k oz) and 4.0 g/t Ag (986k oz). The resource estimate was prepared by independent geological consultants whose staff have consulted to the owners of the property since 2006.

The terms of the agreement by which Sierra and its Philippine associate acquired Mt Labo provided for a deferred consideration payment to be made if the motion for reconsideration of APSA-V-0002 was granted prior to 2 November 2013. No such approval has yet been granted. One of the vendors of Mt Labo has filed a petition for declaratory relief in the Philippines seeking to extend the date for the receipt of the approval. The resolution of the applicable court denying the motion to dismiss filed by Mt Labo is currently subject of a motion for partial reconsideration.

(c) **Bunawan Project**

The Bunawan Project comprises an exploration permit application (EXPA-00037-XIII) and an application for a mineral production sharing agreement (APSA-000003-XIII), totalling 88km² in Agusan del Sur, Eastern Mindanao. The area surrounds the high grade Co-O gold mine owned by Medusa Mining Ltd. Sierra's applications, which comprise a number of discrete blocks, represent a significant land holding in the area around the Co-O mine and cover a similar geological sequence including much of a distinct diatreme breccia similar to the one recognised by Medusa Mining adjacent to the Co-O mine. Numerous artisanal gold workings are located within and adjacent to the Mahunoc diatreme.

During the permit application process, Sierra has historically conducted limited reconnaissance work in the Bunawan area. Following advances in 2013 in the permitting process, Sierra conducted an initial integrated exploration program including mapping, ground magnetic surveys and grid based soil sampling which yielded positive results, following which further soil sampling has been commissioned.

The National Commission on Indigenous Peoples (**NCIP**) has issued a Certificate of Compliance, confirming that Bunawan has complied with the NCIP procedure and process requirements for that part of Expa-000037-XIII that falls within the Municipality of Rosario. This Certificate of Compliance satisfies the statutory requirements of the Mines and Geosciences Bureau as a key condition for the issuance of the exploration permit over the same area.

The completed application for EXPA-000037-XIII now awaits final execution and release by the MGB Director.

Bunawan, together with the NCIP, has also commenced the process for seeking the Free and Prior Informed Consent of indigenous peoples over the southern portion of the EXPA, lying within the Bunawan Municipality.

The Manobo Indigenous Cultural Communities covering APSA-000003-XIII are divided into the Municipalities of Prosperidad, Rosario and Bunawan. Many of the leaders and their customs covering the APSA are the same as those covering the EXPA. Sierra has concluded the APSA pre-Field Based Investigation process for all three municipalities and completed the Field Based Investigation reports for Prosperidad and Rosario.

The balance of the FPIC process for the southern part of the EXPA and the complete process for the issue of APSA-000003-XIII is expected to be completed over the course of 2014.

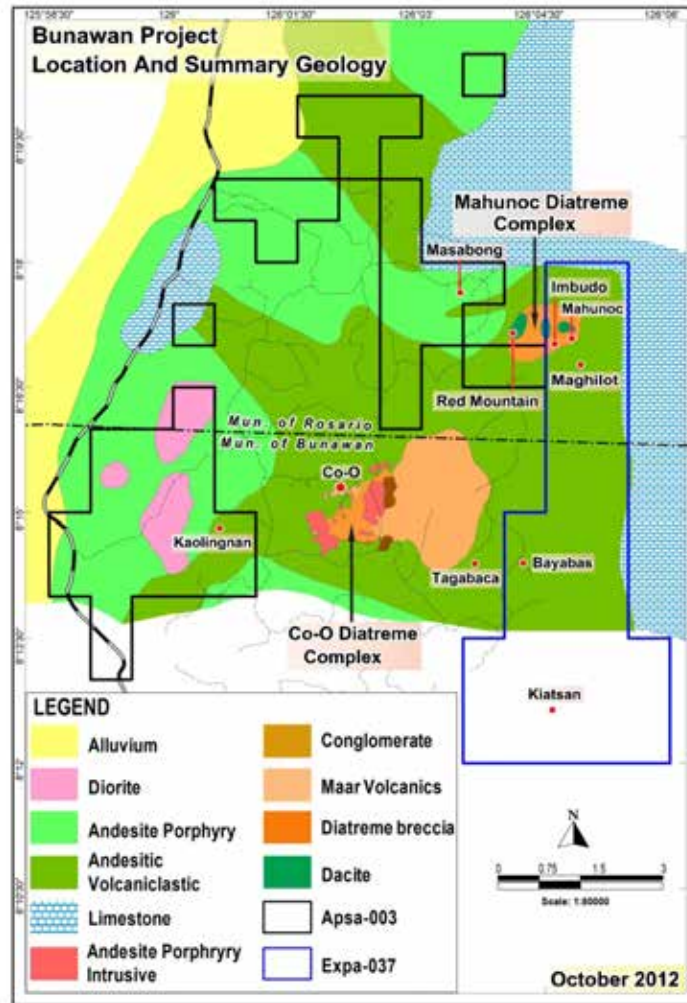


Figure 4: Bunawan simplified geology and Sierra's permit applications

Sierra has a direct 40% ownership interest in Bunawan which holds EXPA-00037-XIII and has been assigned the ownership interest in APSA-000003-XIII (subject to pending transfer from Safariland Resources Co.). The remaining 60% interest in Bunawan is held directly and beneficially by a Philippine shareholder. The Philippine shareholder has granted a call option in favour of Sierra Philippines Pty Ltd (a wholly owned subsidiary of Sierra), subject to foreign ownership restrictions in the Philippines.

(d) **Taguibo Project**

The Taguibo Project comprises two granted exploration licences (EP-01-06-XI and EP-01-10-XI) and one exploration permit application (EXPA-118) covering a combined area of 12,858 ha. The combined block covers a section of the Philippine Fault Zone where it is intersected by a second regional structural zone known as Kingking Trend which extends from Sierra's Taguibo project to the KingKing porphyry Cu deposit some 30 km to the north-west.

Following historic exploration activities, Sierra undertook a reconnaissance drilling program in June 2012 which was curtailed in June 2013 due to local security issues. To date 12 holes have been completed at the Taguibo Project.

On 30 June 2011, the MGB Region XI denied the Taguibo Project permit application EXPA-000118-XI on the ground that Bunawan had allegedly failed to complete the required publication, posting and radio announcement within one year from the date of acceptance of said application and the required consultation with all provincial boards concerned within two years from such acceptance. On 23 July 2012, Bunawan filed an appeal with the MGB Central Office.

EP-01-06-XI and EXPA-118 are held by Bunawan whilst EP-01-10-XI is held by Oz Metals. Sierra has a direct 40% ownership interest in both Bunawan and Oz Metals. The remaining 60% interest in Bunawan and Oz Metals is held directly and beneficially by a Philippine shareholder. The Philippine shareholder has granted a call option in favour of Sierra Philippines Pty Ltd (a wholly owned subsidiary of Sierra), subject to foreign ownership restrictions in the Philippines.

(e) **Bahayan Project**

The Bahayan application (EXPA-123-XI) is held by Oz Metals and comprises two blocks located to the NW of the Diwalwal gold rush. Sierra's northern block is approximately 20 km from Diwalwal and 30 km from the Co-O mine owned by Medusa Mining Limited and Sierra's Bunawan Project.

Sierra has conducted reconnaissance mapping, rock chip and stream sediment sampling which has located additional areas of alteration and artisanal mining to the north and west of Cogonon which was the initial focus for reconnaissance work. The most significant of these is the Falcata-Tondan-Lawaan zone where epithermal mineralisation characterised by chalcedonic and opaline quartz veins associated with anomalous Au-Ag-As geochemistry was recognised.

(f) **Mawab Project**

The Mawab Project is held by Oz Metals and comprises Exploration Permit 02-10-XI located in the north west of the Masara Mineral Field in an area of good infrastructure close to the highway and local sealed roads.

The Masara Mineral Field is one of the most intensely mineralised areas of the Philippines with numerous porphyry copper (eg Amacan), epithermal vein gold-silver (eg Maco/Masara) and limestone replacement gold (eg RCO and Hijo) deposits.

Following the grant of the Exploration Permit in 2010 Sierra established an exploration camp at Mawab and undertook detailed mapping and sampling programs over the entire tenement block and further rock chip and sediment sampling in 2011, resulting in two anomalous areas being outlined for further follow up investigation.

(g) **Title to Projects**

For further information regarding title to the Philippine tenements that Sierra has an interest in and a general overview of the mining law in the Philippines, please see the Solicitor's Report on Tenements in Annexure 2.

For certain specific risks associated with the Philippine tenements that Sierra has an interest in see section 7.2(a).

4.5 Directors

The names of Directors in office at the date of this Scheme Booklet are:

Mr Ian Middlemas	Non-Executive Chairman
Mr Matthew Syme	Managing Director
Mr Johan Raadsma	Executive Director
Mr Francis Enrico M. Gutierrez	Non-Executive Director

A biographical summary of each Director is set out below:

(a) **Ian Middlemas**

Non-Executive Chairman

Qualifications – B.Com, CA

Mr Middlemas is a Chartered Accountant, a member of the Financial Services Institute of Australasia and holds a Bachelor of Commerce degree. He worked for a large international Chartered Accounting firm before joining the Normandy Mining Group where he was a senior group executive for approximately 10 years. He has had extensive corporate and management experience, and is currently a director with a number of publicly listed companies in the resources sector.

Mr Middlemas was appointed a director and Chairman of Sierra on 27 January 2006. Mr Middlemas has held directorships in a number of ASX listed companies including Berkeley Resources Limited (April 2012 – present), Prairie Downs Metals Limited (August 2011 – present), Papillon Resources Limited (May 2011 – present), Pacific Ore Limited (April 2010 – present), Wildhorse Energy Limited (January 2010 – present), Equatorial Resources Limited (November 2009 – present), WCP Resources Limited (September 2009 – present), Sovereign Metals Limited (July 2006 – present) and Odyssey Energy Limited (September 2005 – present).

(b) **Matthew Syme**

Managing Director

Qualifications – B.Com, CA

Mr Syme is a Chartered Accountant and an experienced mining executive with over 23 years experience as a senior executive of a number of companies in the Australian resources and media sectors. He was a Manager in a major international Chartered Accounting firm before spending 3 years as an equities analyst in a large stockbroking firm. He was then Chief Financial Officer of Pacmin Mining Limited, a successful Australian gold mining company, as well as a number of other resources companies. Mr Syme retired as Managing Director of Berkeley

Resources Limited in late 2009 after successfully guiding the acquisition and scoping studies of Berkeley's Salamanca Uranium Project in Spain.

Mr Syme was appointed a director of Sierra on 1 July 2010. During the three year period to the end of the financial year, Mr Syme was a director of Berkeley Resources Limited (August 2004 – August 2012).

(c) **Mr Johan Raadsma**

Executive Director

Qualifications – B. Sc. Mining

Mr Raadsma has over 30 years experience in mining, civil construction and resource development. He has successfully engineered, managed, and contracted mining projects ranging from feasibility study, project finance, underground rehabilitation to environmental abatement. Mr Raadsma has a BSc (Mining) from the University of New South Wales, is a Member of the Australasian Institute of Mining and Metallurgy, and is President of the Philippine Mineral Exploration Association.

Mr Raadsma was appointed a director of Sierra on 28 May 2008. During the three year period to the end of the financial year, Mr Raadsma was a director of Crazy Horse Resources Inc. (November 2010 – October 2011).

(d) **Mr Francis Enrico M. Gutierrez**

Non-Executive Director

Mr Gutierrez is a very experienced and well regarded mine operator and contractor in the Philippines. He is the Chairman of SR Metals Inc, a leading nickel mining and export company based in northern Mindanao.

He has operated in the contracting and mining business in Mindanao, Luzon, Masbate and other regions for over 30 years and is conversant in the range of technical, social, legal, environmental and security issues associated with mining in the Philippines.

Mr Gutierrez was appointed a director of Sierra on 29 August 2011. He has not held any other directorships in listed companies in the previous three years to the end of the financial year.

(e) **Mr Clint McGhie**

Company Secretary

Qualifications – B.Com, CA, ACIS, FFin

Mr McGhie is a Chartered Accountant and Chartered Secretary. He commenced his career at a large international Chartered Accounting firm, before moving to commerce in the role of financial controller and company secretary. Mr McGhie now works in the corporate office of a number of public listed companies focussed on the resources sector.

Mr McGhie was appointed Company Secretary of Sierra on 21 August 2006.

4.6 Material contracts and Title

(a) Tenements

As at the date of this Scheme Booklet, Sierra has an interest in the following projects and tenements:

Project Name	Permit Number	Economic/Percentage Interest	Status
Philippines			
Taguibo Project ⁽ⁱ⁾	EP-01-06-XI	40%	Granted
	EP-01-10-XI	40%	Granted
	EPA-118-XI	40%	Application
Bunawan Project ⁽ⁱ⁾	EPA-037-XIII	40%	Application
	APSA-003-XIII	40%	Application
Mawab Project ⁽ⁱ⁾	EP-02-10-XI	40%	Granted
Bahayan Project ⁽ⁱ⁾	EPA-123-XI	40%	Application
Nalesbitan Project ⁽ⁱⁱ⁾	MLC MRD-459	64%	Granted
	APSA-002-V	64%	Application
Mabilo Project ⁽ⁱⁱ⁾	EP-014-2013-V	64%	Granted
	EXPA-000188-V	64%	Application

Notes

- (i) The Taguibo, Bunawan, Mawab and Bahayan Projects in the Philippines are held through Sierra's associate entities in which Sierra has a direct 40% ownership interest. The Sierra Group's proportion of voting power held in each associate is the same as its direct ownership interest. The remaining 60% interest in the associates is held directly and beneficially by a Philippine shareholder. The Philippine shareholder has granted a call option in favour of Sierra Philippines Pty Ltd (a wholly owned subsidiary of Sierra), subject to foreign ownership restrictions in the Philippines.
- (ii) Sierra has a 64% direct and indirect economic interest in Mt Labo which holds the Nalesbitan and Mabilo Projects. Mt Labo has entered into a joint venture agreement with Galeo to partner in exploring and developing a delineated portion of the Mabilo and Nalesbitan Projects. Galeo can currently earn up to a 36% interest in the joint venture, which covers down to 200 metres below the surface, by contributing approximately US\$4,250,000 of exploration drilling and management services for the joint venture area over a 2 year period. As of 31 December 2013, Galeo has earned a 6.743% interest in the joint venture. Subject to two conditional memorandums of understanding, Galeo may extend their interest in the joint venture to remove the depth limit of 200 meters below surface by providing additional drilling of 5,000m below 200 meters, as well as an additional 6% interest at all depths by, amongst other things, mining the first 1.5Mt of waste ore. Refer to section 4.6(b)(i) for further information.

(b) **Material Contracts**

(i) **Joint venture with Galeo**

Sierra entered into an agreement on 10 May 2013 with Philippines mining contractor and supplier, Galeo, to partner Sierra in exploring and developing the Mabilo and Nalesbitan Gold-Copper Projects. The agreement was subject to Sierra shareholders' approval which was granted at a general meeting of Sierra on 19 July 2013.

Pursuant to the terms of the unincorporated joint venture, Galeo can earn up to a 36% interest in the Projects, down to 200 metres below surface, by contributing approximately US\$4,250,000 of exploration drilling and management services for the Projects over the next 2 years.

The "drilling for equity" component of the Agreement represents approximately 9,000m of diamond core drilling. Galeo will also provide management services for the security, community relations and administration functions for the Joint Venture in the 2 year period.

Galeo is associated with Director Mr Francis Enrico M. Gutierrez and Sierra Shareholders approved the Agreement in July 2013. The joint venture commenced in early August 2013.

Sierra announced on 20 November 2013 that a memorandum of understanding had been entered into detailing proposed changes to the joint venture agreement to remove the depth limit of 200m from the agreement and provide for drilling of 5,000m below 200m, in addition to the existing 9,000m of drilling above 200m. The memorandum of understanding also provides for Galeo to be granted its 36% interest up front with the ability for Sierra to claw-back any interest deemed not earned at the end of the claw-back period. The revisions to the agreement remain subject to conditions, including signing a formal amendatory agreement and Sierra shareholder approval. Should the other conditions be satisfied the revised agreement will be placed before Sierra shareholders for approval.

Sierra has entered a second memorandum of understanding with Galeo whereby Galeo can earn an additional 6% interest in the joint venture to take the total interest Galeo can hold and retain up to 42%. The memorandum of understanding, which is subject to a number of conditions precedent, including shareholder approval (if applicable), requires Galeo to mine the first 1.5Mt of waste ore to earn the additional interest.

Galeo is associated with Director Mr Francis Enrico M. Gutierrez and Shareholders approved the Agreement in July 2013. The joint venture commenced in early August 2013.

(ii) **Nalesbitan Royalty Agreement**

Mt Labo, entered into a royalty agreement in respect of the Nalesbitan gold mine tenements (Mining Lease MRD-459 and APSA No-V-0002) with Mining Consultants Ltd (MC) on 2 November 2011. The agreement was part of the transaction in November 2011 whereby Sierra acquired an interest in Mt Labo and the existing royalty

agreements were terminated. Pursuant to the new royalty agreement Sierra agreed to pay MC a royalty of 1% of the net mining revenue from the applicable tenements. There has been no production to date at the Nalesbitan project and hence no payments have been made under this agreement by Mt Labo.

(iii) **Mabilo Royalty Agreement**

Mt Labo, entered into a royalty agreement in respect of the Mabilo gold prospect tenements (EP-014-2013-V) with MC on 2 November 2011. The agreement was part of the transaction in November 2011 whereby Sierra acquired an interest in Mt Labo and the existing royalty agreements were terminated. Pursuant to the new royalty agreement Sierra agreed to pay MC a royalty of 1% of the net mining revenue from the applicable tenements. Other than as discussed below, there has been no production to date at the Mabilo project and hence no payments have been made under this agreement by Mt Labo.

In 2012, Mt Labo granted consent to a SSMP within the boundaries of EP-014-2013-V. The SSMP entitles the holder to extract a maximum of 50,000 tonne ore per annum. Pursuant to the granting of the consent, the SSMP holder is required to pay to Mt Labo an amount equal to 1% of gross sales. Despite repeated requests, the SSMP holder is yet to pay any amount to Mt Labo and has not provided any production information. The SSMP and Mt Labo's consent has subsequently expired, and Sierra understands that production has ceased.

Whilst Sierra has been unable to quantify the production from the SSMP, there remains a risk that it may be liable to pay a royalty to MC and that legal action may be taken.

(iv) **Max Sara call option deeds and loan agreement**

(A) Max Sara, the beneficial holder of 60% of the issued capital in Bunawan and Oz Metals, has granted Sierra Philippines Pty Ltd, a wholly owned subsidiary of Sierra, a call option over all of his shares in Bunawan and OZ Metals. The option was part of the transaction under which Sierra Philippines Pty Ltd acquired 40% of the issued capital in Bunawan and Oz Metals. The consideration for the transaction was the issue of 3,500,000 Sierra Shares and 50,000 A Class Preference Shares to Max and Martin Sara. The 50,000 A Class Preference Shares subsequently converted into 50,000 Sierra Shares.

The exercise price for the call option is \$1 and the term of the call option is in perpetuity.

Under the Philippine Mining Act only companies that are at least 60% locally owned can hold mineral agreements (including mineral production sharing agreements). Refer to the Solicitor's Report on Tenements in Annexure 2 for details on the Philippine Mining Act. To ensure that exercising the call option does not breach the Philippine Mining Act, Sierra Philippines Pty Ltd may if necessary assign its rights to a Philippine national or entity to whom the option shares will be assigned upon exercise of the call option. Exercising the call option is otherwise unconditional and may be done at any time.

The call option is governed by the laws of Western Australia.

- (B) Max Sara, the direct and beneficial holder of 60% of the issued capital in St. Ignatius Exploration & Mining Resources Corporation has granted Sierra Gold Limited, a wholly owned subsidiary of Sierra, a call option over all of his shares in St. Ignatius Exploration & Mining Resources Corporation dated November 2011.

The consideration for the transaction was Peso 10,000.

The exercise price for the call option is the par value of the shares and the term of the call option is in perpetuity.

Under the Philippine Mining Act only companies that are at least 60% locally owned can hold mineral agreements (including mineral production sharing agreements). Refer to the Solicitor's Report on Tenements in Annexure 2 for details on the Philippine Mining Act. To ensure that exercising the call option does not breach the Philippine Mining Act, Sierra Gold Limited may if necessary assign its rights to a Philippine national or entity to whom the option shares will be assigned upon exercise of the call option. Exercising the call option is otherwise unconditional and may be done at any time.

The call option is governed by the laws of Western Australia.

- (C) Sierra entered into a facility agreement with Max Sara on 23 December 2010 whereby Sierra advanced A\$283,650 to Max Sara to enable Max Sara to exercise 1,525,000 options with an exercise price of \$0.186 and an expiry date of 31 December 2010. The loan was due for repayment on 23 December 2013 but Sierra intends to offer Mr Sara a 12 month extension to the repayment date.

(v) **Service and Employment Agreements**

- (A) Mr Matthew Syme, Managing Director of Sierra, has entered into an employment contract under which he will receive an annual salary of \$150,000 plus superannuation and a discretionary bonus. The employment agreement is for a rolling annual period from commencement. Sierra will give not less than three months notice if it wishes to renew the employment terms for a further one year. Notice of termination of employment may be given by either party subject to three month's written notice.
- (B) Sierra entered into an administrative services agreement with Apollo on 1 July 2009 which has been subsequently amended on 14 January 2014. Pursuant to the agreement, Apollo provides administrative services to Sierra in consideration of a monthly payment of A\$24,000 plus additional time based costs in excess of this monthly fee.

4.7 Historical financial information

The following selected financial information for Sierra has been extracted from the audited financial statements of Sierra for the year ended 30 June 2013 and the reviewed financial statements of Sierra for the six months ended 31 December 2013. The financial information has been prepared in

accordance with the recognition and measurement requirements of Australian Accounting Standards (including Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act. The financial information also complies with the recognition and measurement requirements of International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board. The audit and review opinions in these financial statements were issued by Deloitte and were unqualified.

The financial information presented in the tables below do not represent complete financial statements and should therefore be read in conjunction with the financial statements for the respective periods, including the description of accounting policies contained in those financial statements and the notes to those financial statements. Where appropriate, adjustments have been made to headings and classifications of historical data to provide a consistent basis of presentation.

In the interval between the end of the half year to 31 December 2013 and the date of this Scheme Booklet, there has not arisen any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to significantly affect the operations of Sierra, the results of those operations, or the state of affairs of Sierra, in future financial years other than as disclosed in the 31 December 2013 half year financial statements and subsequent filings with ASX.

Sierra Securityholders may view complete copies of the audited financial statements of Sierra for the year ended 30 June 2013 and the reviewed financial statements of Sierra for the six months ended 31 December 2013 on Sierra's website at www.sierramining.com.au. The Company will provide a copy of the financial statements free of charge upon request by any Sierra Securityholder prior to the Second Court Date.

Statement of Comprehensive Income

	For the six months ended 31 December 2013 (Reviewed) \$	For the twelve months ended 30 June 2013 (Restated and Unaudited)* \$	For the twelve months ended 30 June 2013 (Audited) \$
Revenue	42,035	239,062	239,062
Expenses			
Exploration and evaluation expenses	(1,484,505)	(4,102,250)	(2,193,877)
Corporate and administration expenses	(313,081)	(552,725)	(552,725)
Business development expenses	-	(70,033)	(70,033)
Other expenses	-	-	(1,474)
Impairment losses	-	-	(1,761,429)
Loss before income tax	(1,755,551)	(4,485,401)	(4,340,476)
Income tax expense	-	-	-
Loss for the period	(1,755,551)	(4,485,401)	(4,340,476)

	For the six months ended 31 December 2013 (Reviewed) \$	For the twelve months ended 30 June 2013 (Restated and Unaudited)* \$	For the twelve months ended 30 June 2013 (Audited) \$
Other comprehensive income, net of income tax			
<i>Items that will not be reclassified subsequently to profit or loss</i>	-	-	-
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations	(14,876)	218,486	162,956
Other comprehensive (loss)/income for the period, net of income tax	(14,876)	218,486	162,956
Total comprehensive loss for the period	(1,770,427)	(4,266,915)	(4,177,520)
Loss attributable to:			
Members of the Parent	(1,265,934)	(3,090,388)	(3,963,996)
Non-controlling interests	(489,617)	(1,395,013)	(376,480)
	(1,755,551)	(4,485,401)	(4,340,476)
Total comprehensive loss attributable to:			
Members of the Parent	(1,308,516)	(2,939,396)	(3,859,725)
Non-controlling interests	(461,911)	(1,327,519)	(317,795)
	(1,770,427)	(4,266,915)	(4,177,520)

* Sierra was required to adopt the new accounting standard issued by Australian Accounting Standards Board (AASB) 10 'Consolidated and Separate Financial Statements' with effect from 1 July 2013. The adoption of AASB 10 had a retrospective impact on the Financial Report. Therefore, Sierra has restated comparatives for 30 June 2013, however, these numbers are unaudited.

Statement of Financial Position

	31 December 2013 (Reviewed) \$	30 June 2013 (Restated)* \$	30 June 2013 (Audited) \$
ASSETS			
Current Assets			
Cash and cash equivalents	1,958,787	3,578,666	3,477,295
Trade and other receivables	18,526	28,347	28,347
Other financial assets	283,650	283,650	283,650
Other current assets	67,236	46,889	6,840
Total Current Assets	2,328,199	3,937,552	3,796,132
Non-current Assets			
Trade and other receivables	192,415	179,635	85,042
Exploration and evaluation assets	2,108,110	2,112,045	1,541,530
			19,628
Property, plant and equipment	117,695	88,467	64,874
Other non-current assets	18,040	15,568	10,964
Total Non-current Assets	2,436,260	2,395,715	1,722,038
TOTAL ASSETS	4,764,459	6,333,267	5,518,170
LIABILITIES			
Current Liabilities			
Trade and other payables	534,899	349,996	340,942
Provisions	17,030	13,835	13,835
Total Current Liabilities	551,929	363,831	354,777
TOTAL LIABILITIES	551,929	363,831	354,777
NET ASSETS	4,212,530	5,969,436	5,163,393
EQUITY			
Contributed equity	20,977,039	20,977,039	20,977,039
Reserves	1,707,191	2,076,669	2,149,306
Accumulated losses	(14,624,877)	(13,699,360)	(18,137,152)
Equity attributable to owners of Sierra	8,059,353	9,354,348	4,989,193
Non-controlling interests	(3,846,823)	(3,384,912)	174,200
TOTAL EQUITY	4,212,530	5,969,436	5,163,393

* Sierra was required to adopt the new accounting standard issued by Australian Accounting Standards Board (AASB) 10 'Consolidated and Separate Financial Statements' with effect from 1 July 2013. The adoption of AASB 10 had a retrospective impact on the Financial Report. Therefore, Sierra has restated the balances for 30 June 2013.

Statement of Cashflows

	31 December 2013 (Reviewed) \$	30 June 2013 (Audited) \$
Cash flows from operating activities		
Payments to suppliers and employees	(1,619,270)	(2,505,009)
GST receipts	9,823	
Interest received	50,240	230,485
Net cash used in operating activities	(1,559,207)	(2,274,524)
Cash flows from investing activities		
Payments for exploration and evaluation assets	(57,955)	-
Payments for property, plant and equipment		(52,731)
Payments for investment in equity accounted associate		(265,138)
Loans to equity accounted associates		(1,448,566)
Net cash used in investing activities	(57,955)	(1,766,435)
Cash flows from financing activities		
Proceeds from issue of shares	-	-
Share issue costs	-	-
Net cash used in financing activities	-	-
Net decrease in cash and cash equivalents	(1,617,162)	(4,040,959)
Net foreign exchange differences	(2,717)	8,774
Cash and cash equivalents at 1 July	3,578,666	7,509,480
Cash and cash equivalents at 31 December	1,958,787	3,477,295

* Sierra was required to adopt the new accounting standard issued by Australian Accounting Standards Board (AASB) 10 'Consolidated and Separate Financial Statements'. The adoption of AASB 10 had a retrospective impact on the Financial Report. Therefore, Sierra has restated comparatives.

4.8 Competent Persons statement

The information in this Scheme Booklet that relates to the exploration results from the second phase of drilling at the Mabilo Project is based on information compiled by Mr Robert McLean, a Competent Person who is a member of the Australasian Institute of Mining and Metallurgy. Mr McLean is a consultant geologist engaged by Sierra Mining Limited. Mr McLean has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken, to qualify as a Competent Person as defined in the 2012 Edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves”. Mr McLean consents to the inclusion in this Scheme Booklet of the matters based on his information in the form and the context in which it appears.

The information in this Scheme Booklet relating to exploration results, other than the second phase of drilling at the Mabilo Project, is based on information provided to Mr Robert McLean by Sierra Mining Limited. Mr McLean is a consultant geologist and is a member of the Australasian Institute of Mining and Metallurgy. Mr McLean has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking, to qualify as a Competent Person as defined in the 2004 Edition of the ‘Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves’. Mr McLean consents to the inclusion in this Scheme Booklet of the matters based on the information he has been provided and the context in which it appears. This information was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis the information has not materially changed since it was last reported.

The information in this Scheme Booklet relating to mineral resource estimation of the Nalesbitan Hill gold deposit is based on work completed by Mr Rob Spiers, who is a Director of H&S Consultants Pty Ltd. Mr Spiers is a member of The Australian Institute of Geoscientists and has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the ‘Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves’. Mr Spiers consents to the inclusion in this Scheme Booklet of the matters based on his information in the form and context in which it appears. This information was prepared and first disclosed under the JORC Code 2004 (see ASX Announcement 21 March 2012). It has not been updated since to comply with the JORC Code 2012 on the basis the information has not materially changed since it was last reported.

4.9 Additional information

For risks associated with Sierra see section 7.2 and risks associated with the Combined Group see section 7.3.

Certain additional information in relation to Sierra and Sierra Shares is set out in section 12.

5. Information about RTG

5.1 Overview

This section contains information in relation to RTG.

The Independent Expert's Report in Annexure 1 to this Scheme Booklet contains further detailed information on RTG.

RTG is a mining exploration company which was incorporated in December 2012 in the British Virgin Islands. RTG has its head office in Subiaco, Western Australia and is a foreign registered company under the Corporations Act.

RTG listed on the Toronto Stock Exchange (TSX: RTG) in April 2013 and was created under a 'top hat' scheme involving Ratel Group Limited (**Ratel**) and so the assets and operations of RTG have effectively been in a TSX listed company since the listing of Ratel on TSX in early 2011. RTG completed a capital raising of over C\$20m (net proceeds) upon its listing.

RTG has a strategic focus on acquiring and developing interests in mineral properties with demonstrated potential for hosting economic mineral deposits, with gold deposits as the primary focus, and progressing them towards production.

The management of RTG was previously responsible for the successful development and operation of the Masbate Gold Mine for CGA Mining Limited prior to its acquisition by B2Gold Corp. in early 2013 for US\$1.1 billion.

5.2 Business operations

(a) Overview

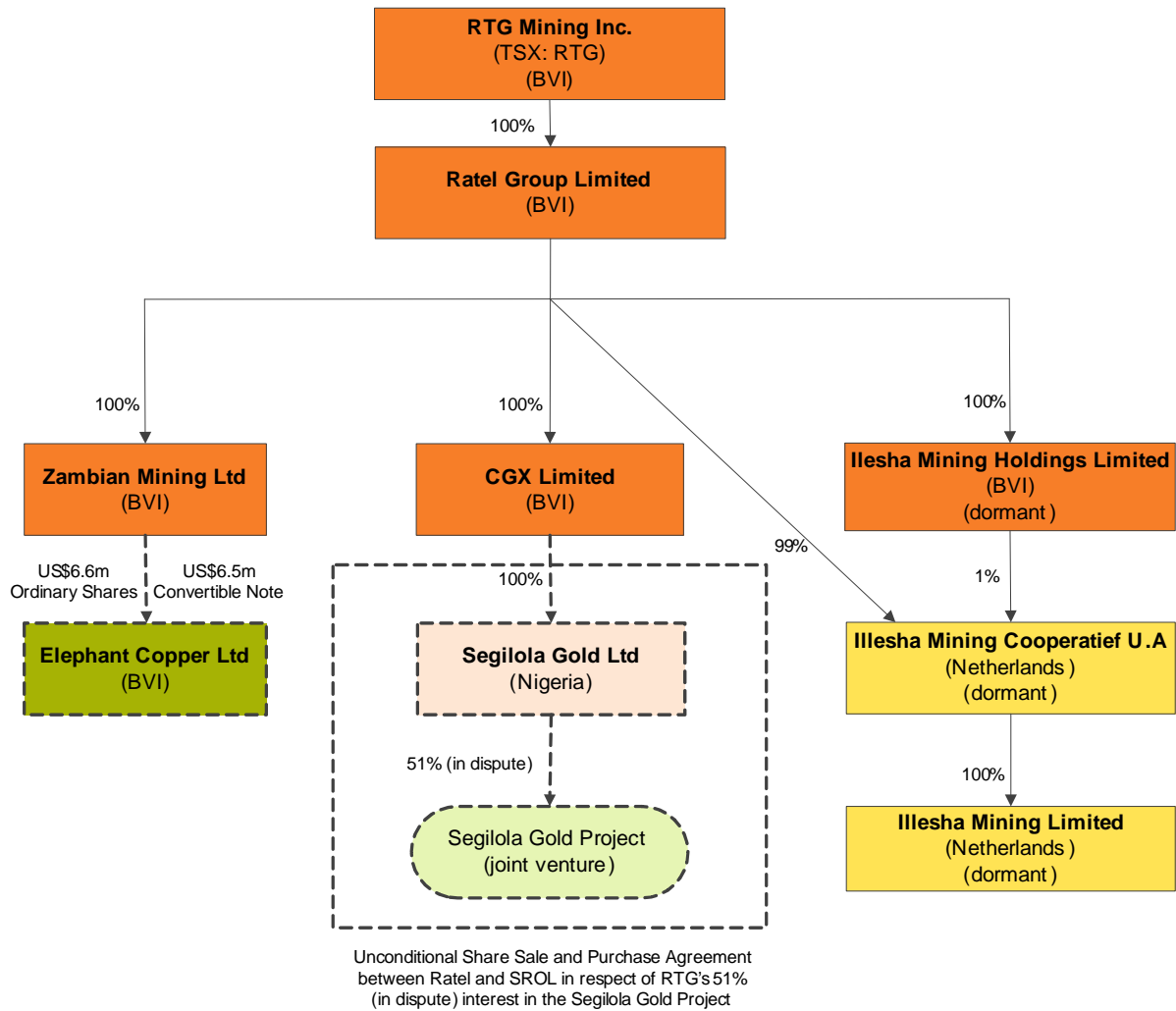
RTG has sold its 51% interest in the Mkushi Copper Project in Zambia for approximately US\$13.1 million to RTG's joint venture partner, Elephant Copper Ltd (**Elephant Copper**).

RTG has also entered into an unconditional Share Sale and Purchase Agreement for the sale of RTG's 51% interest in the Segilola Gold Project in Nigeria for approximately US\$14 million to RTG's joint venture partner, Segilola Resources Operating Limited (**SROL**) and as part of the sale process, settle all outstanding disputes between the parties.

As at 31 December 2013, RTG had cash and receivables in excess of US\$12.7m (A\$14.1m)¹⁵.

The following organisational chart illustrates the inter-corporate relationships of the RTG Group prior to the completion of the sale of the Segilola Gold Project. The chart also shows RTG's indirect interest in Elephant Copper.

¹⁵ This assumes an exchange rate on 21 February 2014 of C\$:A\$ 1.005 and US\$:A\$ of 1.114.



(b) Investment in Elephant Copper

(i) Background

As summarised in section 5.2(a) above, RTG announced on 29 August 2013 that it had sold its interest in the Mkushi Copper Project for US\$13.1 million to Elephant Copper.

On 3 December 2012, RTG's former joint venture partner, African Eagle Resources also announced it had sold its 49% interest in Mkushi Copper Joint Venture Limited (**MCJVL**), which holds the Mkushi Copper Project mine tenements, to Elephant Copper.

Pursuant to the Share Sale Agreement between Zambian Mining Limited (a 100% owned subsidiary of RTG) (**ZML**) and Elephant Copper, ZML agreed to sell 100% of the share capital of RTG's wholly owned subsidiary Seringa Mining Limited (**SML**), which holds a 51% interest in MCJVL.

The purchase price of US\$13.1 million was satisfied by:

- (A) the issue of 20 million fully paid ordinary shares at an issue price of US\$0.33 per share in Elephant Copper to ZML to the value of US\$6.6 million (**Consideration Shares**); and
- (B) a US\$6.5 million unsecured redeemable convertible note (**Convertible Note**);

Elephant Copper also agreed to payment of the Deferred Heap Leach payment totalling US\$1,399,064 million (**DHL Payment**). The DHL Payment represents amounts paid by ZML on behalf of Elephant Copper to MCJVL.

On 22 October 2013, the conditions precedent to the Share Sale Agreement with Elephant Copper were satisfied and the sale was completed.

Elephant Copper is in the process of completing a listing on the TSX (**IPO**). Further information on the status of the Elephant Copper IPO, as at the date of this Scheme Booklet, is summarised in section 5.2(b)(iii) below.

The Convertible Note will be repayable on or before 1 January 2015, unless converted earlier, and will have an exercise price for conversion equal to the lesser of US\$0.45 and 1.36 times the IPO price for shares in Elephant Copper. The Convertible Note is convertible at the sole election of ZML.

Under the Share Sale Agreement, if:

- (A) the IPO does not proceed, or proceeds at a price less than US\$0.33 per share, ZML will be entitled to additional Consideration Shares so that the total value of the Consideration Shares is US\$6.6 million; or
- (B) if Elephant Copper enters into an alternative transaction then the total consideration payable under the Share Sale Agreement is to be satisfied in cash or alternatively, Elephant Copper will be required to buy all of the Consideration Shares and any shares to be issued under the Convertible Note at a price of US\$0.33 per share.

(ii) **Information on Elephant Copper**

Elephant Copper is a corporation existing under the laws of the British Virgin Islands and was incorporated on 22 February 2012. Elephant Copper currently has three mineral development properties located in Southern Africa that are in the early to advanced stages of exploration. Elephant Copper's principal project is the Mkushi Copper Project, which is located in the Central Province of Zambia, was a former copper producer from 1969-1975 and is described as a Proterozoic age Cu-Au porphyry-style deposit.

Elephant Copper's other projects include the Otjinoko Project in Namibia and the Midgell Project in Botswana. The Otjinoko Project is located in the Kalahari Copper Belt in Eastern Namibia and lies predominantly on an unknown Achaean lithology and Karoo volcanics with the Lebung Group, Ecca Group and Mamuno Formation making a minor appearance. No significant exploration has been conducted on the Otjinoko Project. The Midgell Project, which is located in the Kalahari Copper Belt in Botswana, consists predominantly of metasedimentary formations associated with the Proterozoic Belt

going through Botswana. No significant exploration has been conducted on the Midgell Project.

(iii) **Elephant Copper IPO**

Elephant Copper is in the process of entering into an IPO, by way of signing a non-binding letter of intent (the **LOI**) on 19 December 2013, with International Millennium Mining Corp. (**IMMC**), a TSX Venture Exchange (**TSXV**) listed entity, outlining the general terms and conditions pursuant to which IMMC and Elephant Copper would be willing to complete a business combination transaction (**Listing Transaction**). The LOI is to be superseded by a definitive merger, amalgamation or share exchange agreement (**Definitive Agreement**).

IMMC proposes to acquire all of the issued and outstanding ordinary shares of Elephant Copper (each, an **Elephant Share**) pursuant to the terms of the Definitive Agreement. It is expected that each Elephant Copper shareholder will receive one post-Consolidation (as defined below) common share of IMMC (**IMMC Share**), at a deemed value of C\$0.30 per IMMC Share for each Elephant Share held.

It is anticipated that immediately prior to the closing of the Listing Transaction, IMMC will complete a consolidation (the **Consolidation**) of all of its outstanding common shares and convertible securities (the **IMMC Securities**) on the basis of one IMMC Security for each three outstanding IMMC Securities.

The completion of the Listing Transaction will be subject to the satisfaction of certain conditions prior to closing, including, but not limited to, the following:

- (A) Elephant Copper must complete a financing (the **Offering**) for minimum gross proceeds of not less than C\$1 million at an issue price of not less than C\$0.30 per security. It is expected that the Offering will be completed prior to the closing of the Listing Transaction and the securities of Elephant Copper issued pursuant to the Offering will be exchanged into corresponding securities of IMMC in accordance with the exchange ratio. The net proceeds of the Offering will be released to the resulting issuer upon completion of the Listing Transaction.
- (B) Elephant Copper and IMMC will enter into a Definitive Agreement in respect of the Listing Transaction.
- (C) All requisite regulatory approvals relating to the Transaction, including, without limitation, TSXV approval, will have been obtained.

Pursuant to the Share Sale Agreement, Elephant Copper undertook to complete its IPO by 31 December 2013 and repay the DHL Payment by 1 January 2014.

On 30 December 2013, RTG received a letter from Elephant Copper requesting consideration of an amendment to the Share Sale Agreement to permit Elephant Copper more time to complete the IPO and repay the DHL Payment. SML issued a demand letter on 8 January 2014 demanding payment of the outstanding DHL Payment. SML has advised Elephant Copper that it fully reserves all of its rights and remedies under the Share Sale Agreement and has not agreed to any amendment.

RTG has been advised by Elephant Copper that Elephant Copper has progressed in discussions with investors for the Offering and that Elephant Copper is currently on track to complete and lodge the IPO documents with the TSX shortly.

While completion of the Listing Transaction (including the Offering) is anticipated by RTG to occur before the Merger becomes Effective, there is a prospect that it will be delayed and complete after the Merger.

(c) **Segilola Gold Project**

(i) **Background**

As summarised above in section 5.2(a) above, RTG has entered into an unconditional Share Sale and Purchase Agreement for the sale of RTG's 51% interest in the Segilola Gold Project in Nigeria for approximately US\$14 million to RTG's joint venture partner, Segilola Resources Operating Limited (**SROL**) and as part of the sale process, settle all outstanding disputes between the parties.

In May 2007 Segilola Gold Limited (**SGL**), a wholly owned subsidiary of Ratel, entered into a joint venture with Tropical Mines Limited (**TML**), a private company based in Nigeria, to earn a 51% interest in the Segilola Gold Project in Nigeria. RTG held its interest in SGL through a number of subsidiaries, as outlined in the organisation chart in section 5.2(a) above. CGX Limited (**CGX**) owned all the shares in SGL except for one, which was owned by Ronald Francis Clarke (**Clarke**).

In March 2012, SGL exercised the third and final option lifting its percentage interest in the mineral tenements from 38% to 51%. TML, the then joint venture partner, disputed that SGL validly exercised this option. TML has subsequently sold its interest in the Segilola Gold Project to Nigerian Gold Mining Limited (**NGML**) who adopted the same legal position as outlined in section 5.2(d)(i) below.

(ii) **Information on the Segilola Gold Project**

The Segilola Gold Project is located at the village of Iperindo-Odo Ijesha, near the city of Ilesha in Osun State, Nigeria. The project site is situated within 600 meters of a sealed road, 18 km south of the regional centre Ilesha, the local government centre, with a population of 300,000, which is itself located on a sealed dual carriage way, 120 km north east of Lagos.

In March 2012, RTG completed a Revised Bankable Feasibility Study for the Segilola Gold Project, which updated the previously completed Bankable Feasibility Study. The study involved a drilling programme that was carried out in the period June to December 2011 which resulted in the subsequent increase in the overall mineralised resources reported in the original Bankable Feasibility Study.

Additional information (including technical reports) on the Segilola Gold Project is available at www.sedar.com, under Ratel's name. Information available on SEDAR does not constitute a part of this Scheme Booklet and should not be considered in deciding how to vote on a Scheme.

(iii) **Summary of Segilola sale transaction**

Under the unconditional Share Sale and Purchase Agreement between Ratel, RTG's wholly owned subsidiary and SROL, the total consideration to be received by RTG for the sale of its 51% interest in the Segilola Gold Project is US\$14 million payable by SROL as follows:

- (A) A cash amount of US\$1 million which is receivable through the assignment of a shareholder debt (**Initial Consideration**). The Initial Consideration is payable to RTG on the Completion Date (defined below);
- (B) A cash amount of US\$5 million (**Segilola Deferred Consideration**). This amount is payable to RTG 18 months after the Completion Date; and
- (C) SROL shall pay RTG a royalty equal to 3% of the Net Smelter Return up to a maximum of US\$8 million in respect of all products that are mined on, produced from or otherwise originate from the Segilola Gold Project following the commencement of commercial operations (**Royalty Consideration**).

The Share Sale and Purchase Agreement and Royalty Agreement between SROL and Ratel have been executed by the relevant parties and became enforceable in accordance with their terms on 10 October 2013.

Although CGX and Clarke owned the shares in SGL, the purchase price under the Segilola Sale Contract will be paid to RTG at completion. This will be authorised by the irrevocable direction given by the shareholders of SGL (being CGX and Clarke) to direct SROL to pay the purchase price to RTG.

Executed Completion Documents are currently being held in escrow pursuant to an Escrow Agreement. Completion of the Share Sale and Purchase Agreement can occur once the escrow agent is notified of the Completion Date by Ratel and SROL. Whilst completion was originally expected to occur on 10 October 2013, it has not yet occurred and the parties are in the process of seeking to arrange a new completion date (**Completion Date**).

The parties executed an amendment deed to the Escrow Agreement on 5 March 2014 deleting the current end date under the Escrow Agreement of 31 March 2014 to permit the parties additional time to agree a new Completion Date.

While the completion of the Share Sale and Purchase Agreement is anticipated to occur before the Merger becomes Effective, there is a prospect that it will be delayed and complete after the Merger. The sale also resolves the existing dispute with SROL outlined in section 5.2(d)(i) below.

(d) **Legal proceedings**

(i) **Segilola Gold Project disputes**

The sale of RTG's interest in the Segilola Gold Project summarised in section 5.2(c) above will resolve the existing dispute with TML described below given upon completion of the

sale the RTG Group will have no further interest or liability in relation to the Segilola Gold Project, other than as specifically provided for under the Share Sale and Purchase Agreement. A summary of the background and status of the dispute is set out below.

SGL and TML executed a Joint Venture Agreement in May 2007 granting SGL the right to exercise options to acquire a 51% interest in the mineral tenements the subject of the Segilola Gold Project upon achieving or satisfying defined milestones.

On 30 March 2012, SGL exercised the third and final option lifting its percentage interest in the mineral tenements from 38% to 51%. TML has refused to accept that SGL validly exercised this option. On 18 May 2012, SGL gave TML a notice of dispute advising of its intention to refer the dispute to arbitration under the Joint Venture Agreement and to seek a declaration that SGL is the holder of a 51% interest in the mineral tenements the subject of the Segilola Gold Project (**Notice of Arbitration**).

On 18 June 2012, TML was granted interim orders in the Federal High Court of Nigeria restraining SGL from proceeding further with the arbitration or commencing a new arbitration until the hearing and determination of TML's motion. On 27 June 2012, SGL consented to orders that SGL not proceed further with the arbitration the subject of the Notice of Arbitration. The remaining issue in dispute is in relation to orders sought by TML that SGL is required to pay TML's legal fees to defend its interest in response to the Notice of Arbitration before it may re-commence the arbitration process under the Joint Venture Agreement.

A hearing was due to be held on 4 October 2012 to hear arguments on the point of costs but was adjourned to 14 November 2012 and further adjourned to 22 April 2013 for report of the settlement or hearing of the pending applications. At the hearing on 22 April 2013, counsel informed the Court that settlement was still on-going and that parties needed more time to conclude the same. As a result the matter was adjourned to 17 June 2013, 16 October 2013, and has subsequently been further adjourned to 9 June 2014 for report of settlement.

If, as RTG anticipates, the costs orders sought by TML are not granted by the Federal High Court of Nigeria, SGL intends to immediately re-commence the process under the Joint Venture Agreement to ultimately refer the dispute as to its ownership of a 51% interest in the mineral tenements the subject of the Segilola Gold Project to arbitration in London. If SGL is unsuccessful in its ownership claim it may be found to have forfeited the 38% interest it had earned.

The Segilola sale transaction also provides for the settlement of the related disputes in relation to the Segilola Gold Project between Ratel, SGL, TML, SROL, NGML, Bakrie Delano Africa Limited, NGM Resources Limited and Mr Oladipo Delano under the terms of an agreed Settlement Deed. The disputes concern a purported termination of the Joint Venture Agreement. This includes the settlement of the injunctive proceedings brought by SGL before the Federal High Court of Nigeria and the interim injunction issued against SGL by the Federal High Court of Nigeria dated 18 June 2012. On the Completion Date of the Segilola sale transaction, signed counterparts of the Settlement Deed will be released from escrow and come into effect. As a result each of the

injunctive proceedings will be discontinued with no order as to costs and each party will bear their own costs.

(ii) **Ghanaian Dispute**

In 2010 Ratel entered into an acquisition agreement to purchase all the shares in CAML Ghana Limited (**CAML Ghana**). CAML Ghana is an unrelated entity to Ratel. CAML Ghana and Westchester Resources Limited (**Westchester**) are participants in a gold exploration project in Ghana pursuant to the Obuasi Prospecting Farmin and Joint Venture Agreement.

The acquisition agreement was conditional upon the approval of the transaction by the relevant Ghanaian Minister. Ministerial approval was not obtained, and on 3 November 2011 Ratel announced that the Obuasi Prospecting Farmin and Joint Venture Agreement had been terminated. Westchester issued proceedings in Ghana against a number of parties, including Ratel in February 2012, which are considered both unsubstantiated and without foundation (the **Proceedings**).

CAML Ghana had the Proceedings stayed following an order from the London Court of Arbitration in April 2012 in the context of arbitration proceedings launched against Westchester by CAML Ghana. On its application, Ratel has been joined as a party to the arbitration. On 27 November 2012, on the application of Westchester, the High Court of Ghana set aside that stay order. CAML Ghana has appealed that decision and in February 2013 the Proceedings were stayed pending the outcome of that appeal. A hearing took place before the Court of Appeal on 4 March 2014. The Court of Appeal has adjourned the matter until 5 June 2014 for judgement.

In July 2013 a hearing took place in the arbitration before the Arbitral Tribunal in London. The Arbitral Tribunal delivered its award on all matters of liability in September 2013, finding in favour of CAML Ghana on all points and ordering Westchester to pay to CAML Ghana US\$940,000 million in damages and costs (**Arbitration Award**).

On 14 November 2013, CAML Ghana filed a petition in the United States District Court for the Southern District of New York seeking to confirm the Arbitration Award and to obtain an anti-suit injunction in relation to the Proceedings. Ratel is a co-petitioner. Westchester is opposing the petition. A hearing took place on 24 March 2014. The matter has been adjourned and, as at the date of this Scheme Booklet, a revised date has not been set for the hearing.

5.3 Additional information

Additional information (including technical reports) on RTG's historical projects identified above is available at www.sedar.com, under RTG or Ratel's name, as applicable. Information available on SEDAR does not constitute a part of this Scheme Booklet and should not be considered in deciding how to vote on a Scheme.

5.4 Directors of RTG

Brief profiles of the directors of RTG as at the date of this Scheme Booklet are as follows:

Name and Position	Profile
Michael Carrick <i>Chairman</i>	Mr Carrick is a Chartered Accountant with over 20 years experience in the resources sector. He was previously Executive Chairman of AGR Limited, the entity which owned and developed the Boroo Gold Project in Mongolia, and the Chief Executive Officer of Resolute Limited, one of Australia's largest gold producers and Chief Executive Officer of CGA Mining Limited. Prior to joining Resolute, Mr Carrick was a senior partner at Arthur Andersen. Mr Carrick holds degrees majoring in economics, law, business administration and accounting and has been responsible for the acquisition, development, and operation of a number of major gold projects, both in Australia and internationally. Mr Carrick is a current non-executive director of B2Gold Corp.
Justine Magee <i>President & Chief Executive Officer</i>	Ms Magee is a Chartered Accountant with extensive experience in the resource sector having headed the corporate and finance areas for Resolute Limited for 6 years. She was formerly with Arthur Andersen and a director of AGR Limited and CGA Mining Limited. Ms Magee holds a Commerce Degree from the University of Western Australia.
Robert Scott <i>Non-Executive Director</i>	Mr Scott is a Fellow of the Institute of Chartered Accountants in Australia with over 35 years experience as a corporate advisor. He is a former senior partner of the international accounting firm KPMG and Arthur Andersen.
Phil Lockyer <i>Non-Executive Director</i>	Mr Lockyer is a Mining Engineer and Metallurgist with more than 40 years experience in the mining industry, with an emphasis on gold and nickel, in both underground and open pit mining operations. Mr Lockyer was employed by WMC Resources for 20 years, reaching the General Manager of Western Australia responsible for that company's gold and nickel divisions.
David Cruse <i>Non-Executive Director</i>	Mr Cruse has extensive experience in commerce and finance. He was a stockbroker for over 20 years, where he held senior management positions and directorships in the stockbroking industry, with particular focus on capital markets. More recently, Mr Cruse has been involved in the identification and commercialisation of a number of resource (including oil and gas) projects.

5.5 RTG executive officers

Name and Position	Profile
Justine Magee <i>President & Chief Executive Officer</i>	Ms Magee is President and Chief Executive Officer, as well as a director of RTG. For further details on Ms Magee's biography see section 5.4.
Mark Turner <i>Chief Operating Officer</i>	Mr. Mark Turner is a Mining Engineer with over 24 years experience in the resources sector. Mr. Turner holds a degree in Mining Engineering from the University of New South Wales and is an AUSIMM Chartered Professional in Management. He has been responsible for the start up and operation of mines in Australia, East and West Africa and Asia. He was previously General Manager Operations of Resolute Mining Ltd, one of Australia's largest gold producers. He has also worked for Newcrest Mining Ltd and Hammersley Iron.
Hannah Hudson <i>Chief Financial Officer and Company Secretary</i>	Ms Hudson holds a Bachelor of Commerce and a Bachelor of Arts Degree from the University of Western Australia and is a member of the Institute of Chartered Accountants in Australia.

5.6 Historical financial information

(a) Introduction

The following selected historical financial information in this section has been extracted from RTG's audited financial statements for the year ended 30 June 2013 and the audited financial statements for the year ended 31 December 2013. RTG changed its financial year end from 30 June to December 31 during the 2013 year.

The information in this section is a summary only and has been prepared solely for inclusion in this Scheme Booklet. The full financial statements for the financial year ended 31 December 2013 (inclusive of all notes) of RTG have been published in RTG's audited financial statements for the year ended 31 December 2013 and are set out in Annexure 10.

(b) Statement of Financial Position

The Statement of Financial Position should be read in conjunction with the applicable notes and assumptions to RTG's audited financial statements for the year ended 31 December 2013 which are set out in full in Annexure 10 of this Scheme Booklet.

	31 December 2013 US\$	30 June 2013 US\$
ASSETS		
Current Assets		
Cash and cash equivalents	10,987,534	14,988,172
Trade and other receivables	276,255	242,061
Prepayments	187	2,259
Total Current Assets	11,263,976	15,232,492
Non-Current Assets		
Property, plant and equipment	362,329	961,496
Available for sale financial assets	1,841,854	-
Derivative financial asset	1,330,228	-
Total Non-Current Assets	3,534,411	961,496
TOTAL ASSETS	14,798,387	16,193,988
LIABILITIES		
Current Liabilities		
Trade and other payables	208,625	722,986
Total Current Liabilities	208,625	722,986
TOTAL LIABILITIES	208,625	722,986
NET ASSETS	14,589,762	15,471,002
SHAREHOLDER'S EQUITY		
Issued capital	34,162,759	34,162,759
Reserves	(1,160,957)	(1,160,957)
Accumulated losses	(18,412,040)	(17,530,800)
TOTAL SHAREHOLDER'S EQUITY	14,589,762	15,471,002

RTG currently has a strong cash position of US\$11.0 million at 31 December 2013 along with current receivables of US\$1.4 million due from Elephant Copper as summarised in section 5.2(b) and approximately US\$940,000 in damages and costs which were awarded by the Arbitral Tribunal in London against Westchester in relation to the CAML Ghana dispute (not recognised for accounting purposes on the balance sheet) as summarised in section 5.2(d)(ii).

5.7 Capital structure and ownership

(a) Issued securities

At the date of this Scheme Booklet, RTG's issued securities consisted of 326,538,643 RTG Shares. The rights attaching to RTG Shares are summarised in section 8.

RTG has in place a Loan Funded Share Plan (**RTG Plan**) which allows RTG to issue shares of up to 10% of the RTG's issued and outstanding RTG Shares from time to time on a non-diluted basis, to eligible directors and employees. There are currently 14,000,000 RTG Shares on issue under the RTG Plan. Further details of the RTG Plan are set out in section 5.7(c) below.

RTG has capacity under the Scheme Implementation Deed to issue further RTG Shares in accordance with the terms of the RTG Plan. As at the date of this Scheme Booklet, RTG has no present intention to issue further RTG Shares under the RTG Plan prior to implementation of the Schemes but reserves the right to do so.

The RTG Shares are intended to be consolidated prior to the implementation of the Schemes on the basis of 10:1 (meaning that every ten (10) RTG Shares outstanding prior to implementation of the Schemes would be consolidated into one (1) RTG Share). Further details of the consolidation are set out in section 5.7(d) below.

The authorised share capital of RTG consists of an unlimited number of RTG Shares. RTG has the capacity to issue the maximum number of RTG Shares and RTG Options which it may be required to issue under the Schemes and the arrangements between the holders of unlisted Sierra options as summarised in section 9.22.

RTG and Haywood entered into a letter agreement on or around 12 February 2014 for the provision of financial advisory services to RTG in relation to the Merger. If the Share Scheme is Effective, Haywood is entitled to a success fee of C\$500,000 with half payable by RTG in cash and, subject to TSX approval, half payable by the issue of RTG Shares on the Implementation Date (**Haywood Share Fee**).

The exact amount of RTG Shares to be issued to Haywood is not able to be determined at the date of this Scheme Booklet as the Haywood Share Fee issue price is calculated on the lesser of RTG's 20 day VWAP of the RTG Share price prior to the Merger Announcement Date and the last closing price of RTG Shares on the TSX prior to the Implementation Date.

Other than set out above, RTG is under no obligation to issue further RTG Shares before the implementation of the Schemes.

Refer to section 12.5 for RTG and RTG Directors' interest in Sierra Securities.

(b) **Substantial shareholders**

As at the date of this Scheme Booklet, so far as known to RTG, the following persons were beneficial owners of 10% or more of the RTG Shares:

Substantial shareholder	Number of RTG Shares	Voting power (%)
Portland House Investments Limited	61,465,602	18.8%
B2Gold Corp.	59,491,522	18.2%

Notes

- 1 Under applicable Canadian securities laws, any person that acquires beneficial ownership of, or the power to exercise control or direction over, 10% or more of the voting or equity securities of RTG is required to issue a press release and to file an early warning report in accordance with NI 62-103 and to disclose their holdings on Canada's System for Electronic Disclosure by Insiders. The information as to shares beneficially owned or controlled, not being within the knowledge of RTG, has been sources from public filings in Canada. Refer to section 8.3(h) for further information.

(c) RTG Plan

RTG has in place an employee RTG Plan pursuant to which certain directors and employees of RTG have been invited to subscribe for fully paid ordinary shares in RTG using financial assistance provided by RTG. The purpose of the RTG Plan is to provide a security-based compensation program for RTG's Australian employees and directors.

Under the RTG Plan, RTG invites directors and employees to subscribe for shares in RTG and to apply for a loan from RTG for the subscription price of those shares. If the employee accepts the offer, RTG takes security over the shares acquired under the RTG Plan until the loan is repaid in full.

The Plan constitutes a 'security-based compensation plan' under section 613 of the TSX Rules, and RTG Shareholder approval for the RTG Plan was sought and obtained for the purposes of that section at the Ratel Annual General Meeting held on 26 November 2012 which was assumed by RTG upon completion of the RTG 'top hat' scheme in April 2013.

As at the date of this Scheme Booklet, the following tables set out the number of RTG Shares that have been issued under the RTG Plan at a subscription price of C\$0.165 in accordance with the terms of the RTG Plan and a summary of the key terms of the RTG Plan.

Holder	Number of RTG Shares	Loan Outstanding (C\$)
Executive officers	7,000,000	1,155,000
Directors who are not executive officers	4,500,000	742,500
Employees	750,000	123,750
Consultants	1,750,000	288,750
Total	14,000,000	2,310,000

Item	RTG Plan key terms
<i>Invitation to participate</i>	<p>In its absolute discretion, the RTG Board may invite employees of RTG (including RTG Directors) to subscribe for RTG Shares issued pursuant to the RTG Plan (RTG Plan Shares) and, if the RTG Board considers appropriate, to receive a loan for all or part of the subscription price for those RTG Plan Shares. The subscription price for the RTG Plan Shares will be the VWAP for the 5 trading days preceding the date of issue of such RTG Plan Shares.</p> <p>The number of RTG Plan Shares available for issuance pursuant to the RTG Plan at any time, when combined with any RTG Shares issued pursuant to the RTG Plan since the date on which shareholder approval for the Plan or the unallocated entitlements under the Plan, as applicable, was last obtained, is limited to 10% of RTG's issued and outstanding shares on a non-diluted basis (subject to adjustment in accordance with the RTG Plan).</p>

Item	RTG Plan key terms
<i>Loan terms</i>	<p>The key terms of each loan provided under the RTG Plan are as follows:</p> <ul style="list-style-type: none"> (i) the loan may only be applied towards the subscription price for the RTG Plan Shares; (ii) the loan will be interest free, provided that if the loan is not repaid by the repayment date set by the RTG Board the loan will incur interest at 6% per annum after that date (which interest will be capitalised on the first day of each month); (iii) by signing and returning a loan application the RTG Plan participant: <ul style="list-style-type: none"> (A) mortgages, and assigns to RTG by way of equitable mortgage, by way of security for repayment of the loan, the title and interest of the participant in the RTG Plan Shares; and (B) authorises RTG to do all things necessary or appropriate for the Company to protect its interests in the RTG Plan Shares, including taking any steps required for a lien to be imposed in respect of the RTG Plan Shares; and authorises RTG to dispose of the RTG Plan Shares if the loan is not repaid by the repayment date set by the RTG Board; (iv) the loan becomes repayable on the earliest of: <ul style="list-style-type: none"> (A) the repayment date set by the RTG Board; (B) the RTG Plan Shares being sold; (C) the participant becoming insolvent; (D) the participant ceasing to be an employee of RTG; and (E) the RTG Plan Shares being acquired by a third party by way of an amalgamation, arrangement or formal take-over bid for not less than all the outstanding RTG Shares; (v) unless otherwise determined by the RTG Board, the loan will be limited recourse such that on the repayment date the repayment obligation in relation to the loan will be limited to the lesser of the outstanding balance of the loan and the market value of the RTG Plan Shares on that date; and

Item	RTG Plan key terms
<p>(vi)</p> <p><i>Rights attaching to RTG Plan Shares</i></p>	<p>(vi) the RTG Board may waive the requirement for repayment of the loan where the RTG Plan participant dies or becomes permanently disabled or the RTG Board otherwise determines that such a waiver is appropriate, and upon such a waiver becoming effective the loan will be treated as having been repaid in full.</p> <p>Until the loan in respect of the RTG Plan Shares is repaid in full, all cash distributions (e.g. dividends, capital returns, etc) payable in respect of the RTG Plan Shares will be automatically applied towards repayment of the loan (unless otherwise determined by the RTG Board).</p> <p>Similarly, if a RTG Plan participant receives any rights to acquire shares in RTG in respect of its RTG Plan Shares (for example under a rights issue conducted by RTG) and elects to sell those rights, the participant undertakes to pay the proceeds of that sale to RTG, which proceeds are to be applied towards repayment of the loan.</p> <p>Subject to the terms of the invitation, RTG Plan participants shall be absolute beneficial owners of any RTG Plan Shares received. However, the right to participate in the RTG Plan is not assignable without the previous consent of the RTG Board.</p>
<p><i>Sale of RTG Plan Shares</i></p>	<p>RTG Plan Shares are subject to a hold period until the later of the "trading date" specified by the RTG Board in the invitation to participate in the RTG Plan and the date the loan is repaid in full and any other restrictions imposed by applicable securities laws.</p> <p>The RTG Plan Shares may only be sold by a RTG Plan participant where:</p> <ul style="list-style-type: none"> (i) the sale is to take place on or after the trading date; (ii) if the participant has been granted a loan: <ul style="list-style-type: none"> (A) the loan has been repaid in full; or (B) the total sale price of the RTG Plan Shares (after deducting the costs of sale) exceeds the amount outstanding on the loan; (iii) the proceeds of the sale are first applied towards repayment of the loan; (iv) the proposed sale will not breach any insider trading or market manipulation provisions of the BVI Act; and (v) the sale is conducted in the manner prescribed by the Board or otherwise acceptable to the RTG Board.

Item	RTG Plan key terms
	<p>Notwithstanding the above, if a takeover bid is made or other formal scheme is proposed then the RTG Plan participant may sell its shares under that takeover bid or scheme, provided that it must apply the proceeds of that sale first towards repayment of the loan.</p>
<p><i>Amendments to the RTG Plan</i></p>	<p>The RTG Board shall have the power to, without shareholder approval, at any time and from time to time, either prospectively or retrospectively, amend, suspend, or terminate the RTG Plan:</p> <ul style="list-style-type: none"> (i) for the purposes of making minor or technical modifications to any of the provisions of the RTG Plan; (ii) to implement features or requirements that are necessary or desirable under applicable tax, securities or corporate laws or to implement changes to the RTG Plan to effect any corporate reorganisation of RTG; (iii) to correct any ambiguity, defective provisions, error or omission in the provisions of the RTG Plan; (iv) to add or change provisions relating to any form of financial assistance provided by RTG to employees that would facilitate the purchase of securities under the RTG Plan, <p>provided however that:</p> <ul style="list-style-type: none"> (v) such amendment, suspension or termination is in accordance with applicable laws and the rules of any stock exchange on which the RTG Shares are listed; (vi) no such amendment, suspension or termination shall be made at any time to the extent such action would materially adversely affect the obligations of any participant in respect of the RTG Plan Shares offered or issued or any loans outstanding, as determined by the RTG Board acting in good faith, without his or her consent in writing; and (vii) the RTG Board shall obtain shareholder approval of the following: <ul style="list-style-type: none"> (A) any amendment to the maximum number of RTG Plan Shares specified in the RTG Plan (other than pursuant to the anti-dilution provisions of the RTG Plan); and (B) a change to this amendment, suspension, or termination provision of the RTG Plan.

(d) **RTG Share Consolidation**

Prior to implementation of the Schemes, RTG proposes to undertake a consolidation on the basis of 10:1 (meaning that every ten (10) RTG Shares outstanding prior to the RTG Share Consolidation would be consolidated into one (1) RTG Share). Refer to section 9.10 for further information.

Subject to the receipt of necessary consents and approval (including the TSX) for the RTG Share Consolidation before the Effective Date, the RTG Share Consolidation will become effective before the issue of the Share Scheme Consideration and Option Scheme Consideration.

On a consolidated basis:

- (i) the Share Scheme Consideration comprises three (3) RTG Shares (in the form of RTG CDIs) for every ten (10) Sierra Shares held and one (1) RTG Option (in the form of RTG Option CDIs) for every 30 Sierra Shares held; and
- (ii) the Option Scheme Consideration comprises two (2) RTG Shares (in the form of RTG CDIs) for every ten (10) Sierra Options held and two (2) RTG Options (in the form of RTG Option CDIs) for every 90 Sierra Options held.

5.8 Recent RTG Share price performance

RTG's Shares are listed and posted for trading on TSX under the symbol 'RTG'. RTG Shares were listed on TSX on 15 April 2013. The latest recorded sale price of RTG Shares on TSX on 4 April 2014, being the last practicable date on which RTG Shares traded on TSX, prior to the date of this Scheme Booklet was C\$0.10, giving RTG an implied market capitalisation on that date of A\$33.3 million¹⁶ (this does not include any RTG Shares or RTG CDIs to be issued pursuant to the Schemes).

During the four months ended 4 April 2014:

- (a) the highest recorded daily closing price for RTG Shares on TSX was C\$0.11 – on 21 January 2014 and 14 February 2014; and
- (b) the lowest recorded daily closing price for RTG Shares on TSX was C\$0.06 – on 6 December 2013.

The latest recorded sale price of RTG Shares on TSX on 21 February 2014, the last day of trading in RTG Shares prior to the Merger Announcement Date, was C\$0.10. The VWAP for RTG Shares on TSX for the 30 trading days prior to the Merger Announcement Date was C\$0.09.

The following table shows the market price range and trading volumes of the RTG Shares on TSX in the period from March 2013 to 4 April 2014.

¹⁶ Based on A\$:C\$ exchange rate of 1.0198 on 7 April 2014 and 326,538,643 RTG Shares on issue at the date of this Scheme Booklet.

Year	Month	High (C\$)	Low (C\$)	Close (\$C)	Volume (No of RTG Shares)
2014	1 April – 4 April	0.10	0.10	0.10	1,936,000
2014	March	\$0.14	\$0.08	\$0.10	1,212,555
2014	February	\$0.11	\$0.08	\$0.10	9,700
2014	January	\$0.11	\$0.08	\$0.09	170,745
2013	December	\$0.08	\$0.06	\$0.08	42,197
2013	November	\$0.10	\$0.06	\$0.07	49,148
2013	October	\$0.10	\$0.05	\$0.11	218,456
2013	September	\$0.13	\$0.09	\$0.10	41,600
2013	August	\$0.11	\$0.10	\$0.11	188,075
2013	July	\$0.12	\$0.07	\$0.10	25,062
2013	June	\$0.14	\$0.10	\$0.10	142,900
2013	May	\$0.14	\$0.14	\$0.14	7,600
2013 ¹	April	\$0.15	\$0.14	\$0.14	61,700
2013 ¹	March	\$0.16	\$0.14	\$0.15	11,900

Note

1 Based on TSX closing price for RTG Shares. RTG began trading on the TSX on 15 April 2013. Share price information prior to this date is that of Ratel.

RTG has not paid dividends on RTG Shares since incorporation. Refer to section 6.2(b)(v) in respect of RTG's intentions for the Combined Group.

5.9 List of announcements since RTG's last financial statements published

Date	Announcement
3 April 2014	News Release – Sierra Mining Limited announces further excellent drill results Mabilo
31 March 2014	Certification of annual filings – Chief Executive Officer
31 March 2014	Certification of annual filings – Chief Financial Officer
31 March 2014	Annual Information Form for the year ended 31 December 2013
31 March 2014	Management Discussion and Analysis for the period ended 31 December 2013

5.10 Further information

RTG is a "reporting issuer" for the purposes of the applicable provincial securities laws of Canada in the Canadian Jurisdictions and as such is subject to regular reporting and disclosure obligations. Specifically, RTG is subject to National Instrument 51-102 'Continuous Disclosure Obligations' which requires certain disclosure documents to be provided on a continuous basis (e.g. financial statements, management discussion and analysis and RTG Annual Information Form) and timely disclosure regarding material changes where such change is one that would reasonably be expected to have a significant effect on the price or value of its securities.

On request to RTG and free of charge, Sierra Securityholders may obtain a copy of:

- (a) RTG's Annual Information Form dated 31 March 2014 for the year ended 31 December 2013;
- (b) management discussion and analysis of the results of operations and financial condition of RTG for the year ended 30 June 2013 and the year ended 31 December 2013;
- (c) any continuous disclosure document filed on SEDAR by RTG since the filing of the 31 December 2013 annual financial statements on SEDAR referred to above and before the date of this Scheme Booklet; and
- (d) RTG's Articles (as amended).

A substantial amount of information about RTG (including copies of each of the above-mentioned documents) is available in electronic form from: www.rtgmining.com. Information on RTG's website does not constitute a part of this Scheme Booklet and should not be considered in deciding how to vote on a Scheme.

All announcements made by RTG and filed on SEDAR are available at www.sedar.com.

6. Information about Combined RTG and Sierra Group

6.1 Overview of post acquisition RTG

(a) Overview of the Combined Group

If the Schemes become Effective, RTG will own 100% of Sierra and the Combined Group will have exposure to exploration assets in the Philippines, a jurisdiction in which RTG has a historical presence.

Former Sierra Securityholders will become shareholders and optionholders in RTG which will:

- (i) have a pro forma market capitalisation of A\$104.1 million¹⁷;
- (ii) have an expected cash position of approximately A\$14.1 million¹⁸ and no debt positioning the Combined Group to leverage RTG's strong balance sheet to provide resources to further unlock the potential of the Mabilo Project and Bunawan Project in the Philippines;
- (iii) benefit from RTG's experienced operating and development teams with a track record of delivering value, combined with strong local in-country management and RTG's existing relationship with Sierra's joint venture partner, Galeo, a well respected local miner; and
- (iv) provide improved funding capability, a listing on the TSX and a strong institutional following.

As the Mabilo Project is not currently a producing asset, its acquisition by RTG will not result in the generation of revenue for the Combined Group unless and until production commences. In time, RTG expects to develop the assets of the Combined Group and to pursue further growth opportunities, as determined by the RTG Board.

For a description of the material projects of the Combined Group see sections 4.4 and 5.2 of this Scheme Booklet.

(b) Capital Structure

Following implementation of the Schemes, and assuming all of the unlisted Sierra options are transferred to RTG as described in section 9.22, the current Sierra Securityholders will collectively own approximately 70% of the RTG Shares then issued and outstanding.¹⁹

¹⁷ Based on the TSX closing price of RTG Shares on 31 December 2013 of C\$0.10 and a C\$:A\$ exchange rate of 1.053.

¹⁸ Based on 31 December 2013 pro-forma financial information set out in section 6.4 and a US\$:A\$ exchange rate of 1.1268.

¹⁹ Assumes 1,096,893,358 RTG Shares on issue immediately following implementation of the Schemes based on 326,538,643 RTG Shares on issue at the date of this Scheme Booklet and an assumption that 762,504,715 RTG Shares are to be issued under the Schemes. The actual number of RTG Shares to be issued under the Schemes may vary due to the rounding of fractional share entitlements, whether further Sierra Options are exercised and whether unlisted Sierra options are exercised or transferred to RTG as described in section 9.22.

Sierra Shareholders will receive their RTG Shares in the form of RTG CDIs and RTG Option CDIs quoted on ASX (unless they complete a Share Election Form to elect to receive RTG Shares and RTG Options listed on TSX or are Sale Facility Participants) under the Schemes.

(i) **Capital structure of the Combined Group if the Share Scheme and Option Scheme become Effective**

The number of issued securities in the capital of RTG immediately after implementation of the Merger (based on the number of issued securities in the capital of RTG and Sierra as at the date of this Scheme Booklet) will be as follows:

	Pre-RTG Share Consolidation		Post-RTG Share Consolidation	
	Number of RTG Shares	Number of RTG Options	Number of RTG Shares	Number of RTG Options
Existing RTG Shares and RTG Options	326,538,643 ¹	Nil ¹	32,653,864 ²	Nil ²
RTG Shares and RTG Options to be issued pursuant to the Schemes ³	762,504,715	84,722,746	76,250,471	8,472,274
RTG Shares and RTG Options to be issued for unlisted Sierra options (see section 9.22) ⁴	7,850,000	872,222	785,000	87,222
Number of RTG Securities after implementation of the Merger	1,096,893,358	85,594,968	109,689,335	8,559,496

Notes

- 1 As at the date of this Scheme Booklet.
- 2 At the Effective Date and on a post RTG Share Consolidation basis. The number of RTG Shares is subject to rounding.
- 3 Assumes no further Sierra Options are exercised and excludes the RTG Shares issued as the Haywood Share Fee.

(ii) **Capital structure of the Combined Group if only the Share Scheme becomes Effective**

The number of issued securities in the capital of RTG immediately after implementation of the Share Scheme (based on the number of issued securities in the capital of RTG and Sierra as at the date of this Scheme Booklet) will be as follows:

	Pre-RTG Share Consolidation		Post-RTG Share Consolidation	
	Number of RTG Shares	Number of RTG Options	Number of RTG Shares	Number of RTG Options
Existing RTG Shares and RTG Options	326,538,643 ¹	Nil ¹	32,653,864 ²	Nil ²
RTG Shares and RTG Options to be issued pursuant to the Share Scheme ³	698,563,989	77,618,221	69,856,399	7,761,822
RTG Shares and RTG Options to be issued for unlisted Sierra options (see section 9.22)	7,850,000	872,222	785,000	87,222
Number of RTG Securities after implementation of the Merger	1,032,952,632	78,490,443	103,295,263	7,849,044

Notes

- 1 As at the date of this Scheme Booklet.
- 2 At the Effective Date and on a post RTG Share Consolidation basis.
- 3 Assumes no further Sierra Options are exercised, the Option Scheme does not become Effective and excludes the RTG Shares to be issued as the Haywood Share Fee.

(c) Listing of Combined Group

On or around the date of this Scheme Booklet, RTG will make a conditional application to be admitted to the official list of the ASX and for the RTG CDIs and RTG Option CDIs to be issued under the Scheme, to be officially quoted on the financial market conducted by the ASX.

If the Schemes become Effective and RTG proceeds to listing, RTG CDIs will trade under the ASX code "RTG". RTG Option CDIs will trade under the ASX code "RTGO". RTG CDIs and RTG Option CDIs are expected to commence trading on ASX on a normal settlement basis on or about 5 June 2014.

A foreign company with a full listing on ASX must comply with all ASX Listing Rules, subject to any specific waivers granted by ASX. RTG has sought specific waivers from ASX of some ASX Listing Rules (see section 12.11(c) for more information).

RTG intends to amend its Articles in connection with the admission of RTG to the official list of the ASX. RTG will seek approval from RTG Shareholders to these amendments in connection with the Merger. Under the Articles and the BVI Act, RTG's governing statute, the alteration of RTG's Articles requires the approval by at least two-thirds of the votes cast in person or represented by proxy at the RTG Shareholders meeting by a special resolution.

The proposed amendments to the Articles include, among other things, the insertion of a new clause to the Articles which provides that while RTG is admitted to the official list of ASX the

Articles shall operate in accordance with and be deemed to include any necessary provisions to allow compliance with the terms of the ASX Listing Rules.

The Articles will also be amended to provide that while RTG is listed on ASX, to the extent of any inconsistency between ASX Listing Rules and RTG's Articles, the ASX Listing Rules will prevail.

Consequential amendments are to be included in the Articles to provide that where any inconsistency exists between the requirements of the ASX Listing Rules and the TSX Listing Rules then the requirements of the primary trading market at that time will prevail.

The Articles will also be amended by inserting amended articles and inserting new articles to provide for the Corporations Act to prevail in the event of any conflict with the terms of the Articles (subject to compliance with the BVI Act) and to resolve any inconsistencies between the requirements of the Corporations Act and the Canada Business Corporations Act.

In certain circumstances, the Schemes may be implemented without the listing of RTG on the official list of the ASX occurring; in which case RTG Shares and RTG Options listed on TSX only will be issued instead of RTG CDIs and RTG Option CDIs (see section 10.4 for more information).

RTG has no reason to believe that the RTG CDIs and RTG Option CDIs will not be admitted to quotation by ASX, subject only to the approval of the Schemes by the Court, the implementation of the Schemes as approved by the Court and usual customary conditions of ASX of a procedural or administrative nature.

(d) Board and management of the Combined Group

Following implementation of the Scheme, the Combined Group Board is expected to consist of six directors. Each of the existing five RTG Directors will continue as directors of RTG. Profiles for each of the existing RTG Directors are set out in section 5.4. Details of key management of the Combined Group following implementation of the Schemes are set out in section 5.5. RTG has also invited one director of Sierra to join the Combined Group Board, being the current Managing Director of Sierra, Mr Matthew Syme.

RTG Directors are subject to nomination and re-election each year at RTG's annual meeting. Accordingly, Mr Syme who will be appointed to the RTG Board will also be subject to nomination and re-election at RTG's next annual meeting, expected to be held in May 2015. Justine Magee will continue as President and Chief Executive Officer of the Combined Group.

(e) Corporate Governance of the Combined Group

The corporate governance regime which exists in Canada is a combination of certain mandatory rules on disclosure and compliance as well as guidelines and recommendations as to best practices. As a "reporting issuer" (or the equivalent) in the Canadian Jurisdictions, RTG is required to disclose its corporate governance practices in a prescribed manner and is expected to comply with corporate governance guidelines to the fullest extent possible. These guidelines include recommendations or requirements with regards to the following:

- (i) **Board of Directors:** regarding independent directors, adoption of a Board mandate acknowledging responsibility for the stewardship of RTG, development of clear positions on the Board, orientation and continued education of new directors, adoption of a code of business conduct and ethics, adoption of a process for director nominations, creation of the Audit Committee, the Compensation Committee and the Corporate Governance and Nominating Committee, and assessment of the Board on a regular basis; and
- (ii) **Audit Committee:** regarding its charter, its composition, relevant education and experience, disclosure of exemptions where they have been relied upon, disclosure of Board not adhering to recommendations of the committee, description of pre-approval of policies and procedures, and disclosure of external auditor service fees.

The Audit Committee is comprised of Robert Scott, Phil Lockyer and David Cruse. RTG's corporate governance disclosure and filings are available on SEDAR at www.sedar.com. In particular, RTG provides annual disclosure with respect to its corporate governance practices in its management proxy circular prepared in connection with its annual meeting each year. The mandate of the RTG Board and the terms of reference for RTG's Corporate Governance and Nominating Committee, Compensation Committee and Audit Committee, as well as RTG's Code of Business Conduct, are available on RTG's website at www.rtgmining.com.

Following the Implementation Date, RTG intends that the Combined Group will comply with all mandatory corporate governance rules in Canada and Australia, including the requirements of the ASX Listing Rules and ASX Corporate Governance Council's Principles and Recommendations.

Also see section 8 for a comparison of the some of the material provisions of Australian company law, BVI company law, Canadian company law and TSX Rules.

6.2 Intentions

(a) Introduction

The current intentions of RTG in relation to Sierra are set out in this section. These intentions have been formed on the basis of facts and information concerning Sierra, and the general business environment, which are known to RTG at the time of preparing this Scheme Booklet. Final decisions will only be reached by RTG and its directors in light of material information and circumstances known at the relevant time. Accordingly, the statements set out in this section are statements of current intention only and may vary as new information becomes available or circumstances change.

The articulation and formulation of the intentions are necessarily limited by virtue of the fact that RTG has only had access to publicly available information and certain non-public information about Sierra and its affairs.

(b) Intentions for Sierra as part of the Combined Group

RTG intends to operate the Combined Group consistent with past practice. The Combined Group will continue to follow RTG's strategy of providing shareholders with exposure to high quality assets with a pathway to production. RTG's current intentions are as follows.

(i) **Corporate Matters**

If the Schemes becomes Effective, RTG intends:

- (A) to arrange for Sierra to be removed from the official list of ASX (see section 6.1(c) for details of RTG's listing on ASX);
- (B) to appoint one director, Matthew Syme, from the Sierra Board on the Combined Group Board (see section 6.1(d) for further details);
- (C) that, on or before the Implementation Date, the existing Sierra directors will resign to be replaced by RTG nominees (see section 9.16 for further details);
- (D) to retain RTG's existing office in Subiaco, Western Australia and terminate Sierra's administration services agreement with Apollo (see section 4.6(b)(v)(B) for further details); and
- (E) to conduct a detailed operational review of Sierra's structure and operations on both a strategic and a financial level in order to evaluate Sierra's performance, profitability and prospects, and to identify opportunities for operating synergies and further progressing the project interests of Sierra.

In the event that the Option Scheme does not become Effective, but the Share Scheme becomes Effective, to the extent it is permitted to do so, RTG may (although reserves the right not to), compulsorily acquire outstanding Sierra Options under Part 6A.2 of the Corporations Act for a cash amount only.

In order to compulsorily acquire Sierra Options, RTG must prepare and issue a notice in the form prescribed by the Corporations Act within six months from the Implementation Date of the Share Scheme. That notice must be accompanied by an expert's report on whether the proposed terms of the compulsory acquisition give a fair value for the securities concerned.

A Sierra optionholder may object to compulsory acquisition of their Sierra Options. If Sierra optionholders who hold at least 10% of outstanding Sierra Options validly object to the compulsory acquisition, RTG will not be able to compulsorily acquire any of the outstanding Sierra Options unless it applies for and is granted a court approval of the compulsory acquisition, and such approval may only be granted by the court where RTG establishes that the Sierra Optionholders will receive fair value for their Sierra Options. In accordance with the Corporations Act, RTG would be required to bear the legal costs of any proper and reasonable objection made by a Sierra Optionholder.

(ii) **Operational review**

In the course of this operational review, it is intended that there will be a focus on a number of key specific areas, including (but not limited to):

- (A) review of current and proposed exploration properties, including a review of all available technical and financial data, so that ongoing and future exploration programs can be optimised; and

- (B) at the Mabilo Project, review of all of the technical and financial data in detail, including drilling results to date, planned new drilling programs and the methodology behind the calculations and the subsequent reconciliations and the metallurgical testwork and progress on feasibility study work. Personnel levels, both nationals and expatriates, will be examined to ensure proper staffing of the operations is maintained.

There will be some integration of head office and administrative functions of Sierra and RTG but these are not expected to result in material costs or to take significant time.

Subject to this detailed review, RTG currently expects that it will continue:

- (A) to operate Sierra's existing operations;
- (B) to proceed with Sierra's existing planned exploration and development projects, including Sierra's Mabilo Project and the other projects referred to in section 4.4; and
- (C) to continue to conduct the current core business of the separate entities, namely the exploration, development and operations of its assets.

(iii) **Budget estimate for the Mabilo Project 2014 work program**

Given RTG expects the initial focus will be to progress the Mabilo Project, the initial work program will be focussed on the Mabilo Project. Set out below is RTG's current estimate and allocation of the proposed activities in connection with the Mabilo Project. These costs are for the Mabilo Project as a whole and Galeo is responsible for its pro-rata share of costs (subject to Note 1 below). These programs can be subject to change due to results of exploration activities and testwork and will be monitored and adapted by RTG as required.

Item	Proposed Budget US\$
Drilling ¹	\$2,500,000
Assay	\$200,000
Drill Programme Support	\$300,000
Geological Support	\$300,000
Project Studies & Testwork	\$600,000
Site Costs	\$300,000
Community Relations	\$200,000
Proposed Budget Total	\$4,400,000

Notes

¹ The drilling activities will be funded by Galeo, as part of its earn in obligations involve undertaking 14,000m of drilling at Galeo's cost but under Sierra's direction as summarised in section 4.6(b)(i).

(iv) Employees

Subject to a full operational review post-acquisition, RTG currently intends that the current operating management and employees of Sierra located in the Philippines will continue to service in their current roles.

RTG intends to terminate Mr Matthew Syme's employment contract. Mr Matthew Syme is currently employed by Sierra in the role of Managing Director with a salary of A\$150,000 per annum and is entitled to 3 months notice upon termination of his contract.

(v) Dividends

As noted in section 5.8, RTG does not presently pay dividends. For the foreseeable future, it is anticipated that RTG will retain future earnings and other cash resources for the operation and developments of RTG's business. The payment of any future dividends will depend upon earnings and RTG's financial condition, current and anticipated cash needs and such other factors as the RTG Board considers appropriate.

(vi) Intentions generally

Except for the possible changes and current intentions set out in this section and elsewhere in this Scheme Booklet, it is the intention of RTG, based on the facts and information concerning Sierra that are known to it as at the date of this Scheme Booklet:

- (A) to conduct the business of Sierra (and RTG) in substantially the same manner as at the date of this Scheme Booklet;
- (B) not to make any major changes to the deployment of Sierra's assets; and
- (C) to continue the employment of Sierra's present employees (and those of RTG), as appropriate.

6.3 Rights attaching to RTG Shares, RTG CDIs, RTG Options and RTG Option CDIs

The rights and liabilities attaching to ownership of RTG Shares and RTG CDIs are outlined in sections 8 and 10.4. The summary assumes that RTG is admitted to the official list of the ASX and the RTG Shares and RTG Options are listed for quotation on the ASX (in respect of RTG CDIs and RTG Option CDIs) and tradable on the TSX (in respect of RTG Shares and RTG Options).

RTG Option terms and conditions summarised in section 6.3 below bind all RTG Optionholders (being holders of RTG Options and RTG Option CDIs) regardless of which exchange the RTG Options are listed on, being RTG Options tradeable on TSX or RTG Options (in the form of RTG Option CDIs) quoted on ASX.

(a) **RTG Options Terms and Conditions**

The following terms and conditions apply to each RTG Option:

Item	RTG Options Terms and Conditions
<i>Entitlement</i>	Each RTG Option entitles the RTG Optionholder to one RTG Share upon exercise of the RTG Option.
<i>Exercise Price</i>	The amount payable upon exercise of each RTG Option will be C\$1.50 ²⁰ (Exercise Price).
<i>Expiry Date</i>	Each RTG Option will expire at 5.00pm on the date 3 years after the Implementation Date (Expiry Date). A RTG Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
<i>Exercise Period</i>	The RTG Options are exercisable at any time on or prior to the Expiry Date (Exercise Period).
<i>Exercise</i>	<p>The RTG Options may be exercised during the Exercise Period by completing and returning an exercise notice (Exercise Notice) and payment of the Exercise Price for each RTG Option being exercised in accordance with the requirements set out in the Exercise Notice.</p> <p>An Exercise Notice can be obtained from RTG, its share registry in Australia or the option trustee in Canada.</p>
<i>Exercise Date</i>	An Exercise Notice is only effective on and from the later of the date of receipt of the Exercise Notice and the date of receipt of the payment of the Exercise Price for each RTG Option being exercised in cleared funds (Exercise Date).

²⁰ Prior to the RTG Share Consolidation, or in the event the RTG Share Consolidation is not effective, the exercise price will be C\$0.15.

Item	RTG Options Terms and Conditions
<i>Issue of CDIs or RTG Shares</i>	Subject to an election otherwise, when completing the Exercise Notice: <ul style="list-style-type: none"> <li data-bbox="775 456 1445 591">(i) a RTG Optionholder on the RTG Option Register maintained in Australia holding RTG Option CDIs (quoted on ASX) will on exercise be issued with RTG CDIs listed on the ASX; and <li data-bbox="775 629 1445 763">(ii) a RTG Optionholder on the RTG Option Register maintained in Canada holding RTG Options (listed on TSX) will on exercise be issued with RTG Shares tradable on TSX.
<i>Timing of issue of CDIs or RTG Shares on exercise</i>	Subject to any requirements of a securities exchange on which the RTG Options are listed, within 10 Business Days after the Exercise Date (or such shorter period required under the Option Indenture), RTG will: <ul style="list-style-type: none"> <li data-bbox="775 981 1445 1189">(i) issue the number of RTG Shares (and, if applicable, the related RTG CDIs) required under these terms and conditions in respect of the number of RTG Options specified in the Exercise Notice and for which cleared funds have been received by RTG; and <li data-bbox="775 1227 1445 1361">(ii) if admitted to the official list of the ASX at that time, apply for official quotation on ASX of the RTG Shares (in the form of RTG CDIs) issued pursuant to exercise of the RTG Options.
<i>RTG Shares issued on exercise</i>	RTG Shares issued on exercise of the RTG Options rank equally with the then issued shares of RTG.

Item	RTG Options Terms and Conditions
<i>Reconstruction of capital</i>	<p data-bbox="606 347 1375 448">If at any time the issued capital of RTG is reconstructed, all rights of a RTG Optionholder are to be changed in the following manner:</p> <ul style="list-style-type: none"> <li data-bbox="686 481 1375 660">(i) in a consolidation of capital – the number of options must be consolidated in the same ratio as the ordinary capital and the exercise price must be amended in inverse proportion to that ratio. <li data-bbox="686 694 1375 840">(ii) in a sub-division of capital – the number of options must be sub-divided in the same ratio as the ordinary capital and the exercise price must be amended in inverse proportion to that ratio. <li data-bbox="686 873 1375 1041">(iii) in a return of capital – the number of options must remain the same, and the exercise price of each option must be reduced by the same amount as the amount returned in relation to each ordinary security. <li data-bbox="686 1075 1375 1254">(iv) in a reduction of capital by a cancellation of paid up capital that is lost or not represented by available assets where no securities are cancelled – the number of options and the exercise price of each option must remain unaltered. <li data-bbox="686 1288 1375 1444">(v) in a pro rata cancellation of capital – the number of options must be reduced in the same ratio as the ordinary capital and the exercise price of each option must be amended in inverse proportion to that ratio. <li data-bbox="686 1478 1375 1646">(vi) in any other case – the number of options or the exercise price, or both, must be reorganised so that the holder of the option will not receive a benefit that holders of ordinary securities do not receive, subject to TSX approval. <p data-bbox="606 1668 1375 1803">The above does not prevent a rounding up of the number of securities to be received on exercise if the rounding up is approved at the security holders’ meeting which approves the reorganisation.</p> <p data-bbox="606 1825 1375 1960">While the RTG Options are listed for quotation on ASX, the rights of the RTG Optionholder will be changed to comply with the listing rules of ASX applying to the reorganisation of capital at the time of the reorganisation.</p>

Item	RTG Options Terms and Conditions
<i>Participation in new issues</i>	There are no participation rights or entitlements inherent in the RTG Options and RTG Optionholder will not be entitled to participate in new issues of capital offered to RTG Shareholders during the currency of the RTG Options without exercising the RTG Options.
<i>No changes to exercise price or number of underlying securities</i>	The RTG Options give no rights to change the exercise price or number of RTG Shares to be issued on exercise of the RTG Options other than those which apply to a reconstruction of capital described above.
<i>Transferability</i>	The RTG Options are transferable subject to any restriction under applicable rules of ASX or TSX and applicable Australian or Canadian securities laws.
<i>Register of Options</i>	<p>RTG will maintain a principal register of holders of RTG Options which complies, so far as is practicable, with the requirements of s170 of the Corporations Act 2001 (Australia) (as amended) (RTG Option Register).</p> <p>The RTG Option Register will be kept by or on behalf of RTG in Perth, Western Australia.</p> <p>RTG may establish sub registers of holders of RTG Options.</p> <p>The holder of a RTG Option registered in the RTG Option Register will be the absolute owner of the RTG Option represented by that registration for all purposes.</p>
<i>Option Indenture</i>	<p>The terms of the RTG Options will be set out in an Option Indenture, (summarised in section 6.3(b) below) which will provide for rights and obligations that are binding on RTG and the RTG Optionholders.</p> <p>The provisions in the Option Indenture regarding transfer and exercise of RTG Options and certificates apply only to RTG Options which are held on the sub register of RTG Options maintained in Canada.</p> <p>Whilst:</p> <ul style="list-style-type: none"> <li data-bbox="775 1693 1437 1827">(i) the RTG Options are listed for quotation on ASX, any amendment to the RTG Option Indenture must comply with the requirements in the ASX Listing Rules; and <li data-bbox="775 1872 1437 2002">(ii) the RTG Shares are listed for quotation on TSX, any amendment to Option Indenture must comply with the requirements in the TSX listing rules.

Item	RTG Options Terms and Conditions
<i>Governing law</i>	The Option Indenture will be governed by and construed in accordance with the laws of Western Australia.

(b) **Option Indenture**

Prior to the Second Court Date, RTG will enter into an Option Indenture with Computershare Trust Company of Canada (**Computershare Canada**) to enable the RTG Options to be listed on TSX, subject to meeting the TSX listing criteria.

The terms of the Option Indenture apply to the RTG Options (and RTG Option CDIs) and the rights and obligations in the Option Indenture are binding on RTG and the RTG Optionholders.

The Option Indenture includes, among other things, provisions relating to:

- (i) establishment and management of a sub register of optionholders in Canada;
- (ii) requirements for transfer and exercise of, and for the issue of certificates relating to, RTG Options held on the Canadian sub register;
- (iii) no fractional RTG Shares will be issuable upon the exercise of any RTG Options;
- (iv) the regulation of any meetings of RTG Optionholders;
- (v) rights, obligations and indemnities of Computershare Canada under the Option Indenture;
- (vi) enforcement of RTG Optionholders rights;
- (vii) amendments to the RTG Option terms, which provide that amendments approved by RTG Optionholders attending and voting who hold a 66⅔% majority of RTG Options to bind all RTG Optionholders. Minor amendments for certain purposes, including curing defects or inconsistencies, may be made by agreement between RTG and Computershare Canada provided that in the opinion of Computershare Canada, relying on the advice of counsel, the rights of Computershare Canada and of the holders of the RTG Options are in no way prejudiced by the changes. While RTG is listed on ASX, any amendment to the terms of the RTG Options must also comply with the requirements in the ASX Listing Rules and while RTG is listed on the TSX, any amendment to the terms of the RTG Options must also comply with the requirements in the TSX listing rules; and
- (viii) the RTG Options may not be exercised by or on behalf of, or for the account or benefit of, a person in the United States or a US Person unless the RTG Shares issuable upon exercise of the RTG Options have been registered under the United States Securities Act of 1933, as amended, and applicable state securities laws or an exemption from such registration requirements is available.

A copy of the Option Indenture is available upon request from RTG, RTG's Share Registry or the option trustee in Canada.

6.4 Pro-forma financial information

The pro forma financial information set out in this section 6.4 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:

- (i) The reviewed interim consolidated statement of financial position of Sierra as at 31 December 2013 and consolidated statement of comprehensive income of RTG for the period from 1 July 2013 to 31 December 2013.
- (ii) The consolidated statement of financial position and consolidated statement of comprehensive income from the RTG audited financial statements as at 31 December 2013 and for the period from 1 July 2013 to 31 December 2013.

The pro forma consolidated statement of financial position (**Pro Forma Balance Sheet**) has been prepared using the same accounting policies as described in the audited financial statements of RTG (a copy of which are included in Annexure 10). However, the Pro Forma Balance Sheet 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 this 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 consolidated 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 financial statements of RTG and the reviewed interim financial statements of Sierra.

(a) **Pro-forma Statement of Comprehensive Income**

For the six months ended 31 December 2013

	Note	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 loss		(201,060)	(13,725)	-	(214,785)
Administrative expenses	1.7	(2,038,845)	(288,849)	(4,347,826)	(6,675,520)
Transaction costs	1.1, 1.6	-	-	(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 / (loss) from discontinued operations	1.9	2,215,826	-	5,197,471	7,413,297
Gain / (loss) for period		(881,240)	(1,633,396)	688,770	(1,825,866)

(b) **Pro-forma Balance Sheet**

As at 31 December 2013

	Note	RTG (consolidated) US\$	Sierra (consolidated) US\$	Pro-forma Adjustments US\$	Pro-forma US\$
Assets					
Current Assets					
Cash and cash equivalents	1.1	10,987,534	1,749,589	(318,538)	12,418,585
Trade and other receivables	1.7	276,442	16,547	(2,256)	290,733
Other financial assets		-	253,356	-	253,356
Other current assets		-	60,056	-	60,056
TOTAL CURRENT ASSETS		11,263,976	2,079,548	(320,794)	13,022,730
Non Current Assets					
Trade and other receivables		-	171,865	-	171,865
Exploration and evaluation assets	1.5	-	1,882,964	61,189,502	63,072,466
Available for sale financial assets		1,841,854	-	-	1,841,854
Derivative financial asset		1,330,228	-	-	1,330,228
Property, plant and equipment	1.8	362,329	105,125	(134,453)	333,001
Other non-current assets		-	16,113	-	16,113
TOTAL NON CURRENT ASSETS		3,534,411	2,176,067	61,055,049	66,765,527
TOTAL ASSETS		14,798,387	4,255,615	60,734,255	79,788,257
Current Liabilities					
Trade and other payables		208,625	477,772	-	686,397
Provisions		-	15,211	-	15,211
TOTAL CURRENT		208,625	492,983	-	701,608

	Note	RTG (consolidated) US\$	Sierra (consolidated) US\$	Pro-forma Adjustments US\$	Pro-forma US\$
LIABILITIES					
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 deficit					
Contributed equity	1.2	34,162,759	18,736,691	44,930,774	97,830,224
Reserves	1.3	(1,160,957)	1,524,863	2,051,771	2,415,677
Accumulated losses	1.4	(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

(c) **Basis of preparation**

The accompanying pro-forma is the pro-forma consolidated statement of financial position and pro-forma consolidated statement of 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 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 unaudited pro-forma consolidated statement of financial position and unaudited pro-forma consolidated statement of comprehensive income have been derived from the following:

- (i) The reviewed interim consolidated statement of financial position and consolidated statement of comprehensive income of Sierra as at 31 December 2013 and for the period from 1 July 2013 to 31 December 2013.

- (ii) The consolidated statement of financial position and consolidated statement of comprehensive income from the RTG audited financial statements as at 31 December 2013 and for the period from 1 July 2013 to 31 December 2013.

The pro-forma consolidated statement of financial position and pro-forma consolidated statement of 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 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 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 comprehensive income should be read in conjunction with the audited financial statements of RTG and the reviewed interim financial statements of Sierra.

(d) **Pro-forma financial assumptions and adjustments**

The pro-forma consolidated statement of comprehensive income gives effect to the following adjustments as if the proposed Merger as described below occurred at the beginning of the period presented and the statement of financial position has been prepared as if these transactions occurred at the date of the statement of financial position:

- (i) 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 on TSX) 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.
- (ii) 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 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 comprehensive income.
- (iii) 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.

- (iv) The pro forma consolidation has been prepared on the basis that RTG is the acquiring entity under the Merger and as such deemed to be the accounting parent.
- (v) The Merger 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.

(e) **Notes**

1.1 CASH

	US\$
RTG	10,987,534
Sierra	<u>1,749,589</u>
Total as at 31 December 2013	12,737,123

Pro forma adjustments to cash:

	US\$
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 Schemes	<u>(1,144,019)</u>
Total Pro-forma Adjustments to Cash	(318,538)

1.2 ISSUED CAPITAL

	US\$
RTG	34,162,759
Sierra	<u>18,736,691</u>
Total as at 31 December 2013	52,899,450

Pro-forma adjustments to issued capital:

	US\$
<u>Share Exchange:</u>	
770,354,715 RTG Shares issued under the Merger	64,811,484
Estimated expenses of the Merger	(1,144,019)
Eliminate Sierra issued capital upon Merger	<u>(18,736,691)</u>
Total Pro-forma Adjustments on Issued Capital	44,930,774

1.3 RESERVES

	US\$
RTG	(1,160,957)
Sierra	<u>1,524,863</u>
Total as at 31 December 2013	363,906

Pro-forma adjustments to reserves:

	US\$
Eliminate Sierra Reserves upon Merger	(1,524,863)
Recognise 85,594,698 RTG Options in share option reserve	<u>3,576,634</u>
Total Pro-forma Adjustments on Reserves	2,051,771

1.4 ACCUMULATED LOSSES

	US\$
RTG	(18,412,040)
Sierra	<u>(13,062,940)</u>
Total as at 31 December 2013	(31,474,980)
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	<u>(4,347,826)</u>
Total Pro-forma Adjustments on Accumulated Losses	13,751,710

1.5 RECOGNISE EXPLORATION AND EVALUATION ASSETS ACQUIRED

	US\$
RTG	-
Sierra	<u>1,882,964</u>
Total as at 31 December 2013	1,882,964
Recognise exploration and evaluation assets acquired upon Merger	61,189,502
Total Pro forma Adjustments to Exploration and Evaluation	61,189,502

1.6 RECOGNISE TRANSACTION EXPENSES

	US\$
RTG	-
Sierra	-
Total as at 31 December 2013	-
Recognise transaction expenses	160,875
Total Pro-forma Adjustments on Merger expenses	160,875

1.7 RECOGNISE RECEIVABLES ON SALE OF SEGILOLA GOLD LIMITED

	US\$
Current receivables	
RTG	276,442
Sierra	<u>16,547</u>
Total as at 31 December 2013	292,989

Non-current receivables	
RTG	-
Sierra	<u>171,865</u>
Total as at 31 December 2013	171,865
Deconsolidation of Segilola Gold Limited receivables	(2,255)
Total Pro-forma Adjustments on Current Receivables	(2,255)
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)
Total Pro-forma Adjustments on Non Current Receivables	-

1.8 DECONSOLIDATE PP&E ON SALE OF SEGILOLA GOLD LIMITED

	US\$
Deconsolidation of Segilola Gold Limited PP&E	(134,453)
Total Pro-forma Adjustments on PP&E	(134,453)

1.9 RECOGNISE GAIN ON SALE OF SEGILOLA GOLD LIMITED

	US\$
Recognise gain on sale of Segilola Gold Limited	5,197,471
Total Pro-forma Adjustments on Gain/Loss from Discontinued Operations	5,197,471

6.5 Risks related to the Combined Group and an investment in RTG Securities

Risk factors relating to the Combined Group and an investment in RTG Securities (including risks relating to the integration of RTG and Sierra) are discussed in section 7.

7. Potential Risk Factors

If the Merger is implemented, Sierra Shareholders will be issued RTG Shares (in the form of RTG CDIs) and RTG Options under the Scheme. The value of RTG Shares and RTG Options will be influenced by a range of factors, many of which will be beyond the control of the Combined Group.

Some of these risks are either related to exploration and mining companies generally or already relate to the Sierra businesses which will form part of the Combined Group and are therefore risks to which Sierra Securityholders already have some exposure. However, a number of them will be new or potentially greater in impact than is currently the case in relation to Sierra. Neither Sierra nor RTG give any assurances or guarantees that the risks set out in this Scheme Booklet will not change. Some of the risks may be mitigated by the use of safeguards and appropriate systems and controls. However, many risks that may affect RTG are outside the control of RTG, Sierra and the Combined Group. The past performance of Sierra is not necessarily representative of the future performance of RTG or the value of RTG Shares or RTG Options.

These risk factors do not take into account the investment objectives, financial situation, position or particular needs of Sierra Securityholders.

Each Scheme Shareholder and Scheme Optionholder should consult their professional adviser if they have any queries.

7.1 Risks related to RTG

Risks relating to RTG's activities

(a) Counterparty risk

There is a general risk, which is higher in the current uncertain economic environment, that contracts and other arrangements to which any of the members of the RTG Group are party and obtain a benefit (such as sale, service and supply agreements) will not be performed by the relevant counterparties, including if those counterparties become insolvent or are otherwise unable to perform their obligations.

There are also specific risks in relation to:

- (i) The Share Sale Agreement for SML dated 26 August 2013 entered into between ZML (as seller and a member of the RTG Group) and Elephant Copper (as buyer) in that Elephant Copper has failed to comply with its post completion obligations under the Share Sale Agreement and by failing to repay the DHL Payment by 1 January 2014 or complete an IPO by 31 December 2013. There is a risk that Elephant Copper will not perform its post completion obligations under the Share Sale Agreement.
- (ii) The Share Sale and Purchase Agreement for SGL between Ratel (as seller and a member of the RTG Group) and SROL (as purchaser) came into effect on 10 October 2013 and the Completion Date was originally expected to occur on this date. This has not yet occurred and a revised Completion Date has not yet been agreed between the parties therefore SROL is in breach of the Share Sale and Purchase Agreement by having failed to pay the \$US1 million Initial Consideration. There is a risk that SROL will not perform its

completion and post completion obligations under the Share Sale and Purchase Agreement.

(b) Litigation risks

Legal proceedings may arise from time to time in the course of RTG's activities. There have been cases where the rights and privileges of mining and exploration companies have been the subject of litigation. The RTG Directors cannot preclude that such litigation may be brought against a member of the RTG Group in the future from time to time.

There are specific litigation risks in that members of the RTG Group are involved, either directly or indirectly, in the following unresolved litigation, arbitration or disputes:

- (i) As summarised in section 5.2(d)(ii), Ratel has been joined as a party to arbitration and litigation proceeding concerning the Obuasi joint venture in Ghana following the announcement by Ratel on 3 November 2011 that it had terminated the share sale agreement to acquire CAML Ghana Limited. This litigation is ongoing and Ratel remains exposed to the outcome of this litigation.
- (ii) As summarised in section 5.2(d)(i), arbitration proceedings and litigation between TML and SGL concerning SGL's percentage ownership interest in the Segilola Gold Project joint venture in Nigeria remain on foot. As does related litigation involving SROL concerning a purported termination of the Segilola Gold Project joint venture agreement between SGL and TML. If a revised Completion Date is agreed between the parties and the Share Sale and Purchase Agreement completes, the RTG Group will no longer be exposed to the litigation involving SROL, given this matter would become settled under an agreed Settlement Deed, and TML given the RTG Group would no longer have an interest in SGL and exposure to this dispute. However, if the Share Sale and Purchase Agreement does not complete then the RTG Group will remain exposed to the outcome of the arbitration and litigation involving TML and SROL.
- (iii) A claim was made during September 2012 by GeoHydro Consulting Services Limited against TML and SGL for alleged damages to equipment and premature termination of a drilling contract. If a revised Completion Date is agreed and the Share Sale and Purchase Agreement completes, the RTG Group will no longer be exposed to this claim given the RTG Group would no longer have an interest in SGL. However, if the Share Sale and Purchase Agreement does not complete then the RTG Group will remain exposed to the outcome of the arbitration and litigation involving TML and SROL.

(c) Political Risks

RTG currently holds an interest in a gold exploration project in Nigeria, the Segilola Gold Project which is currently the subject to the Share Sale and Purchase Agreement, which may be considered to have high political and sovereign risk. Any material adverse changes in government policies or legislation of Nigeria or any other country that RTG has economic interests in that affect mineral exploration activities, may affect the Share Sale and Purchase Agreement and profitability of RTG.

(d) **Exchange rate risk**

Sierra currently reports its financial results and maintains its accounts in Australian dollars. RTG will report its financial results and maintain its accounts in United States dollars. RTG currently maintains its accounts in United States dollars and RTG's activities in Australia, Africa and Canada, as well as any future foreign countries make it subject to foreign currency fluctuations. In addition, upon completion of the Listing Transaction, RTG will have an indirect interest in IMMC Shares which are intended to be listed on the TSXV. RTG does not at present, nor does it plan in the future, to engage in foreign currency transactions to hedge exchange rate risks. There can be no assurance that RTG will not be materially and adversely affected thereby.

(e) **Uncertainty of reserve and resource estimates**

RTG's figures for reserves and resources presented in its public documents filed by RTG on the SEDAR website are estimates based on limited information acquired through drilling and other sampling methods. No assurance can be given that the anticipated tonnages and grades will be achieved or that the indicated level of recovery will be realised. The ore grade actually recovered may differ from the estimated grades of the reserves and resources. Such figures have been determined based upon assumed gold or copper prices and operating costs. Future production could differ dramatically from reserve estimates for, among others, the following reasons: mineralisation or formations could be different from those interpreted by drilling and sampling; increases in operating mining costs and processing costs could adversely affect reserves; the grade of the reserves may vary significantly from time to time and there is no assurance that any particular level of gold or copper may be recovered from the reserves; and declines in the market price of gold or copper may render the mining of some or all of the current reserves uneconomic. Any of these factors may require RTG to reduce its reserves estimates or increase its costs.

Risks relating to RTG Shares and RTG Options as consideration

(a) **RTG Shares may experience price and volume fluctuations**

In recent years, the securities markets have experienced a high level of price and volume volatility, and the market price of securities of many companies have experienced wide fluctuations which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that such fluctuations will not affect the price of RTG's Securities.

(b) **RTG CDIs and RTG Option CDIs may trade at a discount**

The number of RTG CDIs and RTG Option CDIs quoted on ASX may be less than the number of RTG Shares and RTG Options listed on TSX. This is because the maximum number of RTG Shares that are expected to be issued under the Schemes is 762,504,715 (on a pre-RTG Share Consolidation basis) and the maximum number of RTG Options to be issued under the Schemes is 84,722,746. There is no certainty as to what proportion of these RTG Shares and RTG Options will be issued in the form of RTG CDIs and RTG Option CDIs, as this will depend on the number of people who elect to receive RTG Shares and RTG Options instead of RTG CDIs and RTG Option CDIs and the number of securities held by Sale Facility Participants.

It is therefore possible that the market for RTG CDIs and RTG Option CDIs on ASX will be less liquid than the market for RTG Shares and RTG Options on TSX. This may have the effect of reducing the volume of RTG CDIs and RTG Option CDIs that can be bought and sold on ASX and the speed with which they can be bought and sold. This reduced liquidity may also result in RTG CDIs and RTG Option CDIs trading at a discount to RTG Shares and RTG Options on TSX. However, as mentioned in section 10.4, a holder of RTG CDIs or RTG Option CDIs can convert their RTG CDIs into RTG Shares and their RTG Option CDIs into RTG Options tradable on TSX, should the holder wish to access the market in RTG Shares and RTG Options on TSX.

(c) **RTG may not be admitted to the official list of ASX**

In certain circumstances, the Schemes may be implemented without the listing of RTG on the official list of the ASX occurring; in which case RTG Shares and RTG Options listed on TSX only will be issued instead of RTG CDIs and RTG Option CDIs (see section 10.4 for more information).

There is also a risk that the RTG CDIs will be quoted on ASX but not the RTG Option CDIs.

RTG has no reason to believe that the RTG CDIs and RTG Option CDIs will not be admitted to quotation by ASX, subject only to the approval of the Schemes by the Court, the implementation of the Schemes as approved by the Court and usual customary conditions of ASX of a procedural or administrative nature.

(d) **RTG does not expect to pay dividends on RTG Shares in the foreseeable future**

RTG has never paid cash dividends on RTG Shares. RTG may choose to retain some or all of its future earnings, if any, to fund the development and growth of its business, thus reducing or eliminating the payment of cash dividends on RTG Shares for the foreseeable future. The payment of any future dividends will depend upon earnings and RTG's financial condition, current and anticipated cash needs and such other factors as the RTG Board considers appropriate. As a result, shareholders may have to rely on capital appreciation, if any, to earn a return on investment in RTG Shares in the foreseeable future. Furthermore, RTG may in the future become subject to contractual restrictions on, or prohibitions against, the payment of dividends.

Risks arising from the change of jurisdiction

(a) **Changes to corporate law environment**

As a company incorporated in BVI, RTG is not subject to many provisions of the Corporations Act to which Sierra is currently subject. It does, however, remain subject to some provisions of the Corporations Act as a result of its registration as a foreign company in Australia and will be subject to the ASX Listing Rules, if RTG is successfully listed on ASX. This will result in reduced investor and shareholder protections following implementation of the Scheme. For example, RTG Shareholders will not be afforded the takeover protection provisions contained in Chapter 6 of the Corporations Act and which are currently available to Sierra Shareholders. As set out in further detail in section 8 of this Scheme Booklet, no takeover protection is provided by the BVI Business Companies Act.

(b) **Changes to tax environment**

Should there be any changes in BVI tax law, in particular, if BVI imposes a dividend withholding tax regime, this could have an adverse cash impact on shareholders of RTG.

7.2 Risks related to Sierra

Risks relating to Sierra's activities in the Philippines

(a) **Specific title risks**

The current and future operations of Sierra in the Philippines, including exploration, appraisal and production activities, may be affected by a range of title risks associated with the Philippine tenements that Sierra has an interest in, these title risks include:

(i) **Cease and Desist Order – Mabilo EP-014-2013-V**

In September 2013, the Governor of Camarines Norte issued a Cease and Desist Order for activities at Mabilo Project EP-014-2013-V due to the purported failure to satisfy notification requirements. Sierra responded by confirming that it had satisfied all notification requirements. No further correspondence has been received on this matter, and following legal advice that only the Mines and Geosciences Bureau is authorised to issue a Cease and Desist Order in respect of Sierra's exploration activities, drilling activities recommenced shortly thereafter.

Full compliance with applicable laws and regulations is regarded as a minimum standard for all of Sierra's operations. Accordingly, Sierra works to ensure compliance with all relevant requirements at each of its projects, however, there remains a risk that further orders to delay Sierra's activities may be given in the future.

(ii) **Watershed Forest Reserve – Mabilo EP-014-2013-V**

Presidential Proclamation No. 318 established the Abasig-Matogdon-Mananap Watershed Forest Reserve as a protected area in the Province of Camarines Norte. Further, a Labo Municipal Ordinance No. 214 prohibits mining activities within a five (5)-kilometre radius from the designated watershed areas at various barangays of Labo, Camarines Norte, effectively increasing the area off-limits to mining activities. EP-014-2013-V is outside the area declared under Presidential Proclamation No. 318, however, part of the permit is within the five kilometre zone established by Municipal Ordinance No. 214.

In September 2013 Mt Labo was denied the opportunity to present its work program to the local authority on the basis that EP-014-2013-V falls partially within the protected area established by Municipal Ordinance No. 214. Sierra received legal advice that the Municipal Ordinance prohibiting mining activities within a five kilometre radius is without authority.

Sierra has continued its exploration activities in the area and is monitoring the legal position.

(iii) Provincial Ordinance – Environmental Ordinance and Resource Management

In October 2013, Mt Labo was provided with a copy of a draft Provincial Ordinance entitled “An ordinance on environmental regulations and resource management in the province of Camarines Norte”. The Provincial Ordinance seeks to impose environmental regulations and taxing measures on a range of activities, including mining operations. The measures include a 10% of fair market value extraction fee. Sierra provided its comments on the Draft Ordinance to the local authority.

The Provincial Ordinance was subsequently enacted and will directly affect the operations at the Mabilo Project. In January 2014, Mt Labo and joint venture partner, Galeo filed an appeal challenging the constitutionality or legality of certain revenue provisions of the Provincial Ordinance. The appeal is currently before the Philippine Courts.

(iv) Small Scale Mining Permit Operations

In September 2012, Mt Labo granted consent to a Small Scale Mining Permit (**SSMP**) within the boundaries of EP-014-2013-V. The consent was for a period of nine months and lapsed in June 2013. Following the cessation of the period of consent, Sierra wrote to the SSMP holder and requested that they cease all operations and to clean up the consent area. The MGB endorsed this request for the SSMP holder’s compliance.

In August 2013, Sierra wrote to MGB to record concerns regarding mining activity in the area and noted that it should not and cannot be held responsible for any socio-environmental impact caused by these activities within the boundaries of EP-014-2013-V.

Sierra understands that mining operations within the SSMP area have ceased, however, processing of ore from other locations may have continued. Whilst Sierra is not responsible for the actions of the SSMP holder, there is a risk that any legacy environmental issues may have a negative impact on the future operations of Sierra in the area.

(v) Claim for Royalty on Small Scale Mining Permit Production

Pursuant to the Mabilo Royalty Agreement dated 2 November 2011, a royalty is payable in favour of MC in the amount of 1% of the Net Mining Revenue (defined as Gross Output for a Quarter less Deductible Expenses) over EP-014-2013-V.

In 2012, Mt Labo granted consent to a SSMP holder within the boundaries of EP-014-2013-V. The SSMP entitles the holder to extract a maximum of 50,000 tonne ore per annum. Pursuant to the granting of the consent, the SSMP holder is required to pay to Mt Labo an amount equal to 1% of gross sales. Despite repeated requests, the SSMP holder is yet to pay any amount to Mt Labo and has not provided any production information. The SSMP and Mt Labo’s consent has subsequently expired, and Sierra understands that production has ceased.

Whilst Sierra has been unable to quantify the production from the SSMP, there remains a risk that it may be liable to pay a royalty to MC and that legal action may be taken.

(vi) Denial of APSA-V-002 and EP-118-XI

On 30 June 2011, Nalesbitan Project permit application APSA-V-002 was denied by the MGB Region V on the grounds that Mt Labo allegedly failed to complete the required publication, posting and radio announcement within one year from the date of acceptance of the application. Mt Labo filed a Motion for Reconsideration on 25 July 2011, which was denied on 15 May 2013. Mt Labo subsequently filed an Appeal with the MGB Central Office on 5 June 2013, which remains pending as of the date of this Scheme Booklet.

On 30 June 2011, the MGB Region XI denied Taguibo Project permit application EXPA-000118-XI on the ground that Bunawan had allegedly failed to complete the required publication, posting and radio announcement within one year from the date of acceptance of said application and the required consultation with all provincial boards concerned within two years from such acceptance. On 23 July 2012, Bunawan filed an appeal with the MGB Central Office.

Sierra believes there are good grounds for both appeals to be successful, however, there are no guarantees as to how long each appeal will take, nor as to the outcome.

(vii) Deferred Consideration

On 2 November 2011, Sierra, in conjunction with its Philippine associate, entered a Heads of Agreement to acquire Mt Labo, which holds the Nalesbitan and Mabilo Projects. Consideration for the acquisition included deferred consideration of 1.75M new ordinary Sierra shares plus cash consideration of A\$125,000 (**Deferred Consideration**). The Deferred Consideration was conditional on receiving approval of the Motion for Reconsideration of a Notice of Denial of the Nalesbitan APSA-V-002 within two years from the date of execution of the agreement. The two year period expired on 2 November 2013 and the Motion for Reconsideration had not been approved.

On 29 October 2013, one of the parties to the Heads of Agreement filed a Petition for Declaratory Relief in the Philippines seeking to extend the date for receiving the decision on the Motion for Reconsideration. The resolution of the applicable court denying the motion to dismiss filed by Mt Labo and Sierra is currently subject of a motion for partial reconsideration. Should the Court uphold the Petition, the period within which to receive approval of the Motion for Reconsideration may be extended by up to 600 days and the Deferred Consideration may still become payable.

(viii) Potential Legal Dispute over Conditional Agreement

Bunawan and Philsaga Mining Corporation (**Philsaga**) entered into a conditional agreement in August 2007. The conditional agreement, which was, amongst others, subject to Bunawan Board approval, provided for Philsaga, or a nominee, to acquire a 70% interest in the Bunawan Project incorporating Mineral Production Sharing Agreement Application 0003-XIII and Exploration Permit Application 037-XIII. The terms of the agreement were not approved by Bunawan's Board and Philsaga were advised in

April 2008 that the conditional agreement had not and would not be approved in its current form. Bunawan subsequently advised the Mines and Geosciences Bureau that the proposed conditional agreement was not enacted and the tenements remain under the full control of Bunawan for exploration and development at its discretion.

A Demand Letter for Arbitration under the rules of the Philippine Dispute Resolution Centre Inc. was received by Bunawan, however the case was subsequently dismissed in October 2009 following the withdrawal of Philsaga.

There are no guarantees that Philsaga will not make further claims in the future.

(ix) APSA-03-XIII – Claims

Bunawan Project permit APSA-03-XIII is subject to a number of claims including the cases of Valley Mining and Development Corp. vs. Safariland Resources Co. and PICOP Resources, Inc. vs. Safariland Resources Co.. APSA-03-XIII is held by Safariland Resources Co. on behalf of Bunawan by way of an assignment agreement.

The Valley Mining and Development Corp. and PICOP Resources, Inc. claims date back to 1998 and have not been progressed since then. Legal counsel for Bunawan (on behalf of Safariland Resources Co.) has entered appearance in Safariland Resources Co.'s case against PICOP Resources, Inc. to have the same dismissed. Records of the case initiated by Valley Mining and Development Corp. have recently been transmitted to counsel for review. The resolution of the claims may affect Bunawan's rights should APSA-03-XIII be transferred to it.

(x) Conversion of Mining Lease Contract MRD-459

Mining Lease Contract MRD-459 does not appear in the Region V Mining Tenements Status Report as of January 2014. Mt Labo has filed for the conversion of MRD-459 into a Mineral Production Sharing Agreement which is currently on hold pursuant to Executive Order No. 79 entitled "Institutionalizing and Implementing Reforms in the Philippine Mining Sector, Providing Policies and Guidelines to Ensure Environmental Protection and Responsible Mining in the Utilization of Mineral Resources" issued on 6 July 2012. Currently, the evaluation of the conversion of MLC MRD-459 is on hold pursuant to the foregoing Executive Order and there is no definite period for its approval. Hence, the same may be on hold for an indefinite period. Nevertheless, the rights covered by MRD-459 may be extended should the conversion be approved.

(xi) Exploration Permit Application EXPA-123-XI

Based on the Region XI Mining Tenements Status Report as of January 2014, EXPA-123-XI has been endorsed to the MGB Central Office and is awaiting the clearance of the MGB Director. Pending the clearance of the MGB Director, EXPA-123-XI is valid and existing. Upon clearance by the MGB Director, an exploration permit will be issued in lieu of EXPA-123-XI. However, there is no definite period within which clearance from the MGB Director shall be issued.

(xii) Exploration Permit Application EXPA-000188-V

Based on the Region V Mining Tenements Status Report as of January 2014, EXPA-000188-V has been filed with the MGB Central Office. Further, based on the Region V Mining Tenements Status Report, the same has been endorsed to the NCIP. The Region V Mining Tenements Status Report further states that EXPA-000188-V was amended to segregate areas closed to mining applications and the same is to be cleared by the MGB Central Office, the DENR, and the NCIP because of the inclusion of a new area in the original applied area. EXPA-000188-V is valid and existing, but is currently under review by the MGB Central Office because of the amendment of the area. There is no definite period of time within which the MGB Central Office is expected to approve or deny the amendment of the area. Further, the area covered by EXPA-000188-V may be enlarged or decreased based on the review of the MGB Central Office.

(xiii) Exploration Permit EP-01-06-XI

Based on the Complete List of Existing Exploration Permits as of 31 December 2013, EP-01-06-XI was approved on 18 October 2006 and was to expire on 18 October 2008. However, a Motion of Suspension of Operation Due to Force Majeure (“Motion of Suspension”) was filed in the case. The validity of EP-01-06-XI will be affected by the decision of the MGB Central Office on the Motion of Suspension. Should the MGB deem that the Motion for Suspension is invalid, EP-01-06-XI shall be considered expired as of 18 October 2008.

(b) **Exploration in the Republic of the Philippines**

The Philippines is a developing country with a democratic system of government, and well established and expanding mining industries.

There are, however, risks attaching to exploration and mining operations in a developing country which are not necessarily present in a developed country. These include economic, social or political instability or change, security concerns, hyperinflation, currency non-convertibility or instability and changes of law effecting foreign ownership, government participation, taxation, working conditions, rates of exchange, exchange control, exploration licensing, export duties as well as government control over mineral properties.

Any future material adverse changes in government policies or legislation in the Philippines that affect foreign ownership, mineral exploration, development or mining activities, may affect the viability and profitability of Sierra.

(c) **Political risks**

The 1987 Philippine Constitution restored a Presidential-style republican government to the Philippines. The President heads the executive branch of government and can serve no more than a single 6-year term. While the Presidency commands great prestige and moral authority, executive powers are constrained by constitutional safeguards designed to avoid a repetition of Marcos-era excesses. Personality and patronage form the basis of the Philippines' political system, and the bureaucracy suffers from insufficient transparency. Demonstrations against incumbent governments are a feature of Filipino life and reflect voter disaffection.

From time to time, the New People's Army that is located near the mining tenements impose demands (by way of access fee or contribution) which can increase exploration risk. The Australian Department of Foreign Affairs maintains a travel advisory level of 'high degree of caution' for travel to the Philippines as a whole and a 'reconsider your need to travel' advice warning for Eastern Mindanao.

While Sierra will be operating exploration projects in Eastern Mindanao, its properties are not located in high risk areas and are considered safe from the activities of rebel groups.

(d) **General title risks**

New mining legislation was introduced in the Philippines in 1995, which involved converting previous mineral tenements to the new title system. There are significant delays in the tenement approval process and some of the properties that Sierra will be exploring are still in the application stage. All companies investing in mineral exploration in the Philippines have to operate under similar conditions with the possibility of an application being rejected or challenged.

Moreover, the constitutionality of the fiscal regime between the Philippine government and mining investors in a Mineral Production Sharing Agreement under the Philippine Mining Act of 1995 is being assailed before the Philippine Supreme Court. It is alleged that under the currently fiscal regime for Mineral Production Sharing Agreements, the State is not receiving its just share in the development, use and exploitation of natural resources. Should the petitioners in the aforementioned Supreme Court case prevail, it is possible that a new fiscal regime will be adopted, resulting in a greater government share.

(e) **Land access**

Immediate access to mineral tenements in the Philippines cannot in all cases be guaranteed. In the Philippines, Sierra may be required to seek consent of land holders or other persons or groups with an interest in real property encompassed by, or adjacent to, Sierra's tenements. Compensation may be required to be paid by Sierra to land holders and occupiers so that Sierra may carry out exploration and/or mining activities. Native title exists in the Philippines and is governed by law. In the Philippines the free prior and informed consent of the affected indigenous groups have to be in place before a mineral tenement can be granted.

(f) **Foreign exchange risk**

International prices for various commodities, capital goods and services are denominated in United States dollars. Sierra's capital and ongoing expenditure is mostly denominated in either US dollars, or Philippine pesos, whilst income and expenditure of Sierra are and will be taken into account in Australian dollars. This exposes Sierra to the fluctuations and volatility of the rate of exchange between these currencies as determined by international currency markets.

7.3 Risks related to the Combined Group

Combined Group integration risks

There are risks that any integration between the businesses of RTG and Sierra may take longer than expected and that anticipated efficiencies and benefits of that integration may be less than

estimated. These risks include possible differences in the management culture of the two groups and the potential loss of key personnel.

(a) Risk factors relating to the operations of the Combined Group

The Combined Group may not realise the benefits currently anticipated due to challenges associated with integrating the business operations, exploration activities, technology and personnel of RTG and Sierra.

The success of the Combined Group will depend in large part on the success of management of the Combined Group in integrating the business operations, exploration activities, technologies and personnel of RTG and Sierra after the Effective Date. The failure of the Combined Group to achieve such integration could result in the failure of the Combined Group to realise any of the anticipated benefits of the Merger and could impair the results of operations, profitability and financial results of the Combined Group.

In addition, the overall integration of the business operations, exploration activities, technologies and personnel of RTG and Sierra into the Combined Group may result in unanticipated operational problems, expenses, liabilities and diversion of management's attention.

(b) The Combined Group may not realise the benefits of its growth projects

As part of its strategy, the Combined Group will continue existing efforts and initiate new efforts to develop new mineral projects. There are a number of risks and uncertainties that are associated with the development of these types of projects described below. The failure to develop one or more of these initiatives successfully could have an adverse effect on the Combined Group's financial position and results of operations.

Risks relating to the Combined Group's operations and industry

(a) Exploitation, exploration and mining licences

Exploration and mining activities are dependent upon the grant of appropriate licences, concessions, leases, permits and regulatory consents, which may be withdrawn or made subject to limitations. There is no guarantee that, upon completion of any exploration, a mining licence will be granted with respect to exploration territory. There can also be no assurance that any exploration licence will be renewed or if so, on what terms. These licences place a range of past, current and future obligations on the Sierra. In some cases there could be adverse consequences for breach of these obligations, ranging from penalties to, in extreme cases, suspension or termination of the relevant licence or related contract.

In addition, there are risks attaching to exploration and mining operations in a developing country which are not necessarily present in a developed country. These include economic, social or political instability or change, hyperinflation, currency instability and changes of law affecting foreign ownership, government participation, taxation, working conditions, rates of exchange, exchange control, exploration licensing, export duties as well as government control over mineral properties. Any future material adverse changes in government policies, representatives or legislation that affect foreign ownership, mineral exploration, development

or mining activities, may affect the viability and profitability of Combined Group's or rights to title or tenure.

(b) Nature of mineral exploration and mining

Mineral exploration and development is a speculative business, characterised by a number of significant uncertainties, these include failure to locate or identify mineral deposits, failure to achieve predicted grades in exploration or mining, operational and technical difficulties encountered in mining, difficulties in commissioning and operating plant and equipment, mechanical failure or plant breakdown, unanticipated metallurgical problems which may affect extraction costs, adverse weather conditions, industrial and environmental accidents, industrial disputes and unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment, fire, explosions and other incidents beyond the control of the Combined Group.

For example, unprofitable efforts may result not only from the failure to discover mineral deposits but also from finding mineral deposits that are insufficient in quantity and/or quality to return a profit from production. Even deposits that could be sufficient to provide a profit from production are not guaranteed to do so because management of the mining operation may fail to perform adequately. The marketability of minerals acquired or discovered by the Combined Group may be affected by numerous factors which are beyond the Combined Group's control and which cannot be accurately predicted, such as market fluctuations, the proximity and capacity of mining facilities, mineral markets and processing equipment, and other factors such as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and metals, and environmental protection, a combination of which may result in the Combined Group not receiving an adequate return on invested capital.

While the discovery of a mineral structure may result in substantial rewards, few properties that are explored are ultimately developed into economically viable operating mines. Major expenditures may be required to establish reserves by drilling, constructing, mining and processing facilities at a site, and it is possible that even preliminary due diligence will show adverse results, leading to the abandonment of projects. It is impossible to ensure that preliminary feasibility studies or full feasibility studies on the Combined Group's projects or the current or proposed exploration programmes on any of the properties in respect of which the Combined Group will have exploration rights will result in a profitable commercial mining operation.

The Combined Group's operations are subject to all of the hazards and risks normally incidental to the exploration, development and production of precious metals and base metals, any of which activities could result in damage to life or property, environmental damage and possible legal liability for any or all such damage caused. The Combined Group's activities may be subject to prolonged disruptions due to adverse weather conditions. Hazards, such as unusual or unexpected formations, rock bursts, pressures, cave-ins, flooding or other conditions may be encountered in the drilling and removal of material.

Development and operation of mines and production and processing facilities may also be affected by mechanical difficulties, operational errors, labour disputes, damage to or shortage

of equipment, earthquakes, fires or other natural disasters, civil unrest, leaks or pollution. These events are largely beyond the control of the Combined Group.

Whether a precious metal or a base metal deposit will be commercially viable depends on a number of factors, some of which are particular attributes of the deposit (such as its size and grade), proximity to infrastructure, financing costs and governmental regulations (including regulations relating to prices, taxes, royalties, infrastructure, land use, importing and exporting of precious metals or base metals and environmental protection). The effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Combined Group not receiving an adequate return on invested capital.

Operations in countries like the Philippines may involve an exposure to security related issues such as rebel activity which may cause physical damage to property or other damage to the assets of the Combined Group or employees and others. The basis for this activity may be personally motivated, by ideology or for commercial gain and the Combined Group may have limited control over or warning (if any) of such actions. Such actions could have an adverse effect on the Combined Group or perceptions.

(c) **Resource estimates**

Resource estimates are expressions of judgment based on knowledge, experience and industry practice. Estimates that were valid when made may change significantly when new information becomes available.

In addition, resource estimates are necessarily imprecise and depend to some extent on interpretations, which may prove to be inaccurate. Should the Combined Group encounter mineralisation or formations different from those predicted by past drilling, sampling and similar examinations, resource estimates may have to be adjusted and mining plans may have to be altered in a way which could adversely affect the Combined Group's operations.

(d) **Payment obligations**

Under the exploration permits and licences and certain other contractual agreements to which the Combined Group is or may in the future become party, the Combined Group is or may become subject to payment and other obligations. In particular, the permit holders are required to expend the funds necessary to meet the minimum work commitments attaching to the permits and licences. Failure to meet these work commitments will render the permit liable to be cancelled. Further, if any contractual obligations are not complied with when due, in addition to any other remedies which may be available to other parties, this could result in dilution or forfeiture of interests held by the Combined Group.

(e) **Commercial risks of mineral exploration and extraction**

Even if the Combined Group recovers quantities of minerals, there is a risk the Combined Group will not achieve a commercial return. The Combined Group may not be able to sell the minerals to customers at a price and quantity which would cover its operating and other costs.

The Combined Group may be subject to all the risks inherent in the establishment of a new mining operation with respect to the Combined Group's mineral assets that in the future move

to, the development phase. No assurances can be given to the level of viability that the Combined Group's operations may achieve.

(f) Commodity price volatility

It is anticipated that any revenues derived from mining will primarily be derived from the sale of precious and base metals. Consequently, any future earnings are likely to be closely related to the price of these commodities and the terms of any offtake agreements which it enters into.

Metal prices fluctuate and are affected by numerous factors beyond the control of the Combined Group. These factors include world demand for minerals and metals, forward selling by producers, and production cost levels in major mineral-producing regions.

Moreover, metal prices are also affected by macroeconomic factors such as expectations regarding inflation, interest rates and global and regional demand for, and supply of, the metal as well as general global economic conditions. These factors may have an adverse effect on the Combined Group's exploration, development and production activities, as well as on its ability to fund those activities.

(g) Dependence on key personnel

The Combined Group will be reliant on a number of key personnel. The loss of one or more of its key personnel could have an adverse impact on the business of the Combined Group.

Furthermore, it may be particularly difficult for the Combined Group to attract and retain suitably qualified and experienced people, given the current high demand in the industry and relative size of the Combined Group, compared with other industry participants.

(h) Insurance

While the Combined Group may obtain insurance against certain risks in such amounts as it considers adequate, the nature of these risks are such that liabilities could exceed policy limits or that certain risks could be excluded from coverage. There are also risks against which the Combined Group cannot insure or against which it may elect not to insure. The potential costs that could be associated with any liabilities not covered by insurance or in excess of insurance coverage may cause substantial delays and require significant capital outlays, adversely affecting the Combined Group's earnings and competitive position in the future and, potentially, its financial position. In addition, the potential costs that could be associated with compliance with applicable laws and regulations may also cause substantial delays and require significant capital outlays, adversely affecting the Combined Group's earnings and competitive position in the future and, potentially, its financial position.

(i) Competition

The mining industry is intensely competitive in all of its phases and the Combined Group will compete with many companies possessing greater financial and technical resources than the Combined Group. Competition in the minerals and mining industry is primarily for mineral rich properties that can be developed and produced economically; the technical expertise to find, develop, and operate such properties; the labour to operate the properties; and the capital for

the purpose of funding such properties. Many competitors not only explore for minerals, but conduct refining and marketing operations on a global basis. Such competition may result in the Combined Group being unable to acquire desired properties, to recruit or retain qualified employees or to acquire the capital necessary to fund its operations and develop its properties. Existing or future competition in the mining industry could materially adversely affect the Combined Group's prospects for mineral exploration and success in the future.

(j) **New projects and acquisitions**

The Combined Group proposes to actively seek acquisitions that may add value to the Combined Group. The acquisition of new business opportunities (whether completed or not) may require the payment of monies (as a deposit and/or exclusivity fee) after only limited due diligence and prior to the completion of comprehensive due diligence. There can be no guarantee that any proposed acquisition will be completed or be successful. If the proposed acquisition is not completed, monies already advanced may not be recoverable, which may have a material adverse effect on the Combined Group.

If an acquisition is completed, the Board will need to re-assess, at that time, the funding allocated to current projects and new projects and/or the raising of additional capital (if available). Furthermore, notwithstanding that an acquisition may proceed upon the completion of due diligence, the usual risks associated with mining and exploration activities will remain.

(k) **Dilution**

The Combined Group may require additional funds to fund its exploration and development programs and potential acquisitions. If the Combined Group raises additional funding by issuing additional equity securities, such financing may substantially dilute the interests of RTG Shareholders.

Furthermore, future RTG agreements may, and a number of RTG's existing agreements do, provide for additional issuances of RTG Shares that may result in dilution to shareholders.

Issuances of substantial amounts of RTG's securities, or the availability of such securities for sale, could adversely affect the prevailing market prices for RTG's securities. A decline in the market prices of RTG's securities could impair RTG's ability to raise additional capital through the sale of securities should it desire to do so.

(l) **Environmental risk**

The exploration for minerals, development of mines and production of metals can be hazardous to the environment and environmental damage may occur that is costly to remedy. If the Combined Group is responsible for any environmental damage, the Combined Group may incur substantial remediation costs or liabilities to third parties.

The Combined Group may be involved in operations that may be subject to environmental and safety regulation (including regular environmental impact assessments and permitting). This may include a wide variety of matters, such as prevention of waste, pollution and protection of the environment, labour regulations and worker safety. The regulations may change in a manner that may require stricter or additional standards than those currently in effect, a

heightened degree of responsibility for companies and their directors and employees and more stringent enforcement of existing laws and regulations. There may also be unforeseen environmental liabilities resulting from exploration and development activities, which may be costly to remedy. In particular, the acceptable level of pollution and the potential clean up costs and obligations and liability for toxic or hazardous substances for which the Combined Group may become liable as a result of its activities may be impossible to assess against the current legal framework and current enforcement practices. There is no assurance that future changes in environmental regulation will not adversely affect the activities of the Combined Group.

More specifically, the operations of the Combined Group are subject to extensive environmental, health, and safety regulation relating to the safety and health of employees, the protection of air and water quality, hazardous waste management, and mine reclamation in the jurisdictions in which they operate. These regulations establish limits and conditions on the ability of a mining company to conduct its operations. The cost of compliance with these regulations can be significant. The regulatory environment could change in ways that would substantially increase its liability or the costs of compliance and that could have material effect on operations or financial position of the Combined Group.

7.4 Common Risk Factors to RTG and Sierra

(a) **Investment in publicly quoted securities**

Prospective investors should be aware that the value of RTG Shares or RTG Options may go down as well as up and that the market price of RTG Shares or RTG Options may not reflect the underlying value of RTG. Investors may therefore realise less than, or lose all of, their investment.

(b) **Potentially volatile share price and liquidity**

The share price of emerging companies quoted on ASX can be highly volatile and shareholdings illiquid. The price at which RTG Shares and RTG Options are quoted and the price at which investors may realise their RTG Shares or RTG Options may be influenced by a significant number of factors, some specific to RTG and its operations and some which affect quoted companies generally. These factors could include the performance of RTG, large purchases or sales of RTG Shares or RTG Options, legislative changes and general, economic, political or regulatory conditions.

(c) **Market perception**

The market price of RTG Shares and RTG Options could be subject to significant fluctuations due to a change in sentiment in the market following implementation of the Scheme.

Any such fluctuations could result from national and global economic and financial conditions, the market's response to the Merger, changes in metal prices, market perceptions of Sierra, regulatory changes affecting RTG's operations, variations in RTG's operating results, business developments of RTG companies or their competitors and liquidity of financial markets.

The operating results and prospects of RTG from time to time may be below the expectations of market analysts and investors. Any of these events could result in a decline in the market price of RTG Shares and RTG Options.

(d) **Economic risk**

Changes in the general economic climate in which Sierra and RTG operate may adversely affect the financial performance of the Combined Group. Factors that may contribute to that general economic climate include the level of direct and indirect competition against the Combined Group, industrial disruption, the rate of growth of gross domestic product in Australia and the Philippines or any other country in which the Combined Group will operate, interest rates and the rate of inflation.

(e) **Changes in government policies and legislation**

Any material adverse changes in government policies or legislation of Australia and the Philippines or any other country where the Combined Group may acquire economic interests may affect the viability and profitability of the Combined Group.

(f) **Future capital needs and additional funding**

The future capital requirements of the Combined Group will depend on many factors including the results of future exploration and work programs.

Should the Combined Group require additional funding there can be no assurance that additional financing will be available on acceptable terms, or at all. Any inability to obtain additional finance, if required, would have a material adverse effect on the Combined Group's business and its financial condition and performance.

If the Combined Group is unable to secure capital through credit facilities or other arrangements, it may have to finance projects using equity financing which will have a dilutive effect on the Combined Group shares.

8. Summary of Certain Aspects of BVI Law, Canadian Law and TSX Rules

8.1 Introduction

Sierra is a public company registered under Australian law and admitted to the official list of ASX.

RTG is a company registered under the laws of the British Virgin Islands, listed on TSX and a "reporting issuer" under applicable securities laws in the Canadian Jurisdictions. As RTG is a "reporting issuer" in the Canadian Jurisdictions it is also subject to the securities laws of the Canadian Jurisdictions.

If the Schemes are implemented, Sierra Securityholders who receive RTG CDIs and RTG Option CDIs (quoted on ASX) or RTG Shares and RTG Options (listed on TSX) will hold shares and options in a company registered in the British Virgin Islands, rather than a company registered in Australia, and listed on TSX.

As a company registered under the laws of the British Virgin Islands listed on TSX and a reporting issuer in the Canadian Jurisdictions, RTG:

- (a) will be subject to the provisions of the BVI Business Companies Act and will not be subject to many provisions of the Corporations Act;
- (b) will be subject to BVI taxation laws, which may have different consequences for Sierra Shareholders than Australian taxation laws;
- (c) will be subject to the TSX Rules; and
- (d) will be subject to the securities laws of the Canadian Jurisdictions.

A summary of the significant provisions of the BVI Business Companies Act, RTG's memorandum of association and articles of association (**Articles**), the TSX Rules and the securities laws of the Canadian Jurisdictions to which RTG will be subject, and some of the key differences from the equivalent provisions of the Corporations Act, is set out in sections 8.2 and 8.3 respectively. A summary of BVI tax considerations that are relevant to holding shares or options in a company incorporated in the British Virgin Islands is set out in section 8.4.

8.2 Summary of certain provisions of BVI law

Set out below is a summary of certain provisions of BVI company law, and the Articles. It is important that this summary be read in conjunction with the Articles of RTG. Copies of RTG's Articles are available by searching for the public documents filed by RTG on the SEDAR website www.sedar.com.

The following statements are general summaries, and they do not address all aspects of BVI law that may be relevant to RTG or its shareholders.

(a) **General meetings**

Any director may convene a general meeting at such times and in such place as the director considers necessary or desirable. Each RTG Shareholder is entitled to receive not less than seven days notice of every general meeting and to receive all notice, accounts and other documents required to be sent to members under RTG's Articles, BVI law or TSX Rules.

RTG Shareholders can convene a general meeting provided RTG Shareholders entitled to exercise 5% or more of the voting rights in respect of the matter for which the meeting is requested make such request in writing. The Articles provide that RTG will hold annual general meetings in accordance with TSX Rules (i.e. within 6 months of the end of RTG's financial year).

See comparison in section 8.3(b).

(b) **Voting rights**

Each RTG Share confers upon the RTG Shareholder the right to one vote at a meeting of RTG Shareholders or on any written resolution of RTG Shareholders. A RTG Shareholder may be represented at a meeting of RTG Shareholders by a proxy who may speak and vote on behalf of the RTG Shareholder appointing him.

Holders of RTG CDIs will have the right to direct CDN to exercise the voting rights attached to the underlying RTG Shares.

See comparison in section 8.3(c).

(c) **Dividends**

Each RTG Share confers on the RTG Shareholder the right to an equal share in any distributions paid by RTG. The directors of RTG may by resolution of directors authorise a distribution at a time and of an amount they think fit if they are satisfied, on reasonable grounds, that immediately after the distribution, the value of RTG's assets will exceed its liabilities and RTG will be able to pay its debts as they fall due. Distributions may be paid in money, RTG Shares or other property. Notice of any dividend that may have been declared shall be given to each RTG Shareholder as specified in the Articles and all distributions unclaimed for 3 years after having been declared may be forfeited by resolution of directors for the benefit of RTG.

Holders of RTG CDIs will have the right to receive any distributions or dividends paid by RTG to RTG Shareholders from time to time.

(d) **Issue of RTG Shares**

RTG Shares and other securities may be issued at such times, to such persons, for such consideration and on such terms as the directors may by resolution determine. Since the optional statutory pre-emption rights in the BVI Business Companies Act have not been adopted, there are no pre-emptive rights in favour of existing RTG Shareholders under BVI law or the Articles in respect of further issues of RTG Shares, options or other RTG Securities.

See comparison in section 8.3(d).

(e) **Buy-backs**

RTG may redeem, purchase or otherwise acquire all or any RTG Shares with the consent of the RTG Shareholders whose RTG Shares are to be redeemed, purchased or acquired, or without the consent of the relevant RTG Shareholders where permitted by the BVI Business Companies Act or any other provisions of the Articles. RTG may only offer to acquire RTG Shares if, at the relevant time, the directors determine by resolution of directors that immediately after the acquisition the value of RTG's assets will exceed its liabilities and RTG will be able to pay its debts as they fall due.

See comparison in section 8.3(a).

(f) **Transfer of shares**

RTG Shares may be transferred by a written instrument of transfer signed by the transferor which contains the name and address of the transferee. The transfer of a RTG Share is effective when the name of the transferee is entered on the register of members of RTG. The RTG Directors may not resolve to refuse or delay the transfer of a RTG Share unless the relevant RTG Shareholder has failed to pay an amount due in respect of that RTG Share.

See comparison in section 8.3(e).

(g) **Variation of rights attaching to shares**

The rights attaching to RTG Shares may only, whether or not RTG is being wound up, be varied with the consent in writing of or by a resolution passed by the holders of more than $66\frac{2}{3}$ of the votes cast at the meeting duly constituted.

See comparison in section 8.3(m).

(h) **Amendments to Articles**

Subject to such requirement for such consent, RTG may amend its Articles by a resolution of RTG Shareholders or a resolution of directors, save that no amendment may be made by a resolution of directors:

- (i) to restrict the rights or powers of the RTG Shareholders to amend the Articles;
- (ii) to change the percentage of RTG Shareholders required to pass a resolution of RTG Shareholders to amend the Articles;
- (iii) in circumstances where the Articles cannot be amended by the RTG Shareholders; or
- (iv) to various clauses in the Memorandum governing the rights of RTG Shares.

See comparison in section 8.3(f).

(i) **Duties of directors**

Under BVI law, RTG's directors owe fiduciary duties at both common law and under statute, including a statutory duty to act honestly, in good faith and in what the director believes are the best interests of RTG. When exercising powers or performing duties as a director, the director is required to exercise the care, diligence and skill that a responsible director would exercise in the same circumstances taking into account, without limitation, the nature of the company, the nature of the decision and the position of the director and the nature of the responsibilities undertaken by him. In exercising the powers of a director, the directors are required to exercise their powers for a proper purpose and must not act or agree to the company acting in a manner that contravenes the Articles or the BVI Business Companies Act.

(j) **Protection of minority shareholders**

The enforcement of RTG's rights will ordinarily be a matter for the RTG Directors. In certain limited circumstances, a shareholder may have the right to seek certain remedies against RTG in the event the directors are in breach of their duties under the BVI Business Companies Act. Pursuant to section 184B of the BVI Business Companies Act, if a company or director of a company engages in, or proposes to engage in, conduct that contravenes the provisions of the BVI Business Companies Act or the Articles, a BVI Court may, on application of a shareholder or director of the company, make an order directing the company or director to comply with, or restraining the company or director from engaging in conduct that contravenes the BVI Business Companies Act or the Articles.

Furthermore, pursuant to section 184I of the BVI Business Companies Act a RTG Shareholder who considers that the affairs of the company have been, are being or are likely to be, conducted in a manner that is, or any acts of RTG have been, or are likely to be oppressive, unfairly discriminatory, or unfairly prejudicial to him in that capacity, may apply to the BVI Court for an order which, among other things, can require the company or any other person to pay compensation to shareholders. Under section 184G of the BVI Business Companies Act, a shareholder of a company may bring an action against the company for breach of a duty owed by the company to him as a shareholder. Under section 184C of the BVI Business Companies Act, a shareholder also may, with the permission of the BVI court, bring an action or intervene in a matter in the name of the company, in certain circumstances. Such actions are known as derivative actions. As noted above, the BVI court may only grant permission to bring a derivative action where the following circumstances apply:

- (i) the company does not intend to bring, diligently continue or defend or discontinue proceedings; and
- (ii) it is in the interests of the company that the conduct of the proceedings not be left to the directors or to the determination of the shareholders as a whole.

When considering whether to grant leave, the BVI court is also required to have regard to the following matters:

- (i) whether the shareholder is acting in good faith;
- (ii) whether a derivative action is in the company's best interests, taking into account the directors' views on commercial matters;

- (iii) whether the action is likely to proceed;
- (iv) the costs of the proceedings; and
- (v) whether an alternative remedy is available.

Any shareholder of a company may apply to BVI court under the Insolvency Act, 2003 of the BVI, or the BVI Business Companies Act, for the appointment of a liquidator to liquidate the company and the court may appoint a liquidator for the company if it is of the opinion that it is just and equitable to do so.

See comparison in section 8.3(l).

(k) **Directors – Election, retirement and removal**

At every annual general meeting, RTG Shareholders are entitled to vote elect a board of directors. All the directors cease to hold office immediately before the election or appointment of directors at the annual general meeting, but are eligible for re-election or re-appointment.

If RTG fails to hold an annual general meeting or the RTG Shareholders fail at the annual general meeting to elect or appoint any directors, each director then in office continues to hold office until the earlier of:

- (i) the date on which his or her successor is elected or appointed; and
- (ii) the date which he or she otherwise ceases to hold office under the BVI Business Companies Act or the Articles.

A director may be removed from office:

- (i) with or without cause by a resolution of shareholders passed at a meeting of RTG Shareholders called for the purpose of removing the director or for purposes including the removal of the director or by a written resolution passed by at least seventy-five per cent of the RTG Shareholders entitled to vote; or
- (ii) with cause by a resolution of directors passed at a meeting of directors called for the purpose of removing the director or for purposes including the removal of the director.

The directors may at any time appoint any person to be a director either to fill a vacancy or as an addition to the existing directors. Where the directors appoint a person to fill a vacancy, the term shall not exceed the term that remained when the person who has ceased to be a director ceased to hold office.

A vacancy in relation to directors occurs if a director dies or otherwise ceases to hold office prior to the expiration of his term of office.

(l) **Interested directors**

A director of RTG who is interested in a transaction entered into or to be entered into by RTG:

- (i) is not permitted to vote on any resolution to approve the contract or transaction unless the contract or transaction:
 - (A) relates primarily to his or her remuneration as a director, officer, employee or agent of RTG or an affiliate;
 - (B) is for an indemnity or insurance; or
 - (C) is with an affiliate;
- (ii) may attend a meeting of directors at which a matter relating to the transaction arises and be included among the directors present at the meeting for the purposes of a quorum; and
- (iii) may sign a document on behalf of RTG, or do any other thing in his capacity as a director,

that relates to the transaction. Such a director, subject to compliance with the act shall not, by reason of his office be accountable to RTG for any benefit which he derives from such transaction and no such transaction shall be liable to be avoided on the grounds of such interest or benefit.

See comparison in section 8.3(o) and RTG's proposed amendments to the Articles as summarised in section 6.1(c).

(m) **Takeovers**

As a BVI incorporated company, RTG will not be subject to the takeover regime in Chapter 6 of the Corporations Act, and there are currently no specific listed company takeover provisions or code under the laws of BVI. In particular, unlike under the Corporations Act there are no statutory restrictions under BVI company law on a person acquiring interests in the voting shares of a listed BVI company, regardless of the voting power those shares confer on their holder.

In the event of a takeover, Canadian securities law may also apply. See section 8.3(g)(iii) for further details.

(n) **Mergers, Consolidations, Plans of Arrangement and Schemes of Arrangement**

Under the BVI Business Companies Act, two or more companies may either merge into one of such existing companies, known as the surviving company, or consolidate with the existing companies ceasing to exist and forming a new company, known as the consolidated company. The procedure for a merger or consolidation between a BVI business company and another company (which need not be a BVI company, and which may be the company's parent, but need not be) is set out in the BVI Business Companies Act.

The directors of the BVI company or BVI companies which are to merge or consolidate must approve a written plan of merger or consolidation which must also be approved by a resolution of a majority of the shareholders who are entitled to vote and actually vote at a quorate meeting of shareholders (being not less than two shareholders present in person or by

proxy) or by written resolution of the shareholders of the BVI company or BVI companies which are to merge. Some or all of the shares of the same class of shares in each constituent company may be converted into a particular or mixed kind of assets and other shares of the class, or all shares or other classes of shares, may be converted into other assets. Consequently, mergers have been used as a structure under which majority shareholders can compulsorily buy out minority shareholders for cash subject to the approval of a simple majority of shareholders who vote in relation to the merger.

A foreign company which is able under the laws of its foreign jurisdiction to participate in the merger or consolidation is required by the BVI Business Companies Act to comply with the laws of that foreign jurisdiction in relation to the merger or consolidation. The merging companies must execute articles of merger (or consolidation), containing a plan of merger (or consolidation) each including certain prescribed details. The plan of merger (or consolidation) and articles of merger (or consolidation) are then filed with the Registrar of Corporate Affairs in the BVI. The Registrar of Corporate Affairs will then register the articles of merger (or consolidation) and any amendment to the memorandum and articles of the surviving company in a merger, or the memorandum and articles of association of the new consolidated company in a consolidation, and issues a certificate of merger or consolidation. Where the surviving company or consolidated company is a BVI company, the merger or consolidation is effective on the date that the articles of merger or consolidation are registered with the Registrar of Corporate Affairs or on such subsequent date, not exceeding thirty days, as is stated in the articles of merger or consolidation. Where the surviving company or consolidated company is incorporated outside the BVI, the merger or consolidation is effective as provided by the laws of that jurisdiction.

As soon as a merger or consolidation becomes effective:

- (i) the surviving company or consolidated company (so far as is consistent with its amended memorandum and articles, as amended or established by the articles of merger or consolidation) has all rights, privileges, immunities, powers, objects and purposes of each of the constituent companies;
- (ii) the amended memorandum and articles of any surviving company are automatically amended to the extent, if any, that changes to its amended memorandum and articles are contained in the articles of merger;
- (iii) assets of every description, including choses-in-action and the business of each of the constituent companies, immediately vest in the surviving company or consolidated company;
- (iv) the surviving company or consolidated company is liable for all claims, debts, liabilities and obligations of each of the constituent companies;
- (v) no conviction, judgment, ruling, order, claim, debt, liability or obligation due or to become due, and no cause existing, against a constituent company or against any shareholder, director, officer or agent thereof, is released or impaired by the merger; and

- (vi) no proceedings, whether civil or criminal, pending at the time of a merger by or against a constituent company, or against any shareholder, director, officer or agent thereof, are abated or discontinued by the merger; but:
 - (A) the proceedings may be enforced, prosecuted, settled or compromised by or against the surviving company or consolidated company or against the shareholder, director, officer or agent thereof; as the case may be; or
 - (B) the surviving company or consolidated company may be substituted in the proceedings for a constituent company.

The BVI Registrar of Corporate Affairs will strike off the register of companies each constituent BVI company that is not the surviving company in the case of a merger and all constituent BVI companies in the case of a consolidation.

If the directors determine it to be in the best interests of the company, it is also possible for a merger to be structured as a court approved plan of arrangement or scheme or arrangement in accordance with the BVI Business Companies Act. The convening of the necessary shareholders meetings and subsequently the arrangement must be authorised by the BVI court. A scheme of arrangement requires the approval of a majority in number of shareholders holding at least 75% in value of the shares of each class who vote in person or by proxy at meetings of the holders of such class. If the effect of the scheme is different in relation to different shareholders, it may be necessary for them to vote separately in relation to the arrangement, with it being required to secure the requisite approval level of each separate voting group. Under a plan of arrangement, a BVI court may determine what shareholder approvals are required and the manner of obtaining the approval. The effect of a scheme of arrangement or plan of arrangement on the company, its shareholders, assets and liabilities will depend on the particular terms and conditions of the scheme of arrangement or plan of arrangement.

See comparison in section 8.3(m).

(o) **Compulsory redemption of minority RTG Shareholder's shares**

Under the BVI Business Companies Act, subject to any limitations in a company's memorandum or articles, shareholders holding 90% of the votes of the outstanding shares entitled to vote, and shareholders holding 90% of the votes of the outstanding shares of each class of shares entitled to vote, may give a written instruction to the company directing the company to redeem the shares held by the remaining members. This right has not been limited in the Articles. Upon receipt of such written instruction, RTG would redeem the RTG Shares specified in the written instruction, irrespective of whether or not such RTG Shares are by their terms redeemable. RTG must give written notice to each RTG Shareholder whose RTG Shares are to be redeemed stating the redemption price and the manner in which the redemption is to be effected. A member whose shares are to be so redeemed is entitled to dissent from such redemption, and to be paid the fair value of his shares, as described under "Appraisal Rights" below.

See comparison of the compulsory acquisition power under Australian law in section 8.3(g).

(p) **Appraisal rights**

The BVI Business Companies Act provides that any RTG Shareholder is entitled to payment of the fair value of his shares upon dissenting from any of the following:

- (i) a merger if RTG is a constituent company, unless RTG is the surviving company and the RTG Shareholder continues to hold the same or similar shares;
- (ii) a consolidation if RTG is a constituent company;
- (iii) any sale, transfer, lease, exchange or other disposition of more than 50% in value of the assets or business of the company if not made in the usual or regular course of the business carried on by the company (unless, as the case of RTG, such appraisal right is excluded in the Articles) but not including:
 - (A) a disposition pursuant to an order of the court having jurisdiction in the matter,
 - (B) a disposition for money on terms requiring all or substantially all net proceeds to be distributed to the shareholders in accordance with their respective interest within one year after the date of disposition, or
 - (C) a transfer pursuant to the power of the directors to transfer assets for the protection thereof;
- (iv) compulsory redemption of 10%, or fewer of the issued shares of RTG required by the holders of 90%, or more of the shares of the company pursuant to the terms of the BVI Business Companies Act; and
- (v) a plan of arrangement, if permitted by the BVI court.

(q) **Liquidation**

RTG presently has only issued one class of shares, which all rank equally in the event of liquidation. RTG may by resolution of RTG Shareholders or by a resolution of directors (subject to the BVI Business Companies Act) appoint a voluntary liquidator.

Following the payment or discharge of, all claims, debts, liabilities and obligations of RTG, any surplus assets shall then be distributed amongst RTG Shareholders in accordance with the Articles.

See comparison in section 8.3(j).

(r) **Inspection of corporate records**

Under the BVI Business Companies Act, a RTG Shareholder, on payment of a nominal fee, can obtain copies of the public records of RTG available at the office of the BVI Registrar of Corporate Affairs which will include RTG's certificate of incorporation, the current Articles and records of license fees paid to date, and will also disclose any articles of dissolution, articles of merger and a register of registered charges given by the company if the company has elected to file such a register.

Under the BVI Business Companies Act, a RTG Shareholder is entitled, at no cost, on giving written notice to RTG, to inspect:

- (i) the memorandum and articles of association;
- (ii) the register of shareholders;
- (iii) the register of directors; and
- (iv) the minutes of meetings and resolutions of shareholders and of those classes of shares of which he is a shareholder.

In addition, a RTG Shareholder may make copies of or take extracts from the documents and records referred to in (a) through (d) above.

However, the RTG Directors may, if they are satisfied that it would be contrary to RTG's interests to allow a RTG Shareholder to inspect any document, or part of any document, specified in (ii), (iii) or (iv) above, refuse to permit the shareholder to inspect the document or limit the inspection of the document, including limiting the making of copies or the taking of extracts from the records.

Where a company fails or refuses to permit a shareholder to inspect a document or permits a shareholder to inspect a document subject to limitations, that shareholder may apply to the court for an order that he should be permitted to inspect the document or to inspect the document without limitation.

(s) Transactions requiring shareholder approval

Mergers, consolidations, schemes of arrangement and plans of arrangement require shareholder approval as described above. The compulsory redemption of a minority RTG Shareholder's RTG Shares would require approval by RTG Shareholders holding 90% of the RTG Shares as described above. The BVI Business Companies Act provides that subject to the Articles any sale, lease, exchange or other disposition other than a mortgage, charge or other encumbrance or the enforcement thereof, of more than fifty per cent in value of the assets of RTG, if not made in the usual or regular course of business carried on by RTG, requires approval by a resolution of shareholders. However, the Articles provide that the directors may by resolution of directors determine that any sale, lease, exchange or other disposition is in the regular course of business carried on by RTG and such determination is in the absence of fraud conclusive.

(t) Maintenance of financial records

There is no statutory requirement as a matter of BVI law for RTG to file or prepare formal accounts. The BVI Business Companies Act requires that RTG keep records that:

- (i) are sufficient to show and explain RTG's transactions; and
- (ii) will at any time enable the financial position of RTG to be determined with reasonable accuracy.

See comparison in section 8.3(p).

(u) **Information to be sent to security holders**

There are no specific BVI laws currently in force requiring (or regulating the form of) disclosure of information to the holders of RTG Securities.

8.3 Comparison of key differences between Corporations Act, BVI law, Canadian law and applicable TSX Rules

The summary set out below is a general description of some of the principal differences between the Corporations Act, BVI Business Companies Act, TSX Rules and securities laws of the Canadian Jurisdictions. It is provided as a general guide only and does not purport to be a comprehensive analysis of all the consequences resulting from holding, acquiring or disposing shares subject to these laws. The laws, regulations, policies and procedures described below are subject to change from time to time.

(a) **Share buy-backs and capital reductions**

(i) Australian law

Under Australian law, a company may reduce its share capital if the reduction is fair and reasonable to the company's shareholders as a whole, does not materially prejudice the company's ability to pay its creditors and is approved by shareholders in accordance with the Corporations Act and relevant filings are made and the statutory time period is adhered to. If the reduction is an equal reduction, it must be approved by an ordinary resolution passed at a general meeting of the company. However, if the reduction is a selective reduction, it must be approved by either a:

- (A) special resolution passed at general meeting of the company with no votes cast by those who are to receive consideration as part of the reduction; or
- (B) a resolution agreed to at a general meeting by all ordinary shareholders. In addition, if the reduction involves the cancellation of shares, it must also be approved by a special resolution passed at a meeting of the shareholders whose shares are to be cancelled.

Under Australian law, a company may buy back its own shares if the buy-back does not materially prejudice the company's ability to pay its creditors and the company follows the procedures laid down in the Corporations Act. The Corporations Act provides that:

- (A) shareholder approval by ordinary resolution will be required if the buy-back will exceed more than 10% of the company's issued capital within a 12 month period; and
- (B) shareholder approval will be required by special resolution if the buy-back will not qualify as an equal access buy-back (a buy-back will qualify as an equal access buy-back if it, among other things, it relates only to ordinary shares and the offer is made equally to all holders of ordinary shares, otherwise the buy-back will be a selective buy-back).

(ii) BVI law

The BVI Business Companies Act provides that a company may purchase, redeem or otherwise acquire its own shares, either in accordance with the procedures set out in the BVI Business Companies Act, or any other procedure as provided for in the company's memorandum and articles of association. The BVI Business Companies Act procedures do not apply to a company to the extent that they are negated, modified or inconsistent with the provisions contained in a company's memorandum and articles. The BVI Business Companies Act procedures have been negated in the Articles and therefore do not apply to RTG.

The Articles provide that RTG may redeem, purchase or otherwise acquire all or any RTG Shares with the consent of the RTG Shareholders whose RTG Shares are to be redeemed, purchased or acquired, or without the consent of the relevant RTG Shareholders where permitted by the BVI Business Companies Act or any other provisions of the Articles. RTG may only offer to acquire RTG Shares if, at the relevant time, the directors determine by resolution of directors that immediately after the acquisition the value of RTG's assets will exceed its liabilities and RTG will be able to pay its debts as they fall due.

Under BVI law RTG may hold shares that have been purchased, redeemed or otherwise acquired as treasury shares if each of the following conditions is satisfied:

- (A) the Articles do not prohibit it from holding treasury shares (the Articles do expressly permit it holding treasury shares);
- (B) the directors resolve that shares to be purchased, redeemed or otherwise acquired shall be held as treasury shares;
- (C) the number of shares purchased, redeemed or otherwise acquired, when aggregated with shares of the same class already held by RTG as treasury shares, does not exceed 50% of the shares of that class previously issued by RTG, excluding shares that have been cancelled; and
- (D) if the Articles permit the directors to pass a resolution for the appointment of a voluntary liquidator and the shareholders have, by resolution, approved the liquidation plan.

All the rights and obligations attaching to a treasury share are suspended and cannot be exercised by or against the company while it holds a share as a treasury share.

(iii) TSX Rules

TSX Rules permit RTG, subject to at least two clear trading days prior notice by RTG, to conduct a normal course buy-back (known as a "normal course issuer bid" in Canada) for RTG Shares for a period of up to one year. A variety of restrictions are imposed on RTG with respect to the buy-back, including limitations on the size and price at which RTG Share purchases can be made. As part of a buy-back, RTG will have to issue a press release summarizing the material aspects of the contents of the notice, including the number of RTG Shares it intends to repurchase, the reason for the buy-back and details

of any previous purchase of RTG Shares in the past 12 months. Within ten days of the end of any month in which normal course buy-back purchases are made, RTG will have to report to TSX the average prices and dispositions of the RTG Shares that have been purchased.

(iv) Canadian securities laws

Requirements similar to the takeover bid rules in the Canadian Jurisdictions, described in section 8.3(g)(iii), apply to reporting issuers conducting a buy-back of their shares. However, one of the exemptions from the buy-back requirements under applicable Canadian securities laws is the "normal course buy-back exemption" (referred to as a "normal course issuer bid exemption" in Canada), which applies to RTG as a TSX listed company. Accordingly, RTG is exempt from the buy back rule requirements if RTG's bid for the purchase of RTG Shares is made in the normal course in accordance with the TSX Rules.

(b) **Shareholder meetings**

(i) Australian law

Any director may convene a general meeting at such times and in such place as the director considers necessary or desirable. Each shareholder is entitled to receive not less than twenty eight days notice of every general meeting and to receive all notice, accounts and other documents required to be sent to members. An Annual General Meeting must be held once per year and within five months of the end of the financial year. There is no requirement to hold the Annual General Meeting in Australia.

Shareholders entitled to exercise 5% or more of the voting rights can requisition a general meeting.

(ii) BVI Law

Any director may convene a general meeting at such times and in such place within or outside the BVI as the director considers necessary or desirable. Each shareholder is entitled to receive not less than seven days notice of every general meeting.

There is no BVI law statutory requirement to hold annual general meetings. However, the Articles provide that RTG will hold annual general meetings in accordance with TSX Rules.

Shareholders can convene a general meeting provided shareholders entitled to exercise 5% or more of the voting rights in respect of the matter for which the meeting is requested make such request in writing.

(iii) TSX Rules

The TSX Rules require RTG to hold an annual meeting of shareholders no later than six months after the end of RTG's financial year.

(c) **Voting rights**

(i) Australian law

Each member is entitled to one vote on a show of hands and on a poll each shareholder has one vote for every fully paid share. Quorum for a shareholders meeting is usually 3 persons.

If the Corporations Act or the ASX Listing Rules require that some members are not to vote on a resolution or that votes cast by some members may be disregarded in order for the resolution to have the intended effect, and the notice of meeting at which the resolution was proposed states that fact, the company must not count any votes cast by those members.

(ii) BVI law

A share confers upon the shareholder the right to one vote at a meeting of shareholders or on any written resolution of shareholders. A shareholder may be represented at a meeting of shareholders by a proxy who may speak and vote on behalf of the shareholder appointing him.

(iii) TSX Rules and Canadian securities laws

The TSX does not generally regulate voting rights attached to listed securities. However, Canadian securities laws do require certain “related-party” and similar transactions to be approved by a majority of shareholders, excluding any votes of “interested parties”. See section 8.3(i)(iii) below.

(d) **Share capital and issue of shares**

(i) Australian law

The constitution of a typical Australian public company authorises the board to issue shares, options and other securities with preferred, deferred or other special rights or such restrictions, whether with regards to dividends, voting, return of capital and other matters as the directors may decide.

The constitution typically does not impose any maximum limit on the number of shares.

Under Australian law a company, as part of its legal personality, has the power to issue and cancel shares in the company. In addition to this power a company may also issue bonus shares, preference shares and partly paid shares.

A company has the power to determine the terms of and rights and restrictions attaching to the shares it issues.

(ii) BVI law

Under BVI law and the Articles, RTG Shares may be issued, and options to acquire RTG Shares may be granted, at such times, to such “Eligible Persons”, for such consideration

and on such terms as the directors may determine. Eligible Persons are defined in the Memorandum as individuals, corporations, trusts, the estates of deceased individuals, partnerships and incorporated associations of persons.

Pursuant to the Articles, the pre-emption rights in the BVI Business Companies which BVI companies are able to adopt have been expressly dis-applied. Consequently, there are no pre-emption rights as regards new issues of RTG Shares or other RTG Securities in favour of existing RTG Shareholders under the BVI Business Companies Act or the Articles.

As permitted by BVI law, RTG is authorised to issue an unlimited number of RTG Shares of no par value.

Shares may be issued for consideration in any form, including money, a promissory note, or other written obligation to contribute money or property, real property, personal property (including goodwill and knowhow), services rendered or a contract for future services. The consideration for a share with par value must not be less than the par value of the share.

If shares are to be issued by RTG for a consideration other than money, then the directors are required to pass a resolution stating:

- (A) the amount to be credited for the issue of the shares;
- (B) their determination of the reasonable present cash value of the non-money consideration for the issue; and
- (C) that, in their opinion, the present cash value of the non-money consideration for the issue is not less than the amount to be credited for the issue of the shares.

(iii) TSX Rules

The TSX Rules limit the discretion of directors in connection with the issue and sale of RTG Shares. While TSX approval must be obtained in connection with any issuance of RTG Shares, and in connection with public offerings and private placements (distributions of listed securities in reliance on a Canadian prospectus exemption), TSX will consider a number of factors, including the price at which the securities are to be offered, the involvement of Insiders (as defined in section 8.3(h)(iii)) in the transaction and whether the transaction materially affects control of the issuer. Based on these factors, the TSX may require securityholders to approve the transaction, and typically will require securityholder approval of transactions:

- (A) in which the proposed issuance will materially affect control of RTG;
- (B) that involve the placement of securities to Insiders that represents 10% or more of RTG's market capitalisation; or
- (C) where the RTG Shares to be issued represent more than 25% of the number of RTG Shares outstanding where the price per share is less than the TSX market price, which is based on a five day volume weighted average trading price.

TSX also requires shareholder approval of securities-based compensation arrangements, including any compensation or mechanism involving the potential issuance of securities from treasury. TSX prescribes specific disclosure requirements for the materials provided to shareholders for the purposes of such approval, including all material information that shareholders may reasonably require to approve the arrangements. Certain substantive requirements are imposed that must be complied with, including:

- (A) exercise prices may not be lower than the market price the day prior to the date on which options are granted;
- (B) there must be a maximum number or percentage of securities issuable; and
- (C) most amendments to the compensation arrangements also require shareholder approval.

TSX Rules also require shareholder approval for an acquisition where the number of RTG Shares issued or issuable in payment of the purchase price for an acquisition exceeds 25% of the number of outstanding RTG Shares.

(e) Transfer of shares

(i) Australian law

Shares are generally freely tradeable. The directors may refuse to register a transfer of shares only if that refusal would not contravene the ASX Listing Rules or the ASX Settlement Operating Rules. The directors must refuse to register a transfer of shares if:

- The Corporations Act, ASX Listing Rules or the ASX Settlement Operating Rules forbid the registration;
- Subject to section 259C of the Corporations Act, registration of the transfer would result in a transfer to a controlled entity; or
- The securities the subject of the transfer notice are classified as restricted securities under the ASX Listing Rules.

(ii) BVI law

Shares may be transferred by a written instrument of transfer signed by the transferor which contains the name and address of the transferee. The transfer of a share is effective when the name of the transferee is entered on the register of members. The directors may not resolve to refuse or delay the transfer of a share unless the relevant shareholder has failed to pay an amount due in respect of that share.

(iii) TSX Rules

Shares listed on the TSX must generally be free from any restrictions on transfer, except as may be required to comply with hold periods applicable under Canadian securities laws.

(f) **Amendment to Constitution**

(i) Australian law

Changes to the constitution of an Australian company may only be made by special resolution of the shareholders.

(ii) BVI law

A BVI entity may amend its Articles by a resolution of its shareholders or a resolution of directors, save that no amendment may be made by a resolution of directors:

- to restrict the rights or powers of the shareholders to amend the Articles;
- to change the percentage of shareholders required to pass a resolution of shareholders to amend the Articles;
- in circumstances where the Articles cannot be amended by the shareholders; or
- to various clauses in the Memorandum governing the rights of shares.

The RTG Articles provide that any amendment to the Articles shall not conflict with the TSX Rules.

(iii) TSX Rules

The TSX Rules require RTG to file with the TSX a notarial or certified copy of any certificate that gives effect to an amendment to RTG's constituting documents immediately upon issuance of such a certificate. Furthermore, certain types of amendments that affect RTG's capital structure, including amendments to provisions attaching to the RTG Shares, and the disclosure materials to be sent to shareholders in respect of such amendments must be reviewed by the TSX prior to being sent to shareholders.

(g) **Takeovers**

(i) Australian law

The Corporations Act places restrictions on a person acquiring relevant interests in the voting shares of an Australian unlisted public company which has more than 50 members, or an Australian listed company, where, as a result of the acquisition, that person's or someone else's voting power in the company (together with the voting power of their associates) increases:

- (A) from 20% or below to more than 20%; or
- (B) from a starting point that is above 20% and below 90%.

Certain exceptions apply, such as acquisitions of relevant interests in voting shares made under takeover bids or made with shareholder approval, or creeping acquisitions of not more than 3% in a 6 month period.

The Corporations Act permits compulsory acquisition of the shares for which acceptances have not been received, where a bidder holds not less than a 90% relevant interest in the relevant securities.

Takeover bids must treat all shareholders alike and must not involve any collateral benefits.

(ii) BVI law

There are no statutory restrictions under BVI company law on a person acquiring interests in the voting shares of a listed BVI company, regardless of the voting power those shares confer on their holder.

Following a takeover offer, where an offeror has acquired 90% of the RTG Shares, it may decide to utilise the compulsory redemption procedure described above to cause compulsory redemption of any outstanding minority RTG Shares held by RTG Shareholders who have not accepted the takeover offer.

A takeover of RTG may also be structured as a scheme of arrangement, plan of arrangement, merger or consolidation which would be binding on all RTG Shareholders provided the requisite majority approval described above in relation to each is achieved.

(iii) Canadian securities laws

In Canada, takeover bids are regulated primarily by provincial and territorial securities legislation and related rules. Unless an exemption from the formal takeover bid requirements under securities legislation is available or can be obtained, persons or companies making an offer to acquire shares in a jurisdiction where the subject shares, together with the offeror's securities (including any securities held by joint offerors), constitute, in aggregate, 20% or more of the outstanding shares of the company at the time of the offer are required to extend the offer to all securityholders in the jurisdiction. These provisions require, among other things, the production, filing and mailing of a takeover bid circular to shareholders of the target company. These provisions are applicable for securityholders whose address in the books of the corporation is in Canada.

Takeover bids must treat all securityholders alike and must not involve any collateral agreements, with certain exceptions for employment compensation arrangements. Takeover bids must remain open for a minimum of 35 days from the date of the mailing of the circular, after which time all securities deposited under the offer may be taken up.

For the protection of target securityholders, the takeover bid rules contain various additional requirements, such as restrictions applicable to conditional offers and the withdrawal, amendment or suspension of offers. Securities regulators also retain a general 'public interest jurisdiction' to regulate takeovers and may intervene to halt or prevent activity that is abusive. Issuer bids are regulated similarly to takeover bids.

There are extensive disclosure requirements associated with takeover bids, beginning with 'early warning' disclosure required when an acquirer crosses the 10% ownership threshold. Generally, further disclosure is required for additional purchases of 2% or more of the outstanding security for which such early warning disclosure is required. Purchases outside the bid, before, during and after the bid, are also restricted.

Canadian securities laws allow certain exemptions to the formal bid requirements, on specified conditions. For example, private agreements to purchase securities from up to five persons are permitted if the purchase price does not exceed 115% of the market price. Under the normal course purchase exception, the offeror (together with any joint offerors) may acquire up to 5% of a class of securities within a 12-month period if there is a published market for the relevant class and the consideration paid does not exceed the market price at the date of acquisition. There is also a foreign takeover bid exemption available under Canadian securities laws, which applies in circumstances where security holders in Canada hold less than 10% of the outstanding securities of the class of securities subject to the bid and certain other conditions are met.

(h) Disclosure of substantial holdings

(i) Australian law

Under the Corporations Act, a shareholder who begins or ceases to have a substantial holding in a company listed on ASX or has a substantial holding in a company listed on ASX and there is a movement by at least 1% in their holding, must give a notice to the company and ASX. A person has a substantial holding if that person and that person's associates have a relevant interest in 5% or more of the voting shares in the company.

(ii) BVI law

Under BVI company law and the Articles, there is no obligation to inform a BVI company of any beneficial interests in that company's shares, nor any obligation to inform any third party of any interest (legal or beneficial) held in a BVI company.

A RTG Shareholder is entitled, on giving written notice to the company, to inspect and take copies of (among other things) the company's register of members, although the directors may refuse to allow this if they are satisfied that it would be contrary to the company's interests. If the directors refuse to allow access to the register, the RTG Shareholder may apply to court for an order that they be allowed access, and the court may make such order as it considers just.

(iii) Canadian securities laws

Under applicable securities laws in the Canadian Jurisdictions, any person that acquires beneficial ownership of, or the power to exercise control or direction over, 10% or more of the voting or equity securities of RTG is required to issue a press release and to file an early warning report in accordance with NI 62-103, disclosing their shareholdings to RTG and the public. A person that files an early warning report for RTG will also be required to file a news release and early warning report for every additional 2% of voting or equity securities of RTG that such person acquires.

Furthermore, directors, chief executive officers, chief financial officers and chief operating officers and shareholders holding 10% or more of the voting or equity securities of RTG (**Insiders**) are required to file an Insider report under NI 55-104. Insider reports set out the percentage of RTG Shares that an Insider owns or exercises control or direction over. Insider reports are publically disclosed on the System for Electronic Disclosures by Insiders (www.sedi.ca) and must be filed within ten days of a person becoming an Insider and within five days of a change of that person's shareholdings in RTG.

(i) **Related party transactions**

(i) Australian law

The Corporations Act requires a director with a material personal interest in a matter that relates to the affairs of the company to notify the other directors of this interest. Unless approved by the other directors or ASIC, the interested director must not be present while the matter is being considered or vote on the matter.

(ii) BVI law

A director is obliged to disclose any interests they may have in a transaction to be entered into by the company, although, in accordance with the Articles, they remain entitled in certain circumstances to vote on the transaction, attend meetings in relation to it and be counted for the purposes of the quorum as described above. Should they fail to do so, the transaction will be voidable by the company, unless the material facts of the interest are disclosed to the members and the members nevertheless ratify or approve the transaction, or the company receives fair value for it.

(iii) Canadian securities laws

RTG is subject to MI 61-101, which imposes valuation, minority approval and disclosure requirements on entities involved in certain related party transactions. A related party transaction includes a transaction between an issuer and a person that is a related party to the issuer at the time that the transaction is agreed to, whether or not there are also other parties to the transaction, as a consequence of which, either through the transaction itself or together with a connected transaction, the issuer directly or indirectly, among other things:

- (A) purchases or acquires an asset from a related party for valuable consideration;
- (B) sells or transfers an asset to a related party;
- (C) leases property to or from a related party;
- (D) acquires a related party or combines with a related party through an amalgamation, arrangement or otherwise;
- (E) issues a security to, or subscribes for, a security of a related party;

- (F) becomes subject to a liability of a related party or provides or materially amends the terms of a guarantee or collateral security for a debt or liability of a related party; or
- (G) borrows money from, lends money to, releases, cancels, forgives or materially amends the terms of an outstanding debt or liability owed by a related party.

Unless a specific exemption is available, MI 61-101 requires a formal valuation of assets or securities involved in a related party transaction. The valuation must be prepared by an appropriately qualified independent valuator and no more than 120 days before the earlier of the date that a disclosure document for the transaction is first sent to securityholders (if applicable) and the date that a disclosure document is filed with the relevant securities regulatory authorities. The valuation must contain certain required content and provide sufficient disclosure to allow the securityholders to understand the principal judgments and underlying reasoning of the valuator so as to form a reasoned judgment of the valuation.

Minority approval of a related party transaction is required under MI 61-101, unless a specific exemption is available. Minority approval for these purposes consists of the approval of the proposed transaction by a majority of the votes cast by holders of each class of affected securities at a meeting of securityholders of that class called to consider the transaction, excluding the votes attached to the securities of the issuer held or controlled, directly or indirectly, by the issuer, any interested party, their respective directors or senior officers, and any related parties or joint actors of such persons. If minority approval is required, it must be obtained from the holders of every class of affected securities of the issuer, in each case voting separately as a class. There are additional specific rules in MI 61-101 regarding obtaining minority approval, including the determination of the excluded votes and the disclosure required to be sent to securityholders.

MI 61-101 also requires an issuer to include certain detailed disclosure regarding related party transactions in a material change report that is required to be filed under the applicable securities laws of Ontario and in an information circular that is being sent to securityholders to obtain minority approval in respect of a related party transaction.

(j) **Winding up**

(i) Australian law

Voluntary winding up requires the company to pass a special resolution that it be wound up voluntarily. Subject to the provisions of the Corporations Act regarding preferential payments, upon winding up the property of the company must be applied in satisfaction of its liabilities equally and, unless the company's constitution otherwise provides, be distributed among the members according to their rights and interests in the company.

For winding-up in insolvency or by the court, a distribution of the surplus assets can only be made by order of the court.

(ii) BVI law

A BVI company's voluntary liquidation commences at the time at which notice of the voluntary liquidator's appointment is filed, irrespective of whether the appointment is brought about by a resolution of the company's directors or its shareholders.

A BVI company may commence to wind up and dissolve by a resolution of directors:

- (A) upon expiration of such time as may be prescribed by its memorandum or articles for its existence;
- (B) upon the happening of such event as maybe specified in its memorandum and articles as an event that shall terminate the existence of the company; or
- (C) if the company has never issued any shares.

A BVI company may only be placed into solvent voluntary liquidation if it has no liabilities or if it is able to pay its debts as they fall due and the value of its assets equals or exceeds the value of its liabilities. If the company does not satisfy this test then it can only be placed into (insolvent) voluntary liquidation in accordance with the procedure set out in Part XII, Division 2 of the BVI Business Companies Act and the Insolvency Act 2003.

A voluntary liquidation requires the company's directors to approve a liquidation plan. A liquidation plan must specify:

- (A) the reasons for the liquidation of the company;
- (B) the directors' estimate of the time required to complete the liquidation;
- (C) whether the liquidator is authorised to carry on the company's business if he determines that to do so would be in the best interests of the company's creditors or shareholders;
- (D) the names and addresses of each individual to be appointed liquidator, and the remuneration proposed to be paid to each; and
- (E) whether the liquidator is required to send all the company's shareholders a statement of account prepared or caused to be prepared by the liquidator in respect of his actions or transactions.

Only individuals (not corporate entities) can be appointed liquidators.

In addition to approving the liquidation plan, the directors must make a declaration of solvency stating that, in their opinion, the company is and will be able to discharge, pay or provide for its debts as they fall due and the value of the company's assets equals or exceeds its liabilities.

(k) **Director's liability**

(i) Australian law

Under the Corporations Act a company or a related body corporate must not exempt a person (whether directly or via an interposed entity) from a liability to the company incurred as an officer of the company.

A company or a related body corporate cannot indemnify a director from any of the following liabilities incurred as an officer of the company:

- (A) a liability owed to the company;
- (B) a liability for a pecuniary penalty or a compensation order incurred under the Corporations Act; or
- (C) a liability that is owed to someone other than the company or a related body corporate and did not arise out of conduct in good faith. This prohibition does not apply to legal costs (but the Corporations Act also restricts a company from indemnifying directors against certain types of legal costs).

(ii) BVI law

BVI law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime). Any expenses that are the subject of the indemnification must be reasonably incurred.

An indemnity will be void and of no effect and will not apply to a person unless the person acted honestly and in good faith and in what he believed to be in the best interests of the company and, in the case of criminal proceedings, the person had no reasonable cause to believe that his conduct was unlawful.

Nonetheless, it is possible that an indemnity may apply notwithstanding the breach by a director of his or her statutory duties.

(l) **Protection of minority shareholders**

(i) Australian law

Under Australian law, a shareholder of an Australian company may apply to the court under the Corporations Act to bring an action in cases of conduct which is either contrary to the interests of shareholders as a whole, or oppressive to, unfairly prejudicial to, or unfairly discriminatory against, any shareholders in their capacity as a shareholder, or themselves in a capacity other than as a shareholder.

(ii) BVI law

The BVI Business Companies Act contains a series of remedies available to members. Where a company incorporated under the BVI Business Companies Act conducts some activity which breaches the BVI Business Companies Act or the company's memorandum and articles of association, the court can issue a restraining or compliance order. Members can now also bring the following actions:

- (A) derivative actions: these may be brought at the discretion of the court, where the court concludes that:
 - (1) the company does not intend to bring, diligently continue or defend, or discontinue the proceedings; or
 - (2) it is in the interests of the company that the conduct of the proceedings should not be left to the directors or to the determination of the shareholders or members as a whole;
- (B) personal actions (for breach of a duty owed by the company to the shareholder as a member); and
- (C) representative actions: where a member of a company brings proceedings against the company and other members have the same or substantially the same interest in relation to the proceedings, the court may appoint that member to represent all or some of the members having the same interest and the court's powers include the ability to make an order
 - (1) proceedings among the members represented. as to the control and conduct of the proceedings;
 - (2) as to the costs of the proceedings; and
 - (3) directing the distribution of any amount ordered to be paid by a defendant in the

The traditional English basis for members' remedies have also been incorporated into the BVI Business Companies Act, namely where a member of a company considers that the affairs of the company have been, are being or are likely to be conducted in a manner likely to be oppressive, unfairly discriminating or unfairly prejudicial to him, he may apply to the court for an order on such conduct.

Any member of a company may petition the court which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Minority shareholders also have appraisal rights in certain circumstances as described above.

Generally, any other claims against a company by its shareholders must be based on the general laws of contract or tort applicable in BVI or their individual rights as shareholders as established by the company's memorandum and articles of association.

(iii) **TSX Rules**

TSX Rules require RTG to obtain shareholder approval of any transaction that provides considerations to Insiders of RTG in the aggregate of 10% or greater of the market capitalization of RTG, during any six-month period, where such transaction was not negotiated at arm's-length.

(iv) **Canadian securities laws**

In addition to the substantive rights described above, Canadian securities laws provide certain procedural protections for securityholders, including enhanced disclosure requirements, minority approval requirements and valuation requirements for certain non-arm's length transactions such as issuer bids, insider bids, related party transactions (see 8.3(i)(iii) above) and business combinations.

(m) **Variation of rights attaching to shares**

(i) **Australian law**

Under Australian Law, if a company has a constitution that sets out the procedure for varying the rights attaching to shares, those rights may be varied only in accordance with the procedure.

If a company does not have a constitution, or has a constitution that does not set out the procedure for varying the rights attaching to shares, those rights may only be varied by special resolution of the company and by special resolution passed at a meeting with the written consent of members with at least 75% of the votes in that class.

(ii) **BVI law**

The rights attaching to RTG Shares may only, whether or not RTG is being wound up, be varied with the consent in writing of or by a resolution passed by the holders of more than $\frac{66}{100}$ of the votes cast at the meeting duly constituted.

(n) **Mergers, Consolidation, Plans of Arrangement and Schemes of Arrangement**

(i) **Australian law**

The Corporations Act contains no equivalent to the concept of a merger or consolidation as set out in the BVI Business Companies Act.

(ii) **BVI law**

BVI companies may implement mergers, consolidations, plans of arrangement and schemes of arrangement as described in section 8.2(n).

(iii) TSX Rules

TSX Rules require RTG to obtain shareholder approval of any transaction that, in the opinion of the TSX, materially affects control of RTG.

(o) **Interested directors and dealings with controlling shareholders**

(i) Australian law

A director of a public company who has a material personal interest in a matter that is being considered at a directors' meeting must not be present while the matter is being considered at the meeting, or vote on the matter, except where that director's participation is approved by ASIC or by the other directors who do not have a material personal interest in the matter.

Dealings with directors and controlling shareholders are regulated by related party provisions discussed below.

(i) BVI law

The positions as regards directors interested in transactions in described in greater detail in section 8.2(l) above.

(ii) Canadian securities laws

Canadian securities laws provide certain procedural protections for securityholders, including enhanced disclosure requirements, minority approval requirements and valuation requirements for certain non-arm's length transactions such as issuer bids, insider bids, related party transactions (section 8.3(i)(iii) above) and business combinations.

(p) **Financial records and reports**

(i) Australian law

Under the Corporations Act, the Company must report annually to its members, which report must include a financial report, directors report (which includes the remuneration report) and the auditors report on the financial report for each relevant year. The ASX Listing Rules also require the company to provide a preliminary financial report to the ASX annually.

Although non-binding, at each annual general meeting, shareholders vote on the remuneration report for key management personnel. If, two years in a row, more than 75% of the votes are cast against the remuneration report, the shareholders are able to call a "spill motion" and vote to remove the board.

(ii) BVI law

Under BVI law, there is no statutory requirement to prepare formal accounts. Under the BVI Business Companies Act and the Articles, RTG is required to keep records that are

sufficient to show and explain its transactions and that will, at any time, enable its position to be determined with reasonable accuracy. The Articles provide that RTG may by a resolution of shareholders call for the directors to prepare periodically and make available a profit and loss account and a balance sheet. Under the Articles, the profit and loss account and balance sheet shall be drawn up so as to give respectively a true and fair view of the profit and loss of RTG for a financial period and a true and fair view of the assets and liabilities of RTG at the end of a financial period.

(iii) **TSX Rules**

RTG is required to file audited annual financial statements and accompanying management discussion and analysis within 90 days of the most recently completed financial year end and interim financial statements and accompanying management discussion and analysis within 45 days of the end of the interim period. All financial statements and accompanying management discussion and analysis must be filed on SEDAR, a Canadian mandatory document filing and retrieval system. RTG is also required to send a paper copy of the audited annual financial statements and a copy of the interim financial statements and accompanying management discussion and analysis to each shareholder who requests them from RTG.

(q) **Disclosure of material information**

(i) **Australian law**

Chapter 6CA of the Corporations Act sets out provisions which impose obligations on companies to make disclosure of information in accordance with the listing rules of a listing market in relation to the relevant company.

Where a company is listed on ASX, the relevant listing rules will be the ASX Listing Rules. Chapter 3 of the ASX Listing Rules set out provisions relating to continuous disclosure.

(ii) **BVI law**

There are no specific laws currently in force requiring (or regulating the form of) disclosure of information to the holders of RTG Securities

(iii) **TSX Rules**

The TSX Rules require RTG to make timely disclosure in accordance with applicable Canadian securities laws and supplement such requirement with a broader prescribed class of disclosure requirements relating to material information (rather than just material changes) that would reasonably be expected to significantly change the market price or value of RTG. As a TSX listed company, RTG is also required to file annual information forms that summarise the business and operations of RTG.

(iv) **Canadian securities laws**

Under securities laws of the Canadian Jurisdictions, specifically NI 51-102, RTG is required to immediately disclose by issuing and filing a news release any material change occurring in the affairs of RTG. As soon as practicable thereafter, and in any

event within ten days of the date on which the material change occurs, RTG is required to file a material change report in the prescribed form. Applicable Canadian securities laws also require RTG to publically file annual and interim financial statements and accompanying Management Discussion and Analysis for such financial disclosure, an annual information forms that summarises the business and operations of RTG, any documents that affect the rights of securityholders and any material contracts.

8.4 Summary of relevant BVI tax considerations

The BVI government will not, under existing legislation, impose any income, corporate or capital gains tax, estate duty, inheritance tax, gift tax or withholding tax upon RTG or RTG Shareholders who are not tax residents in the BVI.

The company and all distributions, interest and other amounts paid by RTG to persons who are not tax residents in the BVI will not be subject to any income, withholding or capital gains taxes in the BVI, with respect to the shares in the company owned by them and dividends received on such shares, nor will they be subject to any estate or inheritance taxes in the BVI.

No estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable in the BVI by persons who are not tax resident in the BVI with respect to any shares, debt obligations or other securities of the company.

Subject to the payment of stamp duty on any acquisition of real property in the BVI by RTG (and in respect of certain transactions in respect of the shares, debt obligations or other securities of incorporated companies owning real property in the BVI), all instruments relating to transactions in respect of the shares, debt obligations or other securities of the company and all instruments relating to other transactions relating to the business of RTG are exempt from the payment of stamp duty in the BVI.

There are currently no withholding taxes or exchange control regulations in the BVI applicable to RTG or its security holders.

9. Information about the Merger and the Schemes

9.1 The Merger

On 24 February 2014, Sierra and RTG announced the Merger to be implemented through schemes of arrangement comprising:

- (a) the Share Scheme between Sierra and Sierra Shareholders; and
- (b) the Option Scheme between Sierra and Sierra Optionholders.

Sierra and RTG also signed the Scheme Implementation Deed on that date.

A scheme of arrangement is a court-administered legal procedure commonly used in Australia to implement mergers. It is an arrangement between a company and either its shareholders (or a class of shareholders) or its creditors (or a class of creditors). Sierra Optionholders are considered creditors of Sierra for the purposes of the Option Scheme.

9.2 Scheme Implementation Deed

The Scheme Implementation Deed sets out each of Sierra's and RTG's rights and obligations in connection with the implementation of the Merger.

Certain key terms of the Scheme Implementation Deed are discussed in this section, including terms relating to Conditions Precedent to the Schemes (see section 9.17), the End Date (see section 9.18), Sierra's obligations to deal with RTG on an exclusive basis (see section 9.19), break fees (see section 9.20) and termination rights (see section 9.21).

See Annexure 3 for a copy of the Scheme Implementation Deed.

9.3 Information concerning the Share Scheme

(a) Legal effect

If the Share Scheme becomes Effective (i.e. after it is approved by Sierra's Shareholders and the Court), all Sierra Shares outstanding at 5.00pm on the Record Date will be transferred to RTG, in return for the issue by RTG of the Share Scheme Consideration to Sierra Shareholders.

See Annexure 4 for a copy of the Share Scheme.

(b) Share Scheme Deed Poll

On 8 April 2014, RTG executed the Share Scheme Deed Poll pursuant to which it agreed, subject to the Share Scheme becoming Effective, to provide each Sierra Shareholder the Share Scheme Consideration to which it is entitled under the Share Scheme.

See Annexure 5 for a copy of the Share Scheme Deed Poll.

(c) **Share Scheme Consideration**

The Share Scheme Consideration comprises of:

- (i) prior to the RTG Share Consolidation, three (3) RTG Shares (in the form of RTG CDIs) for every one (1) Sierra Share held together with one (1) RTG Option (in the form of a RTG Option CDI) for every three (3) Sierra Shares; and
- (ii) after the RTG Share Consolidation, three (3) RTG Shares (in the form of RTG CDIs) for every ten (10) Sierra Shares held together with one (1) RTG Option (in the form of a RTG Option CDI) for every 30 Sierra Shares,

held at 5.00pm on the Record Date, with the total Share Scheme Consideration for any Sierra Shareholder rounded up or down to the nearest whole number, with entitlements to half of a RTG Share, RTG CDI, RTG Option or RTG Option CDI rounded down. The RTG Share Consolidation is expected to occur after the Effective Date of the Share Scheme and prior to the Implementation Date. If this occurs, the Share Scheme Consideration you receive will be on a post RTG Share Consolidation basis. See section 9.10 for further information about the RTG Share Consolidation.

By default, the Share Scheme Consideration will consist of RTG Shares issued in the form of RTG CDIs and RTG Option CDIs which will be quoted on ASX. However, you may elect to receive RTG Shares and RTG Options to be listed on TSX. See section 10.4 for information about the election process. There is also a risk that RTG will not be granted admission to the official list of ASX in which case, subject to TSX approval, RTG Shares and RTG Options listed on TSX will be issued. See section 6.1(c).

Subject to obtaining the required ASIC relief, if you are a Small Securityholder under the Share Scheme at 5.00pm on the Record Date and do not elect to withdraw from the Sale Facility, you will participate in the Sale Facility and your Scheme Consideration will be issued to the Sale Agent for sale under the Sale Facility. See section 10.6 for information on how to withdraw from participating in the Sale Facility.

A Small Securityholder is a Scheme Shareholder or a Scheme Optionholder who will receive an aggregate of 9,000 or less RTG Shares under the Schemes. For instance, this will include:

- (i) any Sierra Shareholder who holds 3,000 or less Sierra Shares and no Sierra Options; or
- (ii) any Sierra Optionholder who holds 4,500 or less Sierra Options and no Sierra Shares.

If you hold both Sierra Shares and Sierra Options, to determine whether you are a Small Securityholder, you should calculate the number of RTG Shares you will receive under the Schemes using the Scheme Consideration described in this Scheme Booklet. You will only be considered to hold both Sierra Shares and Sierra Options if they are registered under the same SRN or HIN.

Ineligible Foreign Securityholders will not receive RTG CDIs and RTG Option CDIs or be entitled to make an election to receive RTG Shares and RTG Options under the Share Scheme but will instead automatically participate in the Sale Facility. (See sections 10.5 and 10.7).

Sale Facility Participants will receive a pro rata share of the net proceeds converted into Australian dollars from the on-market sale of all RTG Shares and RTG Options by the Sale Agent through the Sale Facility. (See section 10.5 for details of the Sale Facility).

(d) **Share Scheme Meeting**

On 9 April 2014 the Court ordered that Sierra convene the Share Scheme Meeting at Plaza Level, BGC Centre, 28 The Esplanade, Perth, Western Australia on 16 May 2014, commencing at 10.00am for the purpose of Sierra Shareholders considering and, if thought fit, agreeing to the Share Scheme.

Sierra Shareholders who are registered on the Sierra Share Register at 5.00pm on 14 May 2014 may attend and vote at the Share Scheme Meeting.

Voting at the Share Scheme Meeting will be by poll.

See Annexure 8 for a copy of the Notice of Share Scheme Meeting and its explanatory notes. The explanatory notes include information on attendance and how to vote. This information is also summarised in the earlier section entitled 'Voting on the Scheme(s) relevant to you'. You should also refer to the Green Proxy Form for the Share Scheme Meeting that accompanied this Scheme Booklet. If you did not receive a Green Proxy Form or need a new one, contact the Sierra Registry (see contact details on the inside back cover of this Scheme Booklet).

Before the Share Scheme can become Effective, it must be approved at the Share Scheme Meeting by:

- (i) unless the Court orders otherwise, a majority in number of eligible Sierra Shareholders who vote at the meeting; and
- (ii) at least 75% of the total number of votes cast by eligible Sierra Shareholders at the meeting.

(e) **Warranty by Sierra Shareholders**

The Share Scheme provides that each Sierra Shareholder at 5.00pm on the Record Date is taken to have warranted to Sierra and RTG, and appointed and authorised Sierra as its attorney and agent to warrant to RTG that:

- (i) all their Sierra Shares (including any entitlements and rights attaching to those shares) which are transferred under the Share Scheme will, at the date of transfer, be fully paid and free from all mortgages, charges, liens, encumbrances and interests of third parties of any kind, legal or otherwise, and restrictions on transfer of any kind; and
- (ii) they have full power and capacity to transfer their Sierra Shares to RTG together with any rights attaching to those shares.

9.4 Information concerning the Option Scheme

(a) Legal effect

If the Option Scheme becomes Effective (i.e. after it is approved by Sierra Optionholders and the Court and the Share Scheme has become Effective), all Sierra Options outstanding at 5.00pm on the Record Date will be transferred to RTG, in return for the issue by RTG of the Option Scheme Consideration to Sierra Optionholders.

See Annexure 6 for a copy of the Option Scheme.

(b) Option Scheme Deed Poll

On 8 April 2014, RTG executed the Option Scheme Deed Poll pursuant to which it agreed, subject to the Option Scheme becoming Effective, to provide each Sierra Optionholder the Option Scheme Consideration to which it is entitled under the Option Scheme.

See Annexure 7 for a copy of the Option Scheme Deed Poll.

(c) Option Scheme Consideration

The Option Scheme Consideration comprises of:

- (i) prior to the RTG Share Consolidation, two (2) RTG Shares (in the form of RTG CDIs) for every one (1) Sierra Option together with two (2) RTG Options (in the form of RTG Option CDIs) for every nine (9) Sierra Options; and
- (ii) after the RTG Share Consolidation, two (2) RTG Shares (in the form of RTG CDIs) for every ten (10) Sierra Option together with two (2) RTG Options (in the form of RTG Option CDIs) for every 90 Sierra Options,

held at 5.00pm on the Record Date, with the total Option Scheme Consideration for any Sierra Optionholder rounded up or down to the nearest whole number, with entitlements to half of a RTG Share, RTG CDI, RTG Option or RTG Option CDI rounded down. The RTG Share Consolidation is expected to occur after the Effective Date of the Share Scheme and prior to the Implementation Date. If this occurs, the Option Scheme Consideration you receive will be on a post RTG Share Consolidation basis. See section 9.10 for further information about the RTG Share Consolidation.

By default, the Option Scheme Consideration will consist of RTG Shares issued in the form of RTG CDIs and RTG Option CDIs which will be quoted on ASX. However, you may elect to receive RTG Shares and RTG Options to be listed on TSX. See section 10.4 for information about the election process. There is also a risk that RTG will not be granted admission to the official list of ASX in which case, subject to TSX approval, RTG Shares and RTG Options listed on TSX will be issued. See section 6.1(c).

The entitlement of Sale Facility Participants to RTG Shares, RTG CDIs, RTG Options or RTG Option CDIs under the Schemes will be issued to the Sale Agent for sale under the Sale Facility. Sale Facility Participants will receive a pro rata share of the net proceeds converted into

Australian dollars from the on-market sale of all RTG Shares and RTG Options by the Sale Agent through the Sale Facility. (See sections 10.5, 10.6 and 10.7).

(d) **Option Scheme Meeting**

On 9 April 2014, the Court ordered that Sierra convene the Option Scheme Meeting at Plaza Level, BGC Centre, 28 The Esplanade, Perth, Western Australia on 16 May 2014, commencing at 10.30am, for the purpose of Sierra Optionholders considering and, if thought fit, agreeing to the Option Scheme.

Sierra Optionholders who are registered on the Sierra Option Register at 5.00pm on 14 May 2014 may attend and vote at the Option Scheme Meeting.

Voting at the Option Scheme Meeting will be by poll.

See Annexure 9 for a copy of the Notice of Option Scheme Meeting and its explanatory notes. The explanatory notes include information on attendance and how to vote. This information is also summarised in the earlier section entitled 'Voting on the Scheme(s) relevant to you'. You should also refer to the Yellow Proxy Form for the Option Scheme Meeting that accompanied this Scheme Booklet. If you did not receive a Yellow Proxy Form or need a new one, contact the Sierra Registry (see contact details on the inside back cover of this Scheme Booklet).

Before the Option Scheme can become Effective, it must be approved at each Option Scheme Meeting by:

- (i) a majority in number of eligible Sierra Optionholders who vote at the meeting; and
- (ii) eligible Sierra Optionholders whose Sierra Options amount to at least 75% of the total value of relevant Sierra Options held by the Sierra Optionholders who vote at the meeting (the "value" of an option will be determined by reference to the value of the Option Scheme Consideration).

(e) **Warranty by Sierra Optionholders**

The Option Scheme provides that each Sierra Optionholder at 5.00pm on the Record Date is taken to have warranted to Sierra and RTG, and appointed and authorised Sierra as its attorney and agent to warrant to RTG, that:

- (i) all their Sierra Options (including any entitlements and rights attaching to those options) which are transferred to RTG under the Option Scheme will, at the date of transfer, be free from all mortgages, charges, liens, encumbrances and interests of third parties of any kind, legal or otherwise, and, subject only to the relevant option terms, restrictions on transfer of any kind; and
- (ii) subject only to the relevant option terms, they have full power and capacity to deal with their Sierra Options together with any rights attaching to those options.

9.5 Directors' recommendations and voting intentions

The Directors unanimously recommend that Sierra Securityholders vote in favour of the Schemes at the Scheme Meetings, in the absence of a Superior Proposal. The reasons for this recommendation, as well as other relevant considerations, are set out in section 3.2. See also section 3.3 for an explanation of why Sierra Securityholders may consider voting against the Schemes and section 7 for potential risk factors.

Each Director intends to vote in favour of the Scheme(s) relevant to him in relation to the Sierra Securities held by him or on his behalf at the time of the Scheme Meetings, in the absence of a Superior Proposal. The interests of Directors in the marketable securities of Sierra are set out in section 12.5.

At the date of this Scheme Booklet, no Director is aware of any Superior Proposal.

9.6 Independent Expert's conclusions

Sierra commissioned the Independent Expert, to prepare a report on the Schemes to ascertain whether the Merger is in the best interests of Sierra Shareholders and in the best interests of Sierra Optionholders.

The Independent Expert has concluded that:

- (a) the Share Scheme is not fair but reasonable and, therefore, in the best interests of Sierra Shareholders; and
- (b) the Option Scheme is not fair but reasonable and, therefore, in the best interests of Sierra Optionholders.

The Independent Expert assessed the value of the Scheme Consideration as being less than the full underlying value of Sierra Shares and Sierra Options and is therefore not "fair" when assessed on the basis of existing ASIC Policy. However, the Independent Expert noted that the Schemes are nevertheless "reasonable" despite not being "fair" after considering other factors associated with the Merger. See Annexure 1 for a copy of the Independent Expert's Report.

9.7 Additional matters to be considered by Sierra Optionholders

(a) Exercise of Sierra Options

As a Sierra Optionholder, you can participate in the Share Scheme in lieu of participating in the Option Scheme by exercising your Sierra Options. Alternatively, you may wish to exercise your Sierra Options and then sell the Sierra Shares that will be issued to you on ASX on or before the Effective Date of the Share Scheme. In deciding what you should do, you should consider the following matters.

- (i) The value of exercising your Sierra Options compared with the value of the Option Scheme Consideration. In determining the value of exercising an option, you should compare the exercise price of the option with:
 - (A) the prevailing Sierra Share price; and

- (B) the value of the Share Scheme Consideration.
- (ii) The tax consequences of exercising your Sierra Options and having the Sierra Shares that will be issued to you transferred under the Share Scheme or sold on ASX compared with the tax consequences of receiving the Option Scheme Consideration. As these tax consequences will vary depending on your individual circumstances, you should consider your own tax position and the tax implications of the Option Scheme.
- (iii) The risk factors described in this Scheme Booklet (see section 7).
- (iv) Whether the Schemes have become Effective.

If you already hold Sierra Shares, you should also consider what impact the exercise of your Sierra Options will have on your eligibility to qualify as a Small Securityholder and, therefore, participate in the Sale Facility (see sections 10.5 and 10.6 for information on the Sale Facility).

To exercise your Sierra Options in time to participate in the Share Scheme, a valid exercise notice in respect of the Sierra Options you wish to exercise and payment of the relevant exercise price in clear funds must be received by Sierra at its registered office in Australia before 5.00pm on the Business Day before the Record Date for the Share Scheme. You may not exercise any of your Sierra Options after this time (assuming the Option Scheme becomes Effective) and your Sierra Options will be transferred to RTG on the Implementation Date for the Option Scheme. If the Option Scheme does not become Effective, but the Share Scheme becomes Effective, your Sierra Options will not be transferred to RTG and you will continue to hold them, subject to RTG's right to compulsorily acquire them (see below).

You should consult the rules governing your Sierra Options for information on the procedures for exercising them. A copy of the applicable rules can be obtained from Sierra's Company Secretary on (08) 9322 6322, (from within Australia) or +61 8 9322 6322 (from outside Australia).

Following receipt of a valid exercise notice and clear funds, Sierra will:

- (A) issue the relevant number of Sierra Shares to you; and
 - (B) cause your name and address to be entered in the Sierra Share Register as the holder of those Sierra Shares and a holding statement to be despatched to you.
- (b) **Compulsory acquisition**

If the Option Scheme does not become Effective, but the Share Scheme becomes Effective, RTG may become entitled to, and may (although reserves the right not to), compulsorily acquire outstanding Sierra Options under Part 6A.2 of the Corporations Act for a cash amount only. In order to compulsorily acquire Sierra Options, RTG must prepare and issue a notice in the form prescribed by the Corporations Act within six months from the Implementation Date of the Share Scheme. That notice must be accompanied by an expert's report on whether the proposed terms of the compulsory acquisition give a fair value for the securities concerned.

A Sierra Optionholder may object to compulsory acquisition of their Sierra Options. If Sierra Optionholders who hold at least 10% of outstanding Sierra Options validly object to the compulsory acquisition, RTG will not be able to compulsorily acquire any of the outstanding Sierra Options unless it applies for and is granted a court approval of the compulsory acquisition, and such approval may only be granted by the court where RTG establishes that the Sierra Optionholders will receive fair value for their Sierra Options. In accordance with the Corporations Act, RTG would be required to bear the legal costs of any proper and reasonable objection made by a Sierra Optionholder.

9.8 Second Court Hearing

To become Effective, a Scheme must be approved by the Court at the Second Court Hearing.

If the Share Scheme is approved by the requisite majorities of Sierra Shareholders, and all other Conditions Precedent to the Share Scheme (other than its approval) have been satisfied or waived, Sierra will apply to the Court for orders approving the Share Scheme at the Second Court Hearing.

If the Option Scheme is approved by the requisite majorities of Sierra Optionholders, and all other Conditions Precedent to the Option Scheme (other than its approval and approval of the Share Scheme) have been satisfied or waived, Sierra will apply to the Court for orders approving the Option Scheme at the Second Court Hearing.

Each Sierra Shareholder has the right to seek leave to appear at the Second Court Hearing and be heard in respect of the Share Scheme and each Sierra Optionholder has the right to seek leave to appear at the Second Court Hearing and be heard in respect of the Option Scheme.

The Court may refuse to approve a Scheme, even if it is approved by the requisite majorities of Sierra Securityholders.

9.9 Effective Date (suspension of trading in Sierra)

If the Court approves a Scheme, Sierra will lodge a copy of the orders of the Court approving the Scheme with ASIC. The Scheme will become Effective on the date that lodgement occurs. This date is the Effective Date of the Scheme.

Upon a Scheme becoming Effective, the Scheme will bind Sierra and all Scheme Shareholders (in the case of the Share Scheme) and all Scheme Optionholders (in the case of the Option Scheme), including those who do not attend a relevant Scheme Meeting or who do not vote at the Scheme Meeting or who vote against the Scheme at the Scheme Meeting.

Upon a Scheme becoming Effective, Sierra will give notice of those events to ASX. It will also apply to ASX for trading in Sierra Shares and Sierra Options to be suspended from the close of trading on the Effective Date.

9.10 RTG Share Consolidation

Subject to the receipt of necessary consents and approvals for the RTG Share Consolidation and the Share Scheme becoming Effective, RTG intends to implement the RTG Share Consolidation which will be a share consolidation of every ten (10) RTG Shares on issue into one (1) consolidated RTG Share. RTG intends to conduct the RTG Share Consolidation prior to the Implementation Date and the issue

of any Scheme Consideration. Accordingly, the Scheme Consideration received by Sierra Shareholders and Sierra Optionholders will likely be on a post RTG Share Consolidation basis as outlined in sections 9.3(c)(ii) and 9.4(c)(ii).

If RTG does not complete RTG Share Consolidation prior to the Implementation Date, you will be issued the Scheme Consideration on a pre RTG Share Consolidation basis as outlined in sections 9.3(c)(i) and 9.4(c)(i). After the Implementation Date you will be a holder of RTG Shares and RTG Options and RTG will inform you if it conducts the RTG Share Consolidation.

9.11 Record Date

The Record Date for a Scheme that becomes Effective is 5.00pm on the date which is three Business Days after the Effective Date for that Scheme.

(a) Determination of persons entitled to Scheme Consideration

Only Sierra Securityholders whose names appear on the Sierra Share Register or the Sierra Option Register (as applicable) at 5.00pm on the Record Date for a Scheme will be entitled to receive the Scheme Consideration under that Scheme.

(b) Dealings in Sierra Securities on or prior to a Record Date

(i) Sierra Shares

For the purposes of determining a persons entitled to Share Scheme Consideration, dealings in Sierra Shares will be recognised by Sierra provided that:

- (A) in the case of dealings of the type to be effected through CHESS, the transferee is registered as the holder of the relevant Sierra Shares on or before 5.00pm on the Record Date for the Share Scheme;
- (B) in the case of the exercise of any Sierra Options, a valid exercise notice in respect of the Sierra Options and payment of the relevant exercise price in clear funds is received by Sierra at its registered office in Australia before 5.00pm on the Business Day before the Record Date for the Share Scheme (in which case Sierra will issue the Sierra Shares to which the exercise notice refers and cause the Sierra Optionholder to be entered in the Sierra Share Register before 5.00pm on the Record Date for the Share Scheme); and
- (C) in all other cases, registrable transfers or transmission applications in respect of those dealings are received by the Sierra Registry before 5.00pm on the Business Day before the Record Date for the Share Scheme (in which case Sierra will cause such transfers to be registered before 5.00pm on the Record Date for the Share Scheme).

Sierra will not recognise, for the purpose of establishing who is entitled to Share Scheme Consideration, any exercise notice in respect of Sierra Options or any transmission application or transfer in respect of Sierra Shares received after these times.

(ii) **Sierra Options**

For the purposes of determining a persons entitled to Option Scheme Consideration, dealings in Sierra Options will be recognised by Sierra provided that:

- (A) in the case of dealings of the type to be effected through CHES, the transferee is registered as the holder of the relevant Sierra Options on or before 5.00pm on the Record Date for the Option Scheme;
- (B) in all other cases, registrable transfers or transmission applications in respect of those dealings are received by the Sierra Registry before 5.00pm on the Business Day before the Record Date for the Option Scheme (in which case Sierra will cause such transfers to be registered before 5.00pm on the Record Date for the Option Scheme).

Sierra will not accept for registration, or recognise for the purpose of establishing who is entitled to Option Scheme Consideration, any transmission application or transfer in respect of Sierra Options received after this time.

(c) **Dealings in Sierra Securities after a Record Date**

At 5.00pm on the Record Date for the Share Scheme (in the case of Sierra Shares) and at 5.00pm on the Record Date for the Option Scheme (in the case of Sierra Options):

- (i) all statements of holding or certificates in respect of Sierra Securities (as applicable) cease to have effect as documents of title in respect of such Sierra Securities; and
- (ii) each entry on the Sierra Share Register or Sierra Option Register (as applicable) at that date will cease to have any effect other than as evidence of entitlement to Scheme Consideration,

and, if the Option Scheme has not become Effective, Sierra Optionholders who exercise their options after 5.00pm on the Business Day before the Record Date for the Share Scheme.

9.12 Implementation Date

The Implementation Date for a Scheme is the date which is five Business Days after the Record Date for that Scheme.

On the Implementation Date for a Scheme, RTG must:

- (a) issue RTG Shares and RTG Options to CDN in sufficient number to support the issue by CDN of RTG CDIs and RTG Option CDIs to Sierra Securityholders entitled to them and cause the name and address of CDN to be recorded in the RTG Share Register and RTG Option Register (as applicable);
- (b) cause RTG CDIs and RTG Option CDIs to be issued by CDN to Sierra Securityholders entitled to them and cause their names and addresses to be recorded in the RTG CDI Register and RTG Option CDI Register;

- (c) issue RTG Shares and RTG Options to Sierra Securityholders entitled to them and cause their names and addresses to be recorded in the RTG Share Register and RTG Option Register (as applicable); and
- (d) issue RTG Shares and RTG Options to the Sale Agent as nominee in trust for the Sale Facility Participants in an amount that would otherwise have been issued as Scheme Consideration to Sale Facility Participants and cause the name and address of the Sale Agent to be recorded in the RTG Share Register and RTG Option Register (as applicable).

In the case of each Sierra Shareholder entitled to RTG CDIs and RTG Option CDIs:

- (a) if they held their Sierra Shares on the CHESS subregister of the Sierra Share Register, the RTG CDIs and RTG Option CDIs issued to them will be recorded on the CHESS subregister of the RTG CDI Register and RTG Option CDI Register (as applicable); and
- (b) if they held their Sierra Shares on the issuer sponsored subregister of the Sierra Share Register, the RTG CDIs and RTG Option CDIs issued to them will be recorded on the issuer sponsored subregister of the RTG CDI Register and RTG Option CDI Register (as applicable).

In the case of each Sierra Optionholder entitled to RTG CDIs and RTG Option CDIs:

- (a) if they held their Sierra Options on the CHESS subregister of the Sierra Option Register, the RTG CDIs and RTG Option CDIs issued to them will be recorded on the CHESS subregister of the RTG CDI Register and RTG Option CDI Register (as applicable); and
- (b) if they held their Sierra Options on the issuer sponsored subregister of the Sierra Option Register, the RTG CDIs and RTG Option CDIs issued to them will be recorded on the issuer sponsored subregister of the RTG CDI Register and RTG Option CDI Register (as applicable).

In the case of Sierra Shares or Sierra Options held in joint names, the Scheme Consideration will be issued to, and registered in the names of, the joint holders, and holding statements will be sent to holders whose name appears first on the Sierra Share Register or Sierra Option Register (as applicable) at 5.00pm on the Record Date of the Scheme (as applicable).

Once the relevant Scheme Consideration has been issued:

- (a) in the case of the Share Scheme, all Sierra Shares at 5.00pm on the Record Date will be transferred to RTG; and
- (b) in the case of the Option Scheme, all Sierra Options at 5.00pm on the Record Date will be transferred to RTG,

without any need for further actions by Sierra Securityholders.

9.13 Despatch of holding statements and DRS advices

RTG expects to despatch holding statements (for RTG CDIs and RTG Option CDIs) and DRS advices (for RTG Shares and RTG Options) to Sierra Securityholders entitled to them as soon as practicable and, in any event, not less than five Business Days after the Implementation Date.

9.14 Commencement of trading in RTG CDIs and RTG Option CDIs on ASX and RTG Shares and RTG Options on TSX

Trading in RTG CDIs and RTG Option CDIs on ASX is expected to commence on a normal settlement basis on 5 June 2014. The actual dates will be announced by ASX and published on the Sierra website www.sierramining.com.au.

Trading in RTG Shares and RTG Options on TSX is expected to commence at local times on the Implementation Date (currently 4 June 2014). The actual date will be announced by RTG and published on the Sierra website or RTG's website www.rtgmining.com.

The exact number of RTG Securities to be issued to Sierra Securityholders will not be known until after the Record Date and will not be confirmed to them until they receive their holding statement (for RTG CDIs and RTG Option CDIs) or DRS advice (for RTG Shares and RTG Options) following the Implementation Date. It is the responsibility of Sierra Securityholders to confirm their holdings of RTG Securities before they trade them to avoid the risk of committing to sell more than will be issued to them.

9.15 Delisting of Sierra

Following the Implementation Date, Sierra will request ASX to end official quotation of Sierra Shares and Sierra Options and remove Sierra from the official list of ASX, subject to satisfaction of conditions under the ASX Listing Rules (as modified or waived).

9.16 Appointment of RTG nominees as Sierra Directors

If the Share Scheme becomes Effective, Sierra must appoint additional Directors so that the majority of its directors are RTG nominees. Then, on or before the Implementation Date, it must ensure that:

- (a) all of its existing directors resign; and
- (b) directors on the boards of each Sierra group member resign and are replaced by RTG nominees.

9.17 Conditions Precedent to the Schemes

The Schemes can only be implemented if each Condition Precedent is satisfied or, to the extent applicable, waived in accordance with the Scheme Implementation Deed.

See below for information concerning the Conditions Precedent and the status of their satisfaction at the date of this Scheme Booklet. Full details of the Conditions Precedent, the ability of Sierra and RTG to rely on them, and the provisions relating to their satisfaction or waiver are set out in clause 3 of the Scheme Implementation Deed (see Annexure 3).

At the date of this Scheme Booklet, neither Sierra nor RTG is aware of any reason why the Conditions Precedent will not be satisfied.

(a) **Conditions Precedent that cannot be waived**

- (i) Conditional approval from TSX to the listing of the RTG Shares and RTG Options issued pursuant to the Schemes, subject only to the satisfaction of customary listing conditions and to each Scheme becoming Effective.
- (ii) Scheme Shareholders agree to the Share Scheme at the Share Scheme Meeting by the requisite majorities.
- (iii) Scheme Optionholders agree to the Option Scheme at the Option Scheme Meeting by the requisite majorities.
- (iv) RTG Shareholders agree to the issue of the RTG Shares and RTG Options issued pursuant to the Schemes.
- (v) The Court approves the Schemes.
- (vi) No order issued by, or other material legal restraint or prohibition imposed by, any court or government agency preventing the Merger is in effect at 8.00am on the Second Court Date for the Schemes.
- (vii) The Share Scheme becomes Effective.

(b) **Conditions Precedent that can only be waived by the agreement of both Sierra and RTG**

- (i) Such ASIC consents, approvals or other acts which Sierra and RTG agree are reasonably necessary to implement the Schemes.
- (ii) Such ASX consents, approvals, waivers or other acts which Sierra and RTG agree are reasonably necessary to implement the Schemes.
- (iii) ASX providing in principle approval for RTG's admission to the official list of ASX and quotation of the RTG CDIs.
- (iv) The Independent Expert concludes that the Schemes are not fair but reasonable and in the best interest of Sierra Shareholders and Sierra Optionholders (as applicable).

(c) **Conditions Precedent that can only be waived by Sierra**

- (i) No RTG Prescribed Occurrence occurs between the date of the Scheme Implementation Deed and 8:00am on the Second Court Date for the Share Scheme. (See clause 1.1 of the Scheme Implementation Deed for the meaning of 'RTG Prescribed Occurrence'.)
- (ii) The representations and warranties of RTG in the Scheme Implementation Deed are true and correct in all material respects at the date of the Scheme Implementation Deed and at 8:00am on the Second Court Date for the Share Scheme.

(d) **Conditions Precedent that can only be waived by RTG**

- (i) No Sierra Prescribed Occurrence occurs between the date of the Scheme Implementation Deed and 8:00am on the Second Court Date for the Share Scheme (See clause 1.1 of the Scheme Implementation Deed for the meaning of "Sierra Prescribed Occurrence").
- (ii) The representations and warranties of Sierra in the Scheme Implementation Deed are true and correct in all material respects at the date of the Scheme Implementation Deed and at 8:00am on the Second Court Date for the Share Scheme.
- (iii) RTG is satisfied (acting reasonably) that the Option Scheme will become Effective on the date the Share Scheme becomes Effective.
- (iv) RTG enters into binding agreements for the acquisition of Unlisted Sierra Options prior to the First Court Date.

9.18 End Date

A Scheme will lapse if it does not become Effective before the End Date (currently 31 July 2014).

Subject to the approval of Sierra Securityholders and the Court, it is currently anticipated that the Schemes will become Effective on or 23 May 2014.

If it becomes probable a Scheme will not become Effective by the End Date, Sierra and RTG are required under the Scheme Implementation Deed to consult in good faith to determine whether the Merger can proceed by way of alternative means, to extend the relevant time or date for satisfaction of the Conditions Precedent or to extend the End Date. If they are unable to reach agreement within five Business Days or by the End Date, this may allow one or both to terminate the Scheme Implementation Deed and the Merger will not proceed.

9.19 Exclusivity

Sierra has agreed to certain exclusivity provisions that restrict it from encouraging, or engaging with, the proponent of a Third Party Transaction.

(a) **No shop**

During the Exclusivity Period, Sierra must not, and must ensure that none of its representatives, solicit or invite enquiries, discussions or proposals in relation to, or which may reasonably be expected to lead to, a Third Party Transaction, or communicate to any person an intention to do so.

(b) **No talk**

During the Exclusivity Period, Sierra must not, and must ensure that none of its representatives:

- (i) negotiate, enter into or participate in negotiations or discussions with any person; or

- (ii) communicate any intention to do any of these things,

in relation to, or which may reasonably be expected to lead to, a Third Party Transaction, or which might otherwise lead to the Merger not completing.

(c) **No due diligence**

During the Exclusivity Period, Sierra must not make available or permit any person to receive any non-public information relating to the Sierra, its business and operations which might reasonably be expected to lead to a Third Party Transaction or the Merger not completing.

(d) **Exceptions to exclusivity**

The "no talk", "no shop" and "no due diligence" restrictions do not apply to any action in relation to a Third Party Transaction where the Directors determine that:

- (i) after receiving advice from its legal advisors, that not undertaking that action not undertaking that act would constitute a breach of directors' duties or would otherwise be to be unlawful; and
- (ii) after receiving advice from its legal and financial advisors, the Third Party Transaction is, or may reasonably be expected to lead to, a Superior Proposal to the Merger.

(e) **Equal access to information**

If during the Exclusivity Period, Sierra provide information to any person in connection with or for the purposes of a current or future Third Party Transaction, Sierra must promptly provide that information to RTG, to the extent RTG does not already have that information.

(f) **Obligation to notify RTG**

Sierra must immediately notify RTG if it becomes aware of any of a variety of matters relating to a Third Party Transaction, including:

- (i) the identity of the relevant third party; and
- (ii) details of the Third Party Proposal.

Sierra can only enter into a binding agreement to undertake a Third Party Transaction or change its recommendation in favour of the Merger or publicly recommend a Third Party Transaction, if:

- (i) Sierra provides RTG with:
 - (A) the identity of the relevant third party;
 - (B) the material terms of the proposed Third Party Transaction; and
 - (C) any material due diligence information provided to the relevant third party that has not been either publicly disclosed or previously provided to RTG,

- (ii) The Directors have determined:
 - (A) after consultation with its financial advisors, that the Third Party Transaction is a Superior Proposal; and
 - (B) after receiving independent legal advice, are required to respond to the Third Party Transaction to comply with fiduciary and statutory obligations, and
- (iii) give RTG five Business Days to match or provide a Superior Proposal to the Third Party Transaction.

9.20 Break fees

(a) Overview

Under the Scheme Implementation Deed, Sierra and RTG acknowledged to each other that, if they enter the Scheme Implementation Deed and the Schemes are subsequently not implemented in certain circumstances, the other will incur significant costs, including significant opportunity costs.

Each has requested provision be made for the payment of a break fee (without which it would not have entered into the Scheme Implementation Deed or otherwise agreed to implement the Schemes) by the other and, in turn, confirmed that:

- (i) it believes the implementation of the Schemes will provide significant benefits to it and its shareholders (and optionholders in the case of Sierra), such that it is reasonable and appropriate for it to agree to its break fee in order to secure the participation of the other in the Merger; and
- (ii) its break fee represents a genuine and reasonable estimate of costs and loss that would be suffered by the other if the Share Scheme was not implemented.

(b) Sierra Break Fee

Sierra has agreed to pay a break fee of A\$150,000 (plus GST if applicable) to RTG if:

- (i) a member of the Sierra Board withdraws or adversely modifies his support of the Schemes or his recommendation that Sierra Shareholders and Sierra Optionholders vote in favour of the Schemes, or makes a public statement that he no longer supports the Schemes or that he supports a Third Party Transaction, other than as a result of:
 - (A) the first report of the Independent Expert (but not subsequent reports or updates to that report) concluding that the Share Scheme or Option Scheme is not in the best interests of Scheme Shareholders or Scheme Optionholders (as applicable) (other than as a result of a Third Party Transaction);
 - (B) any matter or thing giving Sierra the right to terminate the Scheme Implementation Deed in the circumstances specified in clauses 13.1(a)(i), 13.1(c) and 13.2(b) of the Scheme Implementation Deed; or

- (C) failure of a Condition Precedent, other than a result of Sierra failing to use its reasonable endeavours to procure that certain Conditions Precedent are satisfied (as contemplated in clause 3.3 of the Scheme Implementation Deed);
- (ii) a Third Party Transaction is announced before 31 July 2014 and within one year of that announcement the relevant third party or an associate of the third party completes a certain Third Party Transaction (as specified in paragraph (a), (c) or (d) of the definition of 'Third Party Transaction' in clause 1.1 of the Scheme Implementation Deed) and merges with Sierra or acquires a relevant interest in at least 50% of Sierra Shares; or
- (iii) RTG terminates the Scheme Implementation Deed because:
 - (A) Sierra has materially breached certain terms;
 - (B) a Sierra Prescribed Occurrence occurs before 8.00am on the Second Court Date for the relevant Scheme; or
 - (C) Sierra has breached a representation and warranty in the Scheme Implementation Deed that is not rectified within five Business Days or before the Second Court Date (whichever is the earlier) and the loss that could reasonably be expected to follow from the breach exceeds A\$5,000,000 in aggregate,
 and the Merger does not complete.

(c) **RTG Break Fee**

RTG has agreed to pay a break fee of A\$150,000 (plus GST if applicable) to Sierra if Sierra terminates the Scheme Implementation Deed because:

- (i) RTG has materially breached any provision (other than certain provisions specified in clause 13.1(a)(i) of the Scheme Implementation Deed);
- (ii) a RTG Prescribed Occurrence (each as defined in the Scheme Implementation Deed) occurs before 8.00am on the Second Court Date for the relevant Scheme; or
- (iii) RTG has breached a representation and warranty in the Scheme Implementation Deed that is not rectified within five Business Days or before 5.00pm on the Business Day before the Second Court Date for the Share Scheme (whichever is earlier) and the loss that could reasonably be expected to follow from the breach exceeds A\$5,000,000 (plus GST if applicable) in aggregate,

and the Merger does not complete.

9.21 Termination rights

Either Sierra or RTG may terminate the Scheme Implementation Deed in the following circumstances:

- (a) the other party has materially breached a provision (subject to notice and applicable grace periods);

- (b) at any time before 8.00am on the Second Court Date for the Scheme, if a court or government agency permanently restrains or otherwise prohibits the Merger, or refuses to do anything necessary to permit the Merger, and the action or refusal has become final and cannot be appealed;
- (c) unless waived, one or more Conditions Precedent to the Share Scheme cannot be satisfied within the relevant time specified in the Scheme Implementation Deed and Sierra and RTG cannot within five Business Days agree on an alternative method for proceeding with the Merger or an extension of the Second Court Date, the relevant time or the End Date; or
- (d) the Sierra Board or a majority of the Sierra Board changes, withdraws or modifies its recommendation that Sierra Shareholders or Sierra Options vote in favour of the relevant Scheme where permitted to do so under the Scheme Implementation Deed and, if Sierra is terminating, it has paid the A\$150,000 break fee to RTG (where applicable).

RTG may terminate the Scheme Implementation Deed if a Sierra Prescribed Occurrence occurs before 8.00am on the Second Court Date for the relevant Scheme.

Sierra may terminate the Scheme Implementation Deed if a RTG Prescribed Occurrence occurs before 8.00am on the Second Court Date for the relevant Scheme.

Each of Sierra and RTG has made certain representations and warranties to the other (see schedules 1 and 2 of the Scheme Implementation Deed). Before 8.00am on the Second Court Date for the relevant Scheme, either Sierra or RTG may (subject to notice and applicable grace periods) terminate the Scheme Implementation Deed for breach by the other of its representations and warranties if the loss that could reasonably be expected to follow from that breach exceeds, in the case of a breach by of A\$5,000,000.

9.22 Arrangements for holders of unlisted Sierra Options

(a) Summary

Under the Scheme Implementation Deed, Sierra agreed to use all reasonable endeavours to procure that by no later the First Court Date, the holder of unlisted Sierra options enters into a binding agreement with RTG, conditional on the Schemes becoming Effective, under which the holder agrees to transfer those unlisted Sierra options to RTG.

As at the date of this Scheme Booklet, RTG has entered into binding agreements with each holder of unlisted Sierra options to acquire all of their unlisted Sierra options, conditional upon the Scheme becoming Effective before the End Date. These unlisted Sierra optionholders together hold 100% of the unlisted Sierra options on issue as detailed below.

On a pre-RTG Share Consolidation basis, holders of unlisted Sierra options exercisable at:

- (i) \$0.20 each on or before 1 July 2014, will receive nine (9) RTG Shares (in the form of RTG CDIs) and one (1) RTG Option (in the form of a RTG Option CDI) for every nine (9) unlisted Sierra options held; and

- (ii) \$0.25 each on or before 1 July 2015, will receive nine (9) RTG Shares (in the form of RTG CDIs) and one (1) RTG Option (in the form of a RTG Option CDI) for every 18 unlisted Sierra options held.

Details regarding the unlisted Sierra options held by or on behalf of Directors are set out in section 12.5.

(b) **Unlisted Sierra options**

As at the date of this Scheme Booklet, Sierra had the following unlisted Sierra options on issue:

Unlisted Sierra options	Exercise Price	Expiry Date	Number
\$0.20 unlisted Sierra options	\$0.20	1 July 2014	3,683,333
\$0.25 unlisted Sierra options	\$0.25	1 July 2015	8,333,334
Total number of unlisted Sierra options			12,016,667

10. Scheme Consideration

10.1 Introduction

This section provides additional information regarding Scheme Consideration, including:

- (a) for Sierra Shareholders, information about the calculation of Share Scheme Consideration (see section 10.2);
- (b) for Sierra Optionholders, information about the calculation of Option Scheme Consideration (see section 10.3);
- (c) for all Sierra Securityholders (other than Ineligible Foreign Securityholders), information about RTG Shares, RTG CDIs, RTG Options and RTG Option CDIs and how you can elect to receive Scheme Consideration in the form of RTG Shares and RTG Options rather than in the form of RTG CDIs and RTG Option CDIs (see section 10.4);
- (d) for Small Securityholders under a Scheme, information about how you can elect to withdraw from participating in the Sale Facility and receive RTG CDIs and RTG Option CDIs or RTG Shares and RTG Options under that Scheme (see section 10.5);
- (e) for Small Securityholders who participate in the Sale Facility and for all Ineligible Foreign Securityholders, information about how the Sale Facility operates (see section 10.5); and
- (f) for Ineligible Foreign Securityholders, how their Scheme Consideration will be dealt with (see section 10.7).

10.2 Share Scheme Consideration

(a) Calculation

The Share Scheme Consideration comprises of:

- (i) prior to the RTG Share Consolidation, three (3) RTG Shares (in the form of RTG CDIs) for every one (1) Sierra Share held together with one (1) RTG Option (in the form of a RTG Option CDI) for every three (3) Sierra Shares; and
- (ii) after the RTG Share Consolidation, three (3) RTG Shares (in the form of RTG CDIs) for every ten (10) Sierra Shares held together with one (1) RTG Option (in the form of a RTG Option CDI) for every 30 Sierra Shares,

held at 5.00pm on the Record Date, with the total Share Scheme Consideration for any Sierra Shareholder rounded up or down to the nearest whole number, with entitlements to half of a RTG Share, RTG CDI, RTG Option or RTG Option CDI rounded down. See section 9.10 for further information about the RTG Share Consolidation.

(b) Payment

If the Share Scheme becomes Effective and your name appears in the Sierra Share Register at 5.00pm on the Record Date for the Share Scheme:

- (i) subject to (ii) and (iii), you will receive Scheme Consideration for the Sierra Shares you are recorded as holding in the form of RTG CDIs and RTG Option CDIs with holding statements for your RTG CDIs and RTG Option CDIs to be sent to you as soon as practicable and, in any event, not later than five Business Days after the Implementation Date;
- (ii) if you have made a valid election to receive RTG Shares and RTG Options rather than RTG CDIs and RTG Option CDIs or if RTG does not obtain admission to the official list of ASX, you will receive Scheme Consideration for the Sierra Shares you are recorded as holding in the form of RTG Shares and RTG Options with a DRS advice to be sent to you as soon as practicable and, in any event, not later than five Business Days after the Implementation Date; and
- (iii) subject to obtaining the required relief from ASIC, if you are a Sale Facility Participant, the RTG Shares and RTG Options that would otherwise have been issued to you under (i) or (ii) will be issued to the Sale Agent, as your nominee in trust, for sale through the Sale Facility and you will receive a pro rata share of the net proceeds converted into Australian dollars from the sale of all RTG Shares and RTG Options sold through the Sale Facility (see section 10.5 for information on when you can expect to receive this payment).

10.3 Option Scheme Consideration

(a) Calculation

The Option Scheme Consideration comprises of:

- (i) prior to the RTG Share Consolidation, two (2) RTG Shares (in the form of RTG CDIs) for every one (1) Sierra Option together with two (2) RTG Options (in the form of RTG Option CDIs) for every nine (9) Sierra Options; and
- (ii) after the RTG Share Consolidation, two (2) RTG Shares (in the form of RTG CDIs) for every ten (10) Sierra Option together with two (2) RTG Options (in the form of RTG Option CDIs) for every 90 Sierra Options,

held at 5.00pm on the Record Date, with the total Option Scheme Consideration for any Sierra Optionholder rounded up or down to the nearest whole number, with entitlements to half of a RTG Share, RTG CDI, RTG Option or RTG Option CDI rounded down. See section 9.10 for further information about the RTG Share Consolidation.

(b) Payment

If the Option Scheme becomes Effective and your name appears in the Sierra Option Register at 5.00pm on the Record Date for the Option Scheme:

- (i) subject to (ii) and (iii), you will receive Scheme Consideration for the Sierra Options you are recorded as holding in the form of RTG CDIs and RTG Option CDIs with holding statements for your RTG CDIs and RTG Option CDIs to be sent to you as soon as practicable and in any event not later than five Business Days after the Implementation Date;

- (ii) if you have made a valid election to receive RTG Shares and RTG Options rather than RTG CDIs and RTG Option CDIs or if RTG does not obtain admission to the official list of ASX, you will receive Scheme Consideration for the Sierra Options you are recorded as holding in the form of RTG Shares and RTG Options and a DRS advice will be sent to you as soon as practicable and, in any event, not later than five Business Days after the Implementation Date; and
- (iii) if you are a Sale Facility Participant, subject to obtaining the required relief from ASIC, the Scheme Consideration that would otherwise have been issued to you under (i) or (ii) will be issued to the Sale Agent, as your nominee in trust, for sale through the Sale Facility and you will receive a pro rata share of the net proceeds converted into Australian dollars from the sale of all Scheme Consideration sold through the Sale Facility (see section 10.5 for information on when you can expect to receive this payment).

10.4 RTG Share and RTG Option Election

Assuming RTG is admitted to the official list of ASX, you can elect to receive Scheme Consideration in the form of RTG Shares and RTG Options listed on TSX instead of RTG CDIs and RTG Option CDIs quoted on ASX, by making a Share Election. You should consider the information in this section before deciding whether to make a Share Election.

The decision whether to elect to receive RTG Shares and RTG Options listed on TSX (rather than RTG CDIs and RTG Option CDIs quoted on ASX) will depend on your individual circumstances. You should seek advice from your own financial, legal or other professional adviser before deciding whether to make this election.

If the Scheme(s) relevant to you becomes Effective, by default, you will receive Scheme Consideration in the form of RTG CDIs and RTG Option CDIs quoted on ASX, unless you are a Sale Facility Participant (see sections 10.5, 10.6 and 10.7) or you complete a Share Election Form in accordance with the instructions on that form (see section 10.4). However, if RTG does not obtain admission to the official list of ASX, and the Scheme(s) relevant to you becomes Effective, you will instead receive Scheme Consideration in the form of RTG Shares and RTG Options listed on TSX. At the date of this Scheme Booklet, RTG is not aware of any particular issues that would prevent it from obtaining admission to ASX.

(a) RTG Shares

RTG Shares are ordinary shares in the share capital of RTG. RTG Shareholders are entitled to one vote for each share on all matters to be on by shareholders at meetings of RTG Shareholders (except matters requiring the vote of a specified class or series voting separately as a class or series). On liquidation, dissolution or winding up of RTG, the holders of RTG Shares will be entitled to receive the property of RTG remaining after payment of all debts on a pro rata basis, but subject to rights, privileges, restrictions and conditions of any other class of shares issued by RTG. There are no pre-emptive, redemption or conversion rights attaching to the RTG Shares. All RTG Shares, when issued, are and will be issued as fully paid and non-assessable shares without liability for further calls or to assessment.

RTG Shares are listed on TSX. Accordingly, investors who wish to trade RTG Shares on the open market must do so on TSX (RTG Shares cannot be traded on ASX). Such trades must be undertaken through a broker entitled to trade on TSX. Not all Australian brokers are able to trade securities on TSX. RTG Shares are listed and traded on TSX in Canadian dollars. The Australian dollar value of RTG Shares will depend on the prevailing A\$:C\$ exchange rate from time to time.

(b) **RTG CDIs**

A CDI is a financial product quoted on ASX. CDIs represent an interest in the underlying security of the foreign company. This allows investors to trade interests in foreign securities by trading the relevant CDIs on ASX.

Each RTG CDI will represent one RTG Share and will confer a beneficial interest in that RTG Share.

RTG Shares represented by RTG CDIs will be held by CDN on behalf of the holders of RTG CDIs.

If RTG is admitted to the official list of ASX, RTG CDIs will be quoted and traded on ASX in Australian dollars. They will not be listed and will not be able to be traded on TSX.

The key features of RTG CDIs are summarised below.

(i) **General**

Except for certain differences noted below, the rights attaching to RTG CDIs are economically equivalent to the rights attaching to RTG Shares, and RTG will generally be required to treat holders of RTG CDIs as if they were the holders of the RTG Shares represented by those RTG CDIs. This means that economic benefits such as dividends, bonus issues and rights issues will generally flow through to holders of RTG CDIs as if they were the registered holders of the underlying RTG Shares.

(ii) **Ratio**

Each RTG CDI will represent one RTG Share held by CDN, a wholly owned subsidiary of ASX.

(iii) **Voting**

Holders of RTG CDIs will be sent notices of general meetings of RTG Shareholders at the same time as they are sent to RTG Shareholders.

As holders of RTG CDIs are not the registered holders of the RTG Shares represented by RTG CDIs, they will not be automatically entitled to vote in person at a general meeting of RTG Shareholders.

However, the holder of a RTG CDI can direct CDN to cast votes in a particular manner on their behalf or they can require CDN to appoint the holder (or a person nominated by the holder) as proxy to exercise the votes attaching to the RTG Shares represented by the holder's RTG CDIs. In such latter case, a holder of a RTG CDI may, as proxy, attend

and vote in person at a general meeting of RTG Shareholders. Save as mentioned in this paragraph, if a holder of a RTG CDI wishes to attend and vote in person at a general meeting of RTG Shareholders, the holder must first convert their RTG CDIs into the underlying RTG Shares in sufficient time before the record date for the meeting.

(iv) Takeovers

CDN must not accept a takeover offer in respect of any RTG Shares representing RTG CDIs except to the extent that holders of RTG CDIs have authorised CDN to accept the offer. It is CDN's responsibility to ensure that the bidder processes those acceptances.

(v) Conversion of RTG CDIs into RTG Shares

Holders of RTG CDIs may at any time convert their RTG CDIs into RTG Shares listed on TSX by contacting:

- (A) the RTG CDI subregistry (currently Computershare), if their RTG CDIs are held on the RTG CDI issuer sponsored subregister; or
- (B) their broker, if their RTG CDIs are held on the RTG CDI CHESSE subregister.

Requests for conversion will ordinarily be processed within one to three Business Days, although the time for conversion may take longer. Conversion is achieved by transferring the underlying RTG Shares from CDN to the holder of the RTG CDIs.

No trading of the underlying RTG Shares can take place on TSX until the conversion process has been completed.

(vi) Communications from RTG

RTG will communicate directly with holders of RTG CDIs with respect to corporate actions and will send notices and other documents (e.g. notices of meetings) to holders of RTG CDIs at the same time as they are sent to RTG Shareholders.

(vii) Trading

Following the listing of RTG CDIs on ASX, RTG CDIs can be traded on ASX. They will not be tradeable on TSX.

If a holder of RTG CDIs wishes to trade on TSX, they must convert the RTG CDIs into RTG Shares (see above).

(viii) Dividends

Dividend record and payment dates will be the same for RTG Shares and RTG CDIs.

Any cash dividends or distributions will be converted by RTG or its agent from Canadian dollars into Australian dollars, paid by RTG to the RTG CDI subregistry (currently Computershare) on trust for the holders of RTG CDIs (net of any currency conversion

costs) and then paid directly to holders of RTG CDIs by the RTG CDI subregistry on the payment date.

Please note that RTG does not currently intend to pay any dividends. See section 6.1(b) for further details.

(ix) **Evidence of ownership**

If RTG CDIs are issued to you under a Scheme, you will receive a holding statement in respect of your RTG CDIs rather than a DRS advice for the underlying RTG Shares. Revised holding statements will be provided on a periodic basis if there is a change in the number of RTG CDIs held by you.

RTG CDIs may be held on an issuer sponsored subregister or on a CHESSE subregister. If you receive RTG CDIs under the Share Scheme, you will receive them:

- (A) on the RTG CDI issuer sponsored subregister, to the extent they are issued for Sierra Shares held on the Sierra issuer sponsored subregister; and
- (B) on the RTG CDI CHESSE subregister, to the extent they are issued for Sierra Shares held on the Sierra CHESSE subregister.

(c) **The principal differences between holding RTG CDIs and RTG Shares**

The principal difference between holding a RTG CDI and holding a RTG Share is that the holder of a RTG CDI has, through CDN, an indirect, beneficial interest in the RTG Share underlying their RTG CDI instead of directly owning that RTG Share. This means that the holder of the RTG CDI is not the registered holder of the underlying RTG Share and therefore:

- (i) cannot directly trade the underlying RTG Share; and
- (ii) is a beneficial holder (rather than registered legal holder) of the underlying RTG Share.

As noted in this section, there are certain differences which you should take into account in determining whether to elect to receive Scheme Consideration in the form of RTG Shares instead of RTG CDIs.

As mentioned above under 'Voting', a holder of a RTG CDI cannot attend a RTG general meeting as a shareholder but can direct CDN how to vote or to appoint the holder as proxy.

(d) **RTG Options**

RTG Options are rights to acquire one unissued RTG Share.

RTG Options are listed on TSX and accordingly can only be traded on TSX through a broker entitled to trade on TSX. Not all Australian brokers are able to trade securities on TSX. RTG Options are listed and traded on TSX in Canadian dollars. The Australian dollar value of RTG Options will depend on the prevailing A\$:C\$ exchange rate from time to time

See section 6.3 for a summary of the RTG Options and RTG Option CDIs terms and conditions and the Option Indenture.

(e) **RTG Option CDIs**

Each RTG Option CDI will represent one RTG Option and will confer a beneficial interest in that RTG Option. RTG Options represented by RTG Option CDIs will be held by CDN on behalf of the holders of RTG Option CDIs.

If RTG is admitted to the official list of ASX, RTG Option CDIs will be quoted and traded on ASX in Australian dollars. They will not be listed and will not be able to be traded on TSX.

The key features of RTG CDIs are summarised below.

(i) **General**

Except for certain differences noted below, the rights attaching to RTG Option CDIs are economically equivalent to the rights attaching to RTG Options, and RTG will generally be required to treat holders of RTG Option CDIs as if they were the holders of the RTG Options represented by those RTG Option CDIs.

(ii) **Ratio**

Each RTG Option CDI will represent one RTG Option held by CDN, a wholly owned subsidiary of ASX.

(iii) **Voting**

Holders of RTG Option CDIs will be sent notices of general meetings of RTG Optionholders at the same time as they are sent to RTG Optionholders.

As holders of RTG Option CDIs are not the registered holders of the RTG Options represented by RTG Option CDIs, they will not be automatically entitled to vote in person at a general meeting of RTG Optionholders.

However, the holder of a RTG Option CDI can direct CDN to cast votes in a particular manner on their behalf or they can require CDN to appoint the holder (or a person nominated by the holder) as proxy to exercise the votes attaching to the RTG Options represented by the holder's RTG Option CDIs. In such latter case, a holder of a RTG Option CDI may, as proxy, attend and vote in person at a general meeting of RTG Optionholders. Save as mentioned in this paragraph, if a holder of a RTG Option CDI wishes to attend and vote in person at a general meeting of RTG Optionholders, the holder must first convert their RTG Option CDIs into the underlying RTG Options in sufficient time before the record date for the meeting.

(iv) **Takeovers**

CDN must not accept a takeover offer in respect of any RTG Options representing RTG Option CDIs except to the extent that holders of RTG Option CDIs have authorised CDN

to accept the offer. It is CDN's responsibility to ensure that the bidder processes those acceptances.

(v) Conversion of RTG Option CDIs into RTG Options

Holders of RTG Option CDIs may at any time convert their RTG Option CDIs into RTG Options listed on TSX by contacting:

- (A) the RTG Option CDI subregistry (Computershare), if their RTG Option CDIs are held on the RTG Option CDI issuer sponsored subregister; or
- (B) their broker, if their RTG Option CDIs are held on the RTG Option CDI CHESSE subregister.

Requests for conversion will ordinarily be processed within one to three Business Days, although the time for conversion may take longer. Conversion is achieved by transferring the underlying RTG Options from CDN to the holder of the RTG Option CDIs.

No trading of the underlying RTG Options can take place on TSX until the conversion process has been completed.

(vi) Communications from RTG

RTG will communicate directly with holders of RTG Option CDIs with respect to corporate actions and will send notices and other documents (e.g. notices of meetings) to holders of RTG Option CDIs at the same time as they are sent to RTG Optionholders.

(vii) Trading

Following the listing of RTG Option CDIs on ASX, RTG Option CDIs can be traded on ASX. They will not be tradeable on TSX.

If a holder of RTG Option CDIs wishes to trade on TSX, they must convert the RTG Option CDIs into RTG Options (see above).

(viii) Evidence of ownership

If RTG Option CDIs are issued to you under a Scheme, you will receive a holding statement in respect of your RTG Option CDIs rather than a DRS advice for the underlying RTG Options. Revised holding statements will be provided on a periodic basis if there is a change in the number of RTG Option CDIs held by you.

RTG Option CDIs may be held on an issuer sponsored subregister or on a CHESSE subregister. If you receive RTG Option CDIs under the Share Scheme, you will receive them:

- (A) on the RTG Option CDI issuer sponsored subregister, to the extent they are issued for Sierra Shares held on the Sierra issuer sponsored subregister; and

- (B) on the RTG Option CDI CHESS subregister, to the extent they are issued for Sierra Shares held on the Sierra CHESS subregister.

(f) **The principal differences between holding RTG Option CDIs and RTG Options**

The principal difference between holding a RTG Option CDI and holding a RTG Option is that the holder of a RTG Option CDI has, through CDN, an indirect, beneficial interest in the RTG Option underlying their RTG Option CDI instead of directly owning that RTG Option. This means that the holder of the RTG Option CDI is not the registered holder of the underlying RTG Option and therefore:

- (i) cannot directly trade the underlying RTG Option; and
- (ii) is a beneficial holder (rather than registered legal holder) of the underlying RTG Option.

As noted in this section, there are certain differences which you should take into account in determining whether to elect to receive Scheme Consideration in the form of RTG Options instead of RTG Option CDIs.

As mentioned above under 'Voting', a holder of a RTG Option CDI cannot attend a RTG general meeting of optionholders as an optionholder but can direct CDN how to vote or to appoint the holder as proxy.

(g) **RTG CDIs and RTG Option CDIs will be quoted on ASX and RTG Shares and RTG Options will be listed on TSX**

RTG CDIs and RTG Option CDIs will be tradeable on ASX only. This has the advantage that RTG CDIs and RTG Option CDIs can be traded during Australian business hours using Australian brokers in prices quoted in Australian dollars.

However, see section 7 for a discussion of the liquidity of the market for RTG CDIs and the potential risk that they may trade at a discount to RTG Shares on TSX.

(h) **Exercise of shareholder and optionholder rights**

As holders of RTG CDIs and RTG Option CDIs are not registered holders of the relevant RTG Securities, the rights attaching to RTG Shares and RTG Options which underlie their RTG CDIs and RTG Option CDIs respectively must be exercised by CDN. A holder of RTG CDIs or RTG Option CDIs may instruct CDN to exercise those rights on their behalf. In contrast, a registered holder of RTG Shares or RTG Options can directly exercise the rights attaching to their RTG Shares or RTG Options respectively in such manner as they choose.

(i) **Conversion of RTG Shares into RTG CDIs**

If you elect to receive RTG Shares instead of RTG CDIs, it is possible to later convert them into RTG CDIs (e.g. because you would like to trade on ASX). You should contact RTG's Registry (Computershare) if you wish to convert your RTG Shares into RTG CDIs.

(j) **Conversion of RTG Options into RTG Option CDIs**

If you elect to receive RTG Options instead of RTG Option CDIs, it is possible to later convert them into RTG Option CDIs (e.g. because you would like to trade on ASX). You should contact RTG's Registry (Computershare) if you wish to convert your RTG Options into RTG Option CDIs.

(k) **How to make a Share Election**

To make a Share Election, you should contact the Sierra Registry (see contact details on the inside back cover of this Scheme Booklet) and ask them to send you a Share Election Form. You should then complete and return the Share Election Form in accordance with the instructions on that form. The deadline for receipt of Share Election Forms by the Sierra Registry is 5.00pm on the Record Date (currently 28 May 2014). If RTG is admitted to the official list of ASX, and you do not make a valid Share Election by 5.00pm on the Record Date, you will receive RTG CDIs and RTG Option CDIs to be quoted on ASX by default.

Unless you are a trustee or nominee:

- (i) you may only make a Share Election under a Scheme in respect of all your Scheme Shares under that Scheme; and
- (ii) if you make a Share Election under a Scheme, it will be deemed to apply to all your Scheme Shares under that Scheme regardless of whether the number of relevant Sierra Shares you hold at 5.00pm on the Record Date of the Scheme is greater or less than the number you held at the time you made your election.

Election by trustees and nominees

If you hold one or more parcels of Sierra Shares or Sierra Options as trustee or nominee for, or otherwise on account of, another person, to reflect the fact that some of your beneficiaries may prefer to receive Scheme Consideration in the form of RTG CDIs and RTG Option CDIs while others may prefer to receive Scheme Consideration in the form of RTG Shares and RTG Options you may do so by establishing separate holdings and electing the appropriate form of Scheme Consideration. Your election will apply to all your holding. However, you may not accept instructions from a beneficiary to make a Share Election unless it is in respect of the Scheme Consideration attributable to all parcels of Sierra Shares or Sierra Options held by you on behalf of that beneficiary.

Variation or withdrawal of a Share Election

You may vary or withdraw a Share Election by following the instructions on the Share Election Form. The deadline for receipt by the Sierra Registry of instructions to vary or withdraw a Share Election is 5.00pm on the Record Date. If your valid instructions are not received by this time, you will receive RTG Shares and RTG Options listed on TSX in accordance with your then current Share Election.

10.5 Sale Facility

Subject to obtaining the required relief from ASIC, if you are a Sale Facility Participant, the Scheme Consideration that would otherwise have been issued to you (**Sale Facility Securities**) will be issued

to the Sale Agent, as your nominee in trust, for sale through the Sale Facility and you will receive a pro rata share of the net proceeds converted into Australian dollars from the sale of all Scheme Consideration sold through the Sale Facility.

RTG will establish the Sale Facility, and appoint itself or another person(s), (after consultation with Sierra) as Sale Agent, to sell the Sale Facility Securities under the Sale Facility.

The Sale Agent must sell the Sale Facility Securities under the Sale Facility within 8 weeks after the Implementation Date.

The Sale Agent may sell the Sale Facility Securities in the ordinary course of trading on ASX and/or TSX and otherwise in such manner, at such price or prices and on such other terms as the Sale Agent determines in good faith. RTG CDIs and RTG Option CDIs or RTG Shares and RTG Options, as applicable, will be sold on market on ASX and/or TSX (with proceeds received by the Sale Agent in C\$ or A\$).

Following the last sale of Sale Facility Securities under the Sale Facility, the Sale Agent must

- (i) deduct any applicable brokerage costs (up to 1%) and any applicable taxes and currency conversion costs;
- (ii) convert the proceeds received from Sale Facility Securities sales in C\$ into A\$ within five Trading Days and pay the converted A\$ amount to the RTG Registry within a further one Trading Day; and
- (iii) instruct the RTG Registry to despatch payment of each Sale Facility Participant's pro rata share of the converted A\$ amount (rounded up to the nearest cent) (**Sale Facility Participant's Proceeds**) within seven Business Days.

Payment of the Sale Facility Participant's Proceeds is in full satisfaction of the Sale Facility Participants' rights under the Share Scheme or the Option Scheme (as applicable).

The cash amount received as the Sale Facility Participant's Proceeds will depend on the price at which the Sale Facility Securities can be sold under the Sale Facility by the Sale Agent at the relevant time, applicable exchange rates and the amount of any applicable taxes and currency conversion costs incurred (with respect to the sale of RTG Shares and RTG Options) by the Sale Agent in connection with sales under the Sale Facility.

A brokerage fee of no more than 1% may be payable in relation to Scheme Consideration sold through the Sale Facility

A Sale Facility Participant's pro rata share of the Sale Facility proceeds may be more or less than the value of the Share Scheme Consideration or Option Scheme Consideration, as applicable, which that Sale Facility Participant would have received had they not been Sale Facility Participants. The market price of RTG CDIs and RTG Option CDIs, and RTG Shares and RTG Options is subject to change from time to time.

None of Sierra, RTG or the Sale Agent gives any assurance as to the price that will be achieved for the sale of Sale Facility Securities by the Sale Agent under the Sale Facility.

10.6 Small Securityholders

(a) Summary

Subject to ASIC granting the required relief, unless a Small Securityholder elects to withdraw from the Sale Facility, its entitlement to Scheme Consideration under the Schemes will be issued to the Sale Agent, as their nominee in trust.

(b) Small Securityholders

A Small Securityholder is a Scheme Shareholder or a Scheme Optionholder who will receive an aggregate of 9,000 or less RTG Shares under the Schemes.

For instance, this will include:

- (i) any Sierra Shareholder who holds 3,000 or less Sierra Shares and no Sierra Options; or
- (ii) any Sierra Optionholder who holds 4,500 or less Sierra Options and no Sierra Shares.

If you hold both Sierra Shares and Sierra Options, to determine whether you are a Small Securityholder, you should calculate the number of RTG Shares you will receive under the Schemes using the Scheme Consideration described in this Scheme Booklet. You will only be considered to hold both Sierra Shares and Sierra Options if they are registered under the same SRN or HIN.

Based on the preferred values ascribed to a RTG Share in the Independent Expert's Report, an unmarketable parcel of RTG Shares is 9,000 or less RTG Shares.

Small Securityholders may elect to withdraw from participating in the Sale Facility and be issued with RTG CDIs and RTG Option CDIs quoted on ASX or RTG Shares and RTG Options listed on TSX on implementation of the Schemes.

(c) How to withdraw from Sale Facility

Small Securityholders may:

- (i) do nothing, in which case they will become Sale Facility Participants and their entitlement to Scheme Consideration under the Schemes will be dealt with under the Sale Facility; or
- (ii) elect not to participate in the Sale Facility (in accordance with the requirements set out below) and receive their entitlement to Scheme Consideration under the Schemes. Small Security Holders who make this election may also elect whether to have receive securities listed on ASX or TSX.

Small Securityholders may withdraw from participating in the Sale Facility by completing and returning a Sale Facility Election Form (available from Sierra's Registry) in accordance with the instructions on that form, indicating whether they wish to receive their Scheme Consideration as RTG CDIs and RTG Option CDIs quoted on ASX or RTG Shares and RTG Options listed on TSX.

If you hold both Sierra Shares and Sierra Options, you can elect to withdraw from participating in the Sale Facility in respect of either your Sierra Shares or Sierra Options, or both.

The deadline for receipt of Sale Facility Election Forms by the Sierra Registry is 5.00pm on the Record Date (expected to be 28 May 2014).

If you do not make a valid election to withdraw from participating in the Sale Facility by completing a Sale Facility Election Form by 5.00pm on the Record Date, your Scheme Consideration will be issued to the Sale Agent to be dealt with under the Sale Facility.

(d) Information on RTG market prices

RTG is currently listed on TSX (Code: RTG) and its market price from time to time can be obtained on the website of various services providers including: <http://web.tmxmoney.com/quote>.

(e) Varying withdrawal and electing to participate in the Sale Facility

If you have withdrawn from participating in the Sale Facility, you may elect to re-participate in the Sale Facility by withdrawing your Sale Facility Election Form by following the instructions on the forms. The deadline for receipt by the Sierra Registry of instructions to withdraw a Sale Facility Election Form is 5.00pm on the Record Date.

10.7 Sierra Securityholders outside Australia

Restrictions in certain jurisdictions outside Australia may make it impractical or unlawful for RTG Shares, RTG CDIs, RTG Options or RTG Option CDIs to be issued under a Scheme to, or received under a Scheme by, RTG Securityholders in those jurisdictions.

Any Scheme Shareholder or Scheme Optionholder whose address as shown in the Sierra Share Register or the Sierra Option Register (as the case may be) at 5.00pm on the Record Date is outside of Australia and its external territories, New Zealand or Canada, will be regarded as an Ineligible Foreign Securityholder for the purposes of the Share Scheme or Option Scheme (as the case may be), unless RTG determines in its absolute discretion that it is lawful and not unduly onerous or impracticable to issue RTG Shares, RTG CDIs, RTG Options or RTG Option CDIs to the Scheme Shareholder or Scheme Optionholder when the Share Scheme or the Option Scheme (as the case may be) becomes Effective.

Ineligible Foreign Securityholders will not receive RTG CDIs and RTG Option CDIs or be entitled to make an election to receive RTG Shares and RTG Options. Instead, all Ineligible Foreign Securityholders will be Sale Facility Participants and have their entitlement to RTG Shares and RTG Options issued to the Sale Agent, to be dealt with under the Sale Facility (see section 10.5 for more information about the Sale Facility).

11. Australian Taxation Implications

This section provides general comments on the Australian tax consequences for Sierra Securityholders arising from the disposal of their Sierra Shares or Sierra Options under the Schemes. Sierra Securityholders should obtain, and only rely upon, their own professional taxation advice about the consequences of:

- (a) disposing of Sierra Shares or Sierra Options for RTG CDIs and RTG Option CDIs or RTG Shares and RTG Options; or
- (b) participating in the Sale Facility (as applicable),

having regard to their own specific circumstances.

The comments below on income tax are based on the Income Tax Assessment Act 1936 (Cth) and the Income Tax Assessment Act 1997 (Cth) (collectively referred to as the **Tax Act**) and relevant ATO pronouncements at the date of this Scheme Booklet, except as otherwise indicated.

The comments made in this section 11 regarding a RTG Share or a RTG Option apply equally to a RTG CDI or a RTG Option CDI respectively.

11.1 Share Scheme taxation consequences

(a) **Scope**

This section does not attempt to address the Australian taxation consequences relevant to all Sierra Shareholders pursuant to the Share Scheme. Specifically, it does not consider the consequences for Sierra Optionholders (see section 11.2). This section addresses the tax consequences only for Sierra Shareholders who hold their shares as capital assets and does not address the tax consequences for Sierra Shareholders who hold their shares as revenue assets or trading stock or as assets used in carrying on a business or who are subject to the taxation of financial arrangements rules in Division 230 of the Tax Act in relation to gains and losses on their Sierra Shares.

(b) **Australian resident Sierra Shareholders**

(i) **Capital Gains Tax**

The disposal of Sierra Shares to RTG will be a Capital Gains Tax (**CGT**) event for Sierra Shareholders. This CGT event will occur on the Implementation Date.

Sierra Shareholders will derive a capital gain on the disposal of their Sierra Shares to the extent that:

- (A) the market value of any RTG Shares and RTG Options they receive (described below); or
- (B) subject to obtaining the required ASIC relief, in the case of Small Securityholders who have participated in the Sale Facility, their pro rata share of the net proceeds

converted into Australian dollars from the sale of all RTG Shares and RTG Options by the Sale Agent through the Sale Facility,

exceeds the tax cost base of their Sierra Shares. Conversely, Sierra Shareholders will incur a capital loss on the disposal of their Sierra Shares to the extent that the amount in (A) or (B) above (as applicable) is less than the reduced tax cost base of their Sierra Shares. Reduced cost base is broadly the tax cost base less specific legislative reductions.

The market value of a RTG Share should be calculated as the volume weighted average price of that share on the Implementation Date. The market value of a RTG Option should be calculated using the Blake Scholes model, taking into account any additional information relevant to the valuation, as at the Implementation Date. As soon as practicable after the Implementation Date, RTG will make available to holders of RTG Shares and RTG Options a determination of market value as at the Implementation Date.

Generally the tax cost base of any Sierra Shares will be equal to the consideration paid to acquire the Sierra Shares. In addition, other incidental costs of acquiring the Sierra Shares (such as brokerage fees and stamp duty) may be included in the tax cost base (or reduced cost base).

The sum of a Sierra Shareholder's capital gains for an income year reduced by any capital loss incurred during the year, or carried forward from previous years, (known as the net capital gain) should be included in their assessable income.

Australian resident individual Sierra Shareholders who have held their Sierra Shares for greater than 12 months should be able to discount their capital gain by 50%. Similarly, an eligible superannuation entity that has held its Sierra Shares for greater than 12 months should be able to discount its capital gain by 33.3%. The discount will be applied to a Sierra Shareholder's capital gain for the period after the offset of any capital losses. Corporate Sierra Shareholders are not entitled to discount their capital gain.

If a Sierra Shareholder is unable to obtain the CGT relief described under section 11.1(b)(ii) below entitled 'Availability of CGT roll-over relief', the total tax cost base of any RTG Shares and RTG Options received will be the market value of the Sierra Shares exchanged on the Implementation Date (which we expect to be the amount in (A) above).

The date of acquisition for CGT purposes will be the Implementation Date. This date will be relevant for any future qualification for the CGT discount with respect to CGT events happening to the RTG Shares and RTG Options.

(ii) Availability of CGT roll-over relief

Sierra Shareholders who would make a capital gain on the disposal of their Sierra Shares for RTG Shares and RTG Options should be eligible to make a choice whether or not to apply CGT roll-over relief on the RTG Shares component of the Scheme Consideration received (only).

The receipt by Sierra Shareholders of RTG CDIs and RTG Option CDIs, rather than the underlying RTG Shares and RTG Options, should not preclude qualification for the roll-

over provided that the RTG CDIs and RTG Option CDIs will be CHESS Units of Foreign Securities. Participation by Small Securityholders in the Sale Facility will preclude qualification for CGT roll-over relief.

Any capital gain arising from the receipt of the RTG Options or RTG Option CDIs (i.e. the RTG Options or RTG Option CDIs component of the Scheme Consideration) on disposal of Sierra Shares will not be eligible for CGT roll-over relief.

If a Sierra Shareholder elects to apply CGT roll-over relief, a capital gain that they would otherwise make on the disposal of their Sierra Shares, for which the Scheme Consideration comprises RTG Shares, will be disregarded.

Where roll-over relief is elected, a reasonably attributable part of the tax cost base of the Sierra Shares disposed of would become the tax cost base of the RTG Shares. The portion that is reasonably attributable is determined based on an allocation of the tax cost base of the Sierra Shares, on a proportionate basis, across the RTG Shares and RTG Options received.

For any subsequent determination of the application of the CGT discount, the date on which the Sierra Shareholders, for which roll-over relief has been elected, will be deemed to acquire the RTG Shares, will be the day they acquired their Sierra Shares.

The benefit of choosing scrip-for-scrip roll-over relief will depend upon the individual circumstances of each Sierra Shareholder.

(c) Consequences of holding RTG Shares and RTG Options

(i) Subsequent disposal of RTG Shares and RTG Options

If an Australian resident Sierra Shareholder sells their RTG Shares and RTG Options after the Implementation Date, any gain or loss will be subject to CGT as the RTG Shares and RTG Options will be assets for CGT purposes.

(ii) Dividend Income

Dividends received by Australian resident Sierra Shareholders with respect to RTG Shares must be included in their assessable income, including any amount of Canadian withholding tax withheld with respect to those dividends.

Dividends received by Australian resident non-portfolio Sierra Shareholders with respect to RTG Shares may be exempt. These Sierra Shareholders should seek their own advice.

(d) Other matters

(i) Goods and Services Tax

No GST should be payable in Australia by Sierra Shareholders on the disposal of Sierra Shares or on the issue of RTG Shares and RTG Options or participation in the Sale Facility.

(ii) Stamp Duty

No stamp duty should be payable in Australia by Sierra Shareholders on the issue of RTG Shares and RTG Options or participation in the Sale Facility. This is on the basis that RTG does not hold a dutiable direct or indirect interest in Australian land (including mining tenements) or interests in Australian land, such as leases over land and fixtures.

(e) **Non-Australian resident Sierra Shareholders**

Non-Australian resident Sierra Shareholders should seek their own independent tax advice on the tax consequences in their country of residence of the Share Scheme and holding RTG Shares and RTG Options. The statements below are limited to the Australian tax consequences to those non-Australian resident Sierra Shareholders and to those whose shares are held as capital assets.

(f) **Disposal of Sierra Shares**

If under the criteria set out below the Sierra Shares are not considered to be 'taxable Australian property' (**TAP**) at the Implementation Date, any capital gain or capital loss arising to non-resident Sierra Shareholders on disposal of their Sierra Shares under the Share Scheme should be disregarded and not subject to Australian tax. Broadly, Sierra Shares would be TAP of a non-resident Sierra Shareholder if the Shareholder, together with associates, holds 10% or more of the Sierra Shares at the time of disposal or throughout a 12-month period during the two years before the disposal, and the majority of Sierra's assets consist of real property situated in Australia.

The Sierra Board are of the view that its assets comprise Philippine assets and do not include any interests in Australian land holdings. Accordingly the Sierra Board are of the view that the shares in Sierra should not be considered to be TAP. However, non-resident Sierra Shareholders should seek their own independent advice regarding this.

In the event the Sierra Shares were TAP, then non-resident Sierra Shareholders that realise a capital gain on the disposal of Sierra Shares under the Share Scheme would be subject to Australian CGT. Where the RTG Shares received by the non-resident Sierra Shareholders are also TAP, the Sierra Shareholders may choose the rollover relief outlined at section 11.1(b)(ii).

(g) **Consequences of holding RTG Shares and RTG Options**

(i) Subsequent disposal of RTG Shares and RTG Options

Non-resident Sierra Shareholders should not be subject to Australian tax on the future disposal of their RTG Shares and RTG Options, except if the RTG Shares and RTG Options are effectively connected with a permanent establishment or fixed base which the non-resident has in Australia or if the RTG Shares and RTG Options are considered to be TAP (refer to definition in section 11.1(f) above).

(ii) Dividends

Non-resident Sierra Shareholders who have exchanged their Sierra Shares for RTG Shares and RTG Options should not be subject to Australian tax on dividends received on those RTG Shares.

11.2 Option Scheme tax consequences

(a) **Scope**

This section does not attempt to address the Australian taxation consequences relevant to all Sierra Optionholders pursuant to the Option Scheme. Specifically, it does not address the tax consequences for Sierra Shareholders (see section 11.1). This section does not address the tax consequences for Sierra Optionholders who are not Australian resident individuals. This section addresses the tax consequences only for Australian resident Sierra Optionholders who hold their options as capital assets and does not address the tax consequences for Sierra Optionholders who hold their options as revenue assets or trading stock or as assets used in carrying on a business or who are subject to the taxation of financial arrangements rules in Division 230 of the Tax Act in relation to gains and losses on their Sierra Options.

(b) **Australian resident Sierra Optionholders**

(i) Capital Gains Tax

The disposal of Sierra Options to RTG will be a Capital Gains Tax (**CGT**) event for Sierra Optionholders. This CGT event will occur on the Implementation Date.

Sierra Optionholders will derive a capital gain on the disposal of their Sierra Options to the extent that:

- (A) the market value of any RTG Shares and RTG Options they receive (described below); or
- (B) subject to obtaining the required ASIC relief, in the case of Small Securityholders who have participated in the Sale Facility, their pro rata share of the net proceeds converted into Australian dollars from the sale of all RTG Shares and RTG Options by the Sale Agent through the Sale Facility,

exceeds the tax cost base of their Sierra Options. Conversely, Sierra Optionholders will incur a capital loss on the disposal of their Sierra Options to the extent that the amount in (A) or (B) above (as applicable) is less than the reduced tax cost base of their Sierra Options. Reduced cost base is broadly the tax cost base less specific legislative reductions.

The market value of a RTG Share should be calculated as the volume weighted average price of that share on the Implementation Date. The market value of a RTG Option should be calculated using the Blake Scholes model, taking into account any additional information relevant to the valuation, as at the Implementation Date. As soon as practicable after the Implementation Date, RTG will make available to holders of RTG Shares and RTG Options a determination of market value as at the Implementation Date.

Generally the tax cost base of any Sierra Options will be equal to the consideration paid to acquire the Sierra Options. In addition, other incidental costs of acquiring the Sierra Options (such as brokerage fees and stamp duty) may be included in the tax cost base (or reduced cost base).

The sum of a Sierra Optionholder's capital gains for an income year reduced by any capital loss incurred during the year, or carried forward from previous years, (known as the net capital gain) should be included in their assessable income.

Australian resident individual Sierra Optionholders who have held their Sierra Options for greater than 12 months should be able to discount their capital gain by 50%. Similarly, an eligible superannuation entity that has held its Sierra Options for greater than 12 months should be able to discount its capital gain by 33.3%. The discount will be applied to a Sierra Optionholder's capital gain for the period after the offset of any capital losses. Corporate Sierra Optionholders are not entitled to discount their capital gain.

If a Sierra Optionholder is unable to obtain the CGT relief described under the section 11.2(b)(ii) below entitled 'Availability of CGT roll-over relief', the total tax cost base of any RTG Shares and RTG Options received will be the market value of the Sierra Options exchanged on the Implementation Date (which we expect to be the amount in (A) above).

The date of acquisition for CGT purposes will be the Implementation Date. This date will be relevant for any future qualification for the CGT discount with respect to CGT events happening to the RTG Shares and RTG Options.

(ii) Availability of CGT roll-over relief

Sierra Optionholders who would make a capital gain on the disposal of their Sierra Options for RTG Shares and RTG Options should be eligible to make a choice whether or not to apply CGT roll-over relief on the RTG Options component of the Scheme Consideration received (only).

The receipt by Sierra Optionholders of RTG CDIs and RTG Option CDIs, rather than the underlying RTG Shares and RTG Options, should not preclude qualification for the roll-over provided that the RTG CDIs and RTG Option CDIs will be CHESS Units of Foreign Securities. Participation by Small Securityholders in the Sale Facility will preclude qualification for CGT roll-over relief.

Any capital gain arising from the receipt of the RTG Shares or RTG CDIs (i.e. the RTG Shares or RTG CDIs component of the Scheme Consideration) on disposal of Sierra Options will not be eligible for CGT roll-over relief.

If a Sierra Optionholder elects to apply CGT roll-over relief, a capital gain that they would otherwise make on the disposal of their Sierra Options, for which the Scheme Consideration comprises RTG Options, will be disregarded.

Where roll-over relief is elected, a reasonably attributable part of the tax cost base of the Sierra Options disposed of would become the tax cost base of the RTG Options. The

portion that is reasonably attributable is determined based on an allocation of the tax cost base of the Sierra Options, on a proportionate basis, across the RTG Options and RTG Shares received.

For any subsequent determination of the application of the CGT discount, the date on which the Sierra Optionholders will be deemed to acquire the RTG Options, for which the roll-over has been elected, will be the day they acquired their Sierra Options.

The benefit of choosing scrip-for-scrip roll-over relief will depend upon the individual circumstances of each Sierra Shareholder.

(c) **Consequences of holding RTG Shares and RTG Options**

(i) Subsequent disposal of RTG Shares and RTG Options

If an Australian resident Sierra Optionholder sells their RTG Shares and RTG Options after the Implementation Date, any gain or loss will be subject to CGT as the RTG Shares and RTG Options will be assets for CGT purposes.

(ii) Dividend Income

Dividends received by Australian resident Sierra Optionholders with respect to RTG Shares must be included in their assessable income, including any amount of Canadian withholding tax withheld with respect to those dividends.

Dividends received by Australian resident non-portfolio Sierra Shareholders with respect to RTG Shares may be exempt. These Sierra Shareholders should seek their own advice.

(d) **Other matters**

(i) Goods and Services Tax

No GST should be payable in Australia by Sierra Optionholders on the disposal of Sierra Options or on the issue of RTG Shares and RTG Options or participation in the Sale Facility.

(ii) Stamp Duty

No stamp duty should be payable in Australia by Sierra Optionholders on the issue of RTG Shares and RTG Options or participation in the Sale Facility. This is on the basis that RTG does not hold a dutiable direct or indirect interest in Australian land (including mining tenements) or interests in Australian land, such as leases over land and fixtures.

(e) **Non-Australian resident Sierra Optionholders**

Non-Australian resident Sierra Optionholders should seek their own independent tax advice on the tax consequences in their country of residence of the Option Scheme and holding RTG Shares and RTG Options. The statements below are limited to the Australian tax consequences to those non-Australian resident Sierra Optionholders and to those whose shares are held as capital assets.

(f) **Disposal of Sierra Options**

If under the criteria set out below the Sierra Options are not considered to be 'taxable Australian property' (**TAP**) at the Implementation Date, any capital gain or capital loss arising to those non-resident Sierra Optionholders on disposal of their Sierra Options under the Option Scheme should be disregarded and not subject to Australian tax.

Broadly, Sierra Options would be TAP of a non-resident Sierra Optionholder if the Optionholder, together with associates, holds 10% or more of the shares in Sierra at the time of disposal or throughout a 12-month period during the two years before the disposal, and the majority of Sierra's assets consist of real property situated in Australia.

The Sierra Board are of the view that its assets comprise Philippine assets and do not include any interests in Australian land holdings. Accordingly the Sierra Board are of the view that the Sierra Options should not be considered to be TAP. However, non-resident Sierra Optionholders should seek their own independent advice regarding this.

In the event the Sierra Options were TAP, then non-resident Sierra Optionholders that realise a capital gain on the disposal of Sierra Options under the Option Scheme would be subject to Australian CGT. Where the RTG Options received by the non-resident are also TAP, the Sierra Optionholders may choose the rollover relief outlined at section 11.2(b)(ii).

(g) **Consequences of holding RTG Shares and RTG Options**

(i) Subsequent disposal of RTG Shares and RTG Options

Non-resident Sierra Optionholders should not be subject to Australian tax on the future disposal of their RTG Shares and RTG Options, except if the RTG Shares and RTG Options are effectively connected with a permanent establishment or fixed base which the non-resident has in Australia or if the RTG Shares and RTG Options are considered to be TAP (refer to definition in section 11.2(f) above).

(ii) Dividends

Non-resident Sierra Optionholders who have exchanged their Sierra Options for RTG Shares and RTG Options should not be subject to Australian tax on dividends received on those RTG Shares.

12. Additional Information

12.1 Sierra Securities

At the date of this Scheme Booklet, Sierra has on issue:

- (a) 232,854,663 Sierra Shares;
- (b) 31,970,363 Sierra Options; and
- (c) 12,016,667 unlisted Sierra options.

In accordance with section 170 of the Corporations Act, Sierra maintains a register of the names of all Sierra Securityholders. Pursuant to section 173 of the Corporations Act, Sierra Shareholders and holders of Sierra Optionholders may, upon request to Sierra:

- (a) inspect this register free of charge; and
- (b) obtain a copy of this register, subject to payment of a prescribed fee to Sierra.

12.2 Substantial shareholders

As at the date of this Scheme Booklet, the following persons had a relevant interest in 5%¹ or more of the Sierra Shares on issue:

Name	Number of Sierra Shares	Percentage of Sierra Shares
CGA Mining Limited	17,317,333	7.44%
Arredo Pty Ltd	13,975,000	6.00%

Note

- 1 A shareholder of a public limited company listed on ASX must notify such company of its acquisition or disposal of shares in the company where the percentage of voting rights reaches, exceeds or falls below 5% or any other whole percentage above 5%. These interests must be disclosed to the relevant company and that company must in turn notify the market.

12.3 RTG's interests in Sierra Securities

(a) RTG's interests in Sierra Shares and Sierra Options

As at the date of this Scheme Booklet, RTG has a relevant interest in 12,016,667 unlisted Sierra options pursuant to the unlisted Sierra option arrangements detailed in section 9.22.

Other than as set out above, as at the date of this Scheme Booklet, RTG has no relevant interests in Sierra Shares or Sierra Options and in the four months prior to the date of this Scheme Booklet, did not acquire or sell Sierra Shares or Sierra Options.

(b) Acquisitions of Sierra Securities by RTG or its associates

RTG has not made any purchases of Sierra Shares or Sierra Options in the last four months prior to the date of this Scheme Booklet.

12.4 No collateral benefits

In the four months prior to the date of this Scheme Booklet, neither RTG nor any of its associates has provided any benefit, or agreed to provide any benefit, to a person to induce them to vote in favour of the Schemes or to dispose of their Sierra Shares or Sierra Options, other than under the agreement to pay the Share Scheme Consideration and Options Scheme Consideration if the Schemes becomes Effective.

12.5 Sierra Securities held by Sierra Directors and RTG Directors

The Sierra Directors and RTG Directors, and the number of Sierra Shares, Sierra Options and unlisted Sierra options held by or on behalf of each of them, at the date of lodgement of this Scheme Booklet, are set out below:

Name	Number of Sierra Shares	Number of Sierra Options	Number of unlisted Sierra Options ⁽¹⁾
Holdings of Sierra Directors			
Ian Middlemas	13,975,000	1,452,500	-
Matthew Syme	11,568,933	5,183,616	6,666,667 ⁽²⁾
Johan Raadsma	3,000,200	295,025	1,000,000 ⁽³⁾
Francis Enrico M. Gutierrez	-	-	1,000,000 ⁽⁴⁾
Holdings of RTG Directors			
Michael Carrick	-	-	-
Justine Magee	-	-	-
David Cruse	2,059,326	-	-
Robert Scott	-	-	-
Phil Lockyer	-	-	-

Notes

- 1 RTG has agreed with each holder of unlisted Sierra options to acquire all of the unlisted Sierra options, conditional upon the Scheme becoming Effective before the End Date.
 - a. Holders of unlisted Sierra options exercisable at \$0.20 each on or before 1 July 2014 will receive 9 RTG Shares and 1 RTG Option for every 9 unlisted Sierra options held.
 - b. Holders of unlisted Sierra options exercisable at \$0.25 each on or before 1 July 2015 will receive 9 RTG Shares and 1 RTG Option for every 18 unlisted Sierra options held.
- 2 Mr Syme holds 3,333,333 unlisted Sierra options exercisable at \$0.20 each on or before 1 July 2014 and 3,333,334 unlisted Sierra options exercisable at \$0.25 each on or before 1 July 2015.
- 3 Mr Raadsma holds 1,000,000 unlisted Sierra options exercisable at \$0.25 each on or before 1 July 2015.
- 4 Mr Gutierrez holds 1,000,000 unlisted Sierra options exercisable at \$0.25 each on or before 1 July 2015.

12.6 Interests of Sierra Directors and RTG Directors in RTG Securities

The Sierra Directors and RTG Directors, and the number of RTG Shares held by or on behalf of each of them, at the date of lodgement of this Scheme Booklet, are set out below:

Name	Number of RTG Shares
Holdings of Sierra Directors	
Ian Middlemas	-
Matthew Syme	-
Johan Raadsma	317,310
Francis Enrico M. Gutierrez	-
Holdings of RTG Directors¹	
Michael Carrick	5,277,334 ²
Justine Magee	3,454,044
David Cruse	1,365,400
Robert Scott	807,700
Phil Lockyer	653,850

Notes

- As at the date of this Scheme Booklet, RTG Directors had beneficial interests in RTG Shares representing approximately 3.54% of RTG Shares on a non-diluted basis.
- Mr Michael Carrick is a director of B2Gold Corp. 138,888 RTG Shares held beneficially by Dureg Pty Ltd; 277,770 shares held beneficially by Castlesprings Pty Ltd; and includes 1,860,676 RTG Shares held by Mountainside Investments Pty Ltd. Mr Michael Carrick is a director of this company but has no beneficial interest in these shares.

12.7 Payments and other benefits to directors, secretaries and executive officers of Sierra and RTG

(a) Remuneration

The directors and company secretary of Sierra are currently paid the following remuneration:

Name	Annual Remuneration (Exclusive of Superannuation)	
	Annual Salary/ Consultancy Fees	Sierra Directors' Fees (In Addition to Salary/Consultancy Fees)
Ian Middlemas	-	36,000
Matthew Syme	150,000	-
Johan Raadsma	228,000	-
Francis Enrico M. Gutierrez	-	24,000
Clint McGhie	_(1)	-

Notes

- 1 Mr McGhie provides services as the Company Secretary through a services agreement with Apollo. Under the agreement, Apollo provides administrative, company secretarial and accounting services and a fully serviced office to Sierra for a monthly retainer of \$24,000.

If the Merger is implemented, it is proposed that the directors of RTG will receive the following remuneration:

Name	Annual Remuneration (Exclusive of Superannuation)	
	Annual Salary/ Consultancy Fees	Directors' Fees (In Addition to Salary/Consultancy Fees)
Matthew Syme	-	A\$60,000
Michael Carrick	A\$200,000	-
Justine Magee	A\$370,000	-
Robert Scott	-	A\$60,000
David Cruse	-	A\$60,000
Phillip Lockyer	-	A\$60,000

The remuneration of the executive directors of RTG is fixed by the RTG Board and may consist of salary, bonuses or any other elements, but must not be a commission on, or percentage of, operating revenue. RTG Directors may also be invited to RTG Plan Shares as set out in section 5.7(c).

The remuneration as outlined above is current as at the date of this Scheme Booklet, but is subject to adjustment in the ordinary course.

(b) Appointment of Sierra Directors as RTG Directors

RTG agreed to invite one existing Sierra Director to become a RTG Director. RTG has invited Matthew Syme to become a RTG non-executive director in fulfilment of this obligation. As set out in section 6.2(b)(iv), Mr Syme's existing employment contract with Sierra is intended to be terminated.

A Sierra Director who is appointed as a RTG non-executive director may be entitled to receive a retainer, meeting attendance fees, stock options, travel allowances and reimbursement of incidental expenses from RTG in connection with the performance of their duties for RTG. At the date of this Scheme Booklet, no specific arrangements had been agreed between RTG and any Sierra Director.

(c) Termination payments

Mr Matthew Syme, Managing Director of Sierra, is entitled to receive an annual salary of \$150,000 plus superannuation and a discretionary bonus pursuant to his employment

contract. The employment agreement provides that Sierra may provide three months written notice of termination of the employment agreement.

Except as set out in this section 12.7 and section 12.8, no payment or other benefit is proposed to be made or given to any director, secretary or executive officer of Sierra, RTG, or any body corporate related to Sierra or RTG, as compensation for loss of, or as consideration for or in connection with, his or her retirement from office as director, secretary or executive officer of Sierra, RTG or a body corporate connected with Sierra or RTG.

(d) **Participation in the Schemes**

Other than as described elsewhere in this Scheme Booklet, all directors, secretaries and executive officers of Sierra, RTG or any of Sierra's or RTG's related entities, who are Sierra Shareholders or Sierra Optionholders (each a **Participating Officer**) will be treated in the same way under the Schemes as all other Sierra Securityholders. Other than as described elsewhere in this Scheme Booklet, no payment or other benefit is proposed to be made or given to any Participating Officer, which it is not also given to all other Sierra Securityholders.

(e) **Arrangements in respect of unlisted Sierra options**

Please refer to section 9.22 for details of the proposed treatment of the unlisted Sierra options under the Merger.

12.8 Other agreements or arrangements with Sierra Directors or RTG Directors in connection with the Schemes

Sierra proposes to obtain a new directors' and officers' insurance policy, to provide coverage for all current Directors for seven years from the Implementation Date.

RTG agreed in the Scheme Implementation Deed to indemnify Sierra, its subsidiaries and their respective directors, officers and employees against any claim, action, damage, loss, liability, cost, expense or payment of whatever nature and however arising which any of them suffers, incurs or is liable for arising out of any breach of any of the RTG Representations and Warranties (as defined in the Scheme Implementation Deed). RTG also released its respective rights, and agreed that it would not claim, against Sierra, its subsidiaries and their respective directors, officers and employees in connection with any breach of any representations, covenants and warranties of Sierra in the Scheme Implementation Deed or any disclosures containing any statement which is false or misleading, except where they have not acted in good faith or have engaged in wilful misconduct.

Except as described in this section, there are no agreements or arrangements made between any Director and any other person in connection with or conditional upon the outcome of the Schemes other than in their capacity as a Sierra Securityholder.

The treatment of unlisted Sierra options under the Merger is set out in section 9.22.

12.9 Interests of Sierra Directors and RTG Directors in contracts entered into by RTG

Except as set out in section 12.8, no Sierra Director, nor RTG Director, has any interest in any contract entered into by RTG.

12.10 Quotation of RTG CDIs and RTG Option CDIs on ASX

RTG will apply for official quotation on ASX of all RTG CDIs and RTG Option CDIs to be issued under the Schemes on or around the date of this Scheme Booklet. RTG Securities are expected to be commence trading on a normal settlement basis on or about 5 June 2014.

ASX has reserved the codes "RTG" for RTG CDIs and "RTGO" for RTG Option CDIs.

12.11 Regulatory matters

(a) ASIC relief - Sierra

Paragraphs 8201(a), (b), (c), (d) and (e) and 8203(a) and (b) of Part 2 of Schedule 8 of the Corporations Regulations set out various content requirements in connection with the Option Scheme, including the names of all Sierra Optionholders. ASIC has waived these requirements.

Paragraph 8302(h) of Part 3 of Schedule 8 of the Corporations Regulations requires an explanatory statement to set out whether, within the knowledge of Directors, the financial position of Sierra has materially changed since the date of the last balance sheet laid before Sierra in general meeting or sent to Sierra Shareholders in accordance with section 314 or 317 of the Corporations Act, being 30 June 2013. ASIC has allowed Sierra to depart from complying with this requirement so that the explanatory statements constituted by this Scheme Booklet only need set out whether, within the knowledge of Directors, the financial position of Sierra has materially changed since 31 December 2013, being the date of its reviewed half year financial statements for the six months ended 31 December 2013.

(b) ASIC relief – RTG

As at the date of this Scheme Booklet, ASIC has made an in-principle decision to grant the relief applications lodged by RTG for a modification or variation of subsections 707(3) and 708(11) of the Corporations Act to make it clear that:

- (i) Scheme Shareholders and Scheme Optionholders and holder of unlisted Sierra options will be able to on-sell their RTG CDIs, RTG Shares, RTG Options, RTG Option CDIs, RTG Shares issued on exercise of RTG Options;
- (ii) Haywood will be able to on-sell the RTG Shares issued as the Haywood Share Fee; and
- (iii) the Sale Agent may sell the Sale Facility Securities under the Sale Facility,

within 12 months of their issue, without requiring disclosure under Chapter 6D of the Corporations Act.

As at the date of this Scheme Booklet, ASIC has made an in-principle decision to grant the relief applications lodged by RTG to exempt RTG, or the sale agent nominated by RTG, from the operation of section 601ED(1) of the Corporations Act (registration of managed investment schemes); section 911A(1) of the Corporations Act (AFSL requirements) and Div 2-5 of Part 7.9 of the Corporations Act (disclosure relating to trading financial products) in relation to the Sale Facility and for an exemption from section 707(3) to allow the on-sale of the RTG CDIs and RTG Options issued to the Sale Agent.

The form of the relief granted to RTG is subject to finalisation of the relief instrument by ASIC.

(c) **ASX waivers - RTG**

ASX has granted RTG the following in-principle waivers, confirmations and approvals:

- (i) confirmation that a waiver under of ASX Listing Rule 1.1 Condition 2, is not required provided the company does not issue any non-voting shares or preference shares, charge fees on the transfer of its securities or increase director fees without shareholder approval in terms provided for under its constituent documents;
- (ii) waiver of ASX Listing Rule 1.1 Condition 3, so that it can issue an information memorandum (Information Memorandum) which complies (subject to any waivers, confirmations and approvals) with the information requirements of Appendix 1A and which incorporates by reference this Scheme Booklet, rather than a prospectus;
- (iii) confirmation under ASX Listing Rule 1.1 Condition 6 that RTG's structure and operations are appropriate for the purposes of ASX Listing Rule 1.1 Condition 1;
- (iv) confirmation that ASX Listing Rule 1.1 Condition 7 will be satisfied as each beneficial holder of RTG who is entitled to receive meeting documents and other information from RTG may be counted as a holder;
- (v) waiver of ASX Listing Rule 1.4.1, so that it does not have to include a statement confirming that the Information Memorandum contains all the information that would be required under section 710 of Corporations Act if the Information Memorandum was a prospectus;
- (vi) confirmation that RTG will be taken to comply with ASX Listing Rule 1.4.3, by having the Information Memorandum signed by a director, secretary or local agent of RTG, on condition that every director and proposed director of RTG has consented in writing to the Information Memorandum being signed on their behalf;
- (vii) waiver of ASX Listing Rule 1.4.7, so that it does not have to include additional experts' consents in respect of the inclusion in the Information Memorandum (by reference) of the fairness, technical and accounting reports (as applicable) included in the Scheme Booklet;
- (viii) waiver of ASX Listing Rule 1.4.8, so that it does not have to include a statement in the Information Memorandum that a supplementary information memorandum will be issued if RTG becomes aware of certain matters occurring between the issue of the Information Memorandum and the date RTG's securities are quoted on ASX;
- (ix) waiver of ASX Listing Rules 2.4 and 2.8, so that RTG will not be required to apply for quotation of CDIs which are issued as a result of holders of ordinary shares converting their ordinary shares to CDIs, on the date of issue of those CDIs and instead apply on a monthly basis;
- (x) confirmation that under Listing Rule 9.1.3, the escrow restrictions in Appendix 9B will not apply to RTG's shares, options or CDIs;

- (xi) waiver of ASX Listing Rule 14.3, so that RTG may accept nominations for the election of directors in accordance with its articles of association and the BVI Companies Act 2004;
- (xii) waiver of ASX Listing Rule 15.12, so that RTG's constituent document does not have to contain the provisions required by ASX Listing Rules 15.12.1 to 15.12.3 inclusive;
- (xiii) confirmation that RTG will not need to comply with item 28 of the ASX Information Form and Checklist requiring the Information Memorandum to include details of all securities (in all classes) issued by RTG in the last five years;
- (xiv) confirmation that RTG will be taken to comply with the requirements of item 54 of the ASX Information Form and Checklist despite not being able to produce accounts for the last three financial years of RTG on the basis that historical accounts of RTG's predecessor, Ratel are provided;
- (xv) confirmation that RTG may comply with the requirements of item 56 of the ASX Information Form and Checklist by making reference to the appropriate sections of the Information Memorandum which contain the pro forma statement of financial position and review; and
- (xvi) waiver of items 71-75 of the ASX Information Form and Checklist, to permit RTG to omit maps or a schedule of its mining tenements prepared by a qualified person, details of the interests in mining tenements acquired by RTG, and a financial statement by the directors setting out a program and timetable of expenditure.

12.12 Creditors of Sierra

The Schemes, if implemented, are not expected to materially prejudice Sierra's ability to pay its creditors as they involve the acquisition of Sierra Shares and Sierra Options for consideration provided by a third party, rather than the acquisition of Sierra's underlying assets. No material new liability (other than transaction costs) is expected to be incurred by Sierra as a consequence of the implementation of the Schemes. Sierra has paid and is paying all of its creditors within normal terms of trade and is solvent and trading in an ordinary commercial manner.

12.13 Other material information

Other than as contained in this Scheme Booklet, there is no information material to the making of a decision in relation to the Schemes, being information that is within the knowledge of:

- (a) Sierra or of any Director; or
- (b) RTG or of any RTG Director,

that has not previously been disclosed to Sierra Securityholders.

12.14 Consents and disclaimers

(a) Consents

Each of the following persons has given and has not before the date of this Scheme Booklet withdrawn its written consent to be named in this Scheme Booklet in the form and context in which it is named:

Hardy Bowen has given and has not before the date of this Scheme Booklet withdrawn its written consent to be named in this Scheme Booklet as legal adviser to Sierra as to matters of Australian law.

Stikeman Elliot has given and has not before the date of this Scheme Booklet withdrawn its written consent to be named in this Scheme Booklet as legal advisors to Sierra as to matters of the Canadian law and to the inclusion in this Scheme Booklet of the summary of certain matters under Canadian law set out in section 8.3 and the references to the contents or conclusions of that summary elsewhere in this Scheme Booklet to the extent they constitute statements of Canadian law, in each case in the form and context in which they are included.

Walkers has given and has not before the date of this Scheme Booklet withdrawn its written consent to be named in this Scheme Booklet as legal advisors to Sierra as to matters of the BVI law and to the inclusion in this Scheme Booklet of the summary of certain matters under BVI law set out in sections 8.2, 8.3 and 8.4 in the form and context in which they are included.

Cruz Marcelo & Tenefrancia has given and has not before the date of this Scheme Booklet withdrawn its written consent to be named in this Scheme Booklet as legal advisors to Sierra as to matters of the Philippine law and to the inclusion in this Scheme Booklet of the Solicitor's Report on Tenements in Annexure 2 and the references to the contents or conclusions of that summary elsewhere in this Scheme Booklet to the extent they constitute statements of Philippine law, in each case in the form and context in which they are included.

Computershare Investor Services Pty Ltd has given and has not before the date of this Scheme Booklet withdrawn its written consent to be named in this Scheme Booklet as the Sierra Registry.

BDO Corporate Finance (WA) Pty Ltd has given and has not before the date of this Scheme Booklet withdrawn its written consent to be named as the Independent Expert in this Scheme Booklet and to the inclusion in this Scheme Booklet of the Independent Expert's report set out in Annexure 1 and the references to the Independent Expert's Report elsewhere in this Scheme Booklet, in each case in the form and context in which they are included.

CSA Global has given and has not before the date of this Scheme Booklet withdrawn its written consent to be named in this Scheme Booklet and to the inclusion of its Independent Technical Assessment and Valuation of the Mabilo, Nalesbitan, Bunawan, Bahayan, Mawab, Taguibo Projects, which forms Appendix 3 to the Independent Expert's Report, and to references to its Independent Technical Assessment and Valuation of the Mabilo, Nalesbitan, Bunawan, Bahayan, Mawab, Taguibo Projects elsewhere in this Scheme Booklet, in each case in the form and context in which they are included.

Ernst & Young have given and has not before the date of this Scheme Booklet withdrawn its written consent to be named as having reviewed the information on the Australian taxation implications of the Merger for certain Australian Sierra Shareholders and Sierra Opionholders, which is set out in section 11 and the summaries of that section elsewhere in this Scheme Booklet including the summary in section 2.8, in each case in the form and context in which it is included.

RTG has given and has not before the date of this Scheme Booklet withdrawn its written consent to the inclusion in this Scheme Booklet of the RTG Information in the form and context in which it is included.

Mr Robert McLean has given and has not before the date of this Scheme Booklet withdrawn his written consent to be named as a competent person in this Scheme Booklet in relation to the information contained in section 4.4 in the form and context in it is included.

Mr Rob Spiers has given and has not before the date of this Scheme Booklet withdrawn his written consent to be named as a competent person in this Scheme Booklet in relation to the information contained in section 4.4 as it relates to the Nalesbitan Resource Estimate in the form and context in it is included.

(b) Disclaimers of responsibility

Each person named in section 12.14(a):

- (i) has not authorised or caused the issue of this Scheme Booklet;
- (ii) does not make, or purport to make, any statement in this Scheme Booklet or any statement on which a statement in this Scheme Booklet is based other than as specified in section 12.14(a); and
- (iii) to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation regarding, and takes no responsibility for any part of, this Scheme Booklet other than a reference to its name and any statement or report which has been included in this Scheme Booklet with the consent of that person referred to in section 12.14(a).

12.15 Publicly available information in relation to Sierra

Sierra is subject to regular reporting and disclosure obligations under the Corporations Act and the ASX Listing Rules. In addition, under the ASX Listing Rules, subject to certain limited exceptions, Sierra is required to notify ASX immediately on becoming aware of any information which a reasonable person might expect to have a material impact on the price or value of Sierra Shares.

Copies of documents given by Sierra to ASIC under the Corporations Act may be obtained from, or inspected at, any office of ASIC. Copies of documents given by Sierra to ASX are available from ASX's website www.asx.com.au and on Sierra's website at www.sierramining.com.au.

Sierra will make copies of these documents available free of charge to Sierra Shareholders. Please contact Clinton McGhie, Company Secretary of Sierra on (08) 9322 6322 (from within Australia) and +61 8 9322 6322 (from outside Australia) between 9.00am and 5.00pm (WST) Monday to Friday.

12.16 Supplementary information

If between the date of lodgement of this Scheme Booklet for registration by ASIC and the Effective Date, RTG becomes aware of any of the following:

- (a) a material statement in the RTG Information is false or misleading;
- (b) a material omission from the RTG Information;
- (c) a significant change affecting a matter included in the RTG Information; or
- (d) a significant new matter affecting RTG that has arisen and that would have been required to be included in the RTG Information if it had arisen before the date of lodgement of this Scheme Booklet for registration by ASIC,

RTG will make available supplementary information to Sierra Securityholders. Sierra will make any such supplementary material provided by RTG available to Sierra Securityholders by releasing that material to ASX (www.asx.com.au) and posting the supplementary document to Sierra's website (www.sierramining.com.au). Depending on the nature and timing of the changed circumstances and subject to obtaining any relevant approvals, Sierra may also send such supplementary materials to Sierra Securityholders.

If, between the date of lodgement of this Scheme Booklet for registration by ASIC and the Effective Date, Sierra becomes aware of any of the following:

- (a) a material statement in this Scheme Booklet is false or misleading;
- (b) a material omission from this Scheme Booklet;
- (c) a significant change affecting a matter included in this Scheme Booklet; or
- (d) a significant new matter that has arisen and that would have been required to be included in this Scheme Booklet if it had arisen before the date of lodgement of this Scheme Booklet for registration by ASIC,

Sierra will make available supplementary material to Sierra Securityholders. Sierra intends to make available any supplementary material by releasing that material to ASX (www.asx.com.au) and posting the supplementary document to Sierra's website (www.sierramining.com.au). Depending on the nature and timing of the changed circumstances and subject to obtaining any relevant approvals, Sierra may also send such supplementary materials to Sierra Securityholders.

12.17 Other material information

Except as set out in this Scheme Booklet (including the information contained in the Independent Expert's Report and the other Annexures to this Scheme Booklet), there is no information material to the making of a decision in relation to the Scheme, being information that is within the knowledge of any Director, or any director of any related body corporate of Sierra, which has not previously been disclosed to Sierra Securityholders.

THE ISSUE OF THIS SCHEME BOOKLET IS AUTHORISED BY THE DIRECTORS OF SIERRA MINING LIMITED AND THIS SCHEME BOOKLET HAS BEEN SIGNED BY OR ON BEHALF OF THE DIRECTORS OF SIERRA MINING LIMITED ON 9 APRIL 2014.



Matthew Syme
Managing Director

13. Glossary

13.1 Definitions

In this Scheme Booklet:

Term	Meaning
A\$	the lawful currency of the Australia.
C\$	the lawful currency of Canada.
Apollo	Apollo Group Pty Ltd.
Articles	RTG's memorandum of association and articles of association.
ASIC	Australian Securities and Investments Commission.
ASX	ASX Limited (ABN 98 008 624 691) or, as the context requires, the financial market known as the Australian Securities Exchange operated by it.
ASX Information Form and Checklist	the information form and checklist to be completed by an entity and provided to ASX in support of its application to the official list of ASX.
ASX Listing Rules	the official listing rules of the ASX.
Bunawan	Bunawan Mining Corporation.
Business Day	a day in Perth that is not a Saturday, Sunday or public holiday and on which banks, ASX and TSX are open for trading.
BVI	the British Virgin Islands.
BVI Business Companies Act	the <i>BVI Business Companies Act, 2004 (as amended)</i> .
CAML Ghana	CAML Ghana Limited.
Canadian Jurisdictions	the Canadian provinces of British Columbia, Alberta and Ontario.
CDI	a CHESS depository instrument, being a unit of beneficial ownership in a security of a foreign company registered in the name of CDN.

Term	Meaning
CDN	CHES Depositary Nominees Pty Limited (ABN 75 071 346 506).
CGT	Australian capital gains tax.
CGX Limited	CGX Limited.
CHES	the clearing house electronic subregister system of share transfers operated by ASX Settlement and Transfer Corporation Pty Limited (ABN 49 008 504 532).
Clarke	Ronald Francis Clarke.
Combined Group	the corporate group comprising RTG and its subsidiaries (including Sierra and its subsidiaries) after implementation of the Schemes.
Completion Date	as defined in section 5.2(c)(iii).
Completion Documents	In respect of the Segilola sale transaction the following documents: <ol style="list-style-type: none"> 1. Capitalisation Agreement between SGL and CGX; 2. An Irrevocable Direction between SROL, CGX and Clarke; 3. A Security Deed between NGML and Ratel; and 4. A Settlement Deed between Ratel, SGL, TML, SROL, NGML, Bakrie Delano Africa Limited, NGM Resources Limited and Mr Oladipo Delano.
Computershare	Computershare Investor Services Pty Ltd.
Computershare Canada	Computershare Trust Company of Canada.
Conditions Precedent	the conditions precedent to the Share Scheme and Option Scheme set out in clauses 3.1 and 3.2 of the Scheme Implementation Deed.
Corporations Act	Corporations Act 2001 (Cth).
Corporations Regulations	Corporations Regulations 2001 (Cth).
Court	the Federal Court of Australia.
Director or Sierra Director	a director of Sierra.
DHL Payment	as defined in section 5.2(b)(i).

Term	Meaning
DRS	Direct Registration System, being a Canadian book entry form system for holding securities.
Effective	when used in relation to a Scheme, the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to that Scheme.
Effective Date	when used in relation to a Scheme, the date on which that Scheme becomes Effective.
Elephant Copper	Elephant Copper Limited.
End Date	31 July 2014 or such later date agreed by the parties.
Exclusivity Period	the meaning given in clause 1.1 of the Scheme Implementation Deed.
Galeo	Galeo Equipment and Mining Inc.
Haywood	Haywoods Securities Inc.
Haywood Share Fee	as defined in section 5.7(a).
HIN	Holder Identification Number for a Sierra Shareholder or Sierra Optionholder who is CHESSE sponsored.
IFRS	International Financial Reporting Standards.
IMMC	International Millennium Mining Corp.
IMMC Share	a share in IMMC.
Implementation Date	the date on which a Scheme is to be implemented, being the date that is five Business Days after the Record Date for that Scheme, or such other date as Sierra and RTG agree.
Independent Expert	BDO Corporate Finance (WA) Pty Ltd.
Independent Expert's Report	the report by the Independent Expert, a copy of which is contained in Annexure 1.

Term	Meaning
Ineligible Foreign Securityholder	a Scheme Shareholder whose address shown in the Sierra Share Register, or a Scheme Optionholder whose address shown in the Sierra Option Register, is a place outside Australia and its external territories, New Zealand or Canada, unless RTG determines that it is lawful and not unduly onerous or impracticable to issue that Scheme Shareholder or Scheme Optionholder (as the case may be) with RTG Shares and RTG Options when the relevant Scheme becomes Effective.
Insider	the meaning given in section 8.3(h)(iii).
IPO	as defined in section 5.2(b)(i).
JORC Code	Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2012 edition.
Listing Transaction	as defined in section 5.2(b)(iii).
MC	as defined in section 4.6(b)(ii).
Memorandum	RTG's memorandum of association.
Merger	the proposed merger between Sierra and RTG to be implemented through the Schemes.
Merger Announcement Date	24 February 2014.
MI 61-101	Canadian Multilateral Instrument 61-101 – <i>Protection of Minority Security Holders in Special Transactions</i> .
Mkushi Copper Project	the Mkushi copper mineral, exploration, development and mining project, located approximately 60km from Kapiri Mposhi, Zambia, together with all associated infrastructure.
Mt Labo	Mt Labo Exploration and Development Corporation.
NGML	Nigerian Gold Mining Limited.
NI 51-102	Canadian National Instrument 51-102 – <i>Continuous Disclosure Obligations</i> .
NI 55-104	Canadian National Instrument 55-104 – <i>Insider Reporting Requirements and Exemptions</i> .

Term	Meaning
NI 62-103	Canadian National Instrument 62-103 – <i>The Early Warning System and Related Take-Over Bid and Insider Reporting Issues</i> .
Notice of Option Scheme Meeting	the Notice of Option Scheme Meeting in Annexure 9.
Notice of Share Scheme Meeting	the Notice of Share Scheme Meeting in Annexure 8.
Offering	as defined in section 5.2(b)(iii).
Option Indenture	Option Indenture made between RTG and Computershare Canada.
Option Scheme	the creditors' scheme of arrangement under Part 5.1 of the Corporations Act between Sierra and the Scheme Optionholders substantially in the form set out in Annexure 6 or in such other form as Sierra and RTG agree in writing.
Option Scheme Consideration	the consideration to be provided to eligible Sierra Optionholders under the terms of the Option Scheme for the transfer of their Sierra Options to RTG, ascertained in accordance with clause 4.4 of the Option Scheme, being two (2) RTG Shares (in the form of RTG CDIs) for every one (1) Sierra Option together with two (2) RTG Options (in the form of RTG Option CDIs) for every nine (9) Sierra Options, on a pre RTG Share Consolidation basis.
Option Scheme Deed Poll	the deed poll dated 8 April 2014 by RTG relating to the Option Scheme, a copy of which is contained in Annexure 7.
Option Scheme Meeting	the meeting of Sierra Optionholders to be convened by the Court in relation to the Option Scheme pursuant to section 411(1) of the Corporations Act.
OZ Metals	OZ Metals Exploration & Development Corporation.
Participating Officer	as defined in section 12.7(d).
Proxy Form	the Green proxy form (for the Share Scheme Meeting), the Yellow proxy form (for Option Scheme Meeting) that accompanied this Scheme Booklet or is available from the Sierra Registry.
Ratel	Ratel Group Limited.

Term	Meaning
Record Date	the third Business Day after the Effective Date.
RTG	RTG Mining Inc (ABN: 70 164 362 850) (ARBN: 164362850) a company incorporated under the laws of the British Virgin Islands corporation, and, where the context requires, RTG Mining Inc and its subsidiaries.
RTG Board	the RTG board of directors.
RTG CDI	a CDI in respect of a RTG Share.
RTG CDI Register	the register of RTG CDI holders maintained by RTG or its agent.
RTG Director	a director of RTG.
RTG Group	RTG and each of its subsidiaries and a reference to an 'RTG Group Member' or a 'Member of the RTG Group' is to RTG or any of its subsidiaries.
RTG Information	<ol style="list-style-type: none"> 1. the information concerning RTG set out in the Letter from the Chairman of RTG, in sections 5, 6, 7.1, 9.10, 9.13, 9.22(a), 12.3, 12.4, 12.5, 12.6, 12.7, 12.9, 12.10, 12.11(b), 12.11(c) and 12.13; 2. the information contained elsewhere in the Scheme Booklet repeating or based on the information referred to in 1; and 3. in the Important Notices section – the information in the second paragraph under the heading 'Notice to Ineligible Foreign Securityholders.
RTG Option*	<p>an option to acquire one unissued RTG Share, with an exercise price of C\$0.15 and an expiry date 3 years after the date of issue.</p> <p>*For the avoidance of doubt, in Canada an option listed on TSX is known as a warrant.</p>
RTG Option CDI	a CDI in respect of a RTG Option.
RTG Option CDI Register	the register of RTG Option CDI holders maintained by RTG or its agent.
RTG Optionholder	a holder of RTG Options.
RTG Option Register	the register of RTG optionholders to be maintained by RTG.

Term	Meaning
RTG Plan Shares	as defined in section 5.7(c).
RTG Prescribed Occurrence	the meaning given in clause 1.1 of the Scheme Implementation Deed.
RTG Registry	Computershare Investor Services Inc. or Computershare Investor Services Pty Ltd (as applicable)
RTG Security	a RTG Share or RTG Option.
RTG Share	a share in the capital of RTG.
RTG Share Consolidation	the consolidation of every ten RTG Shares on issue into one RTG Share.
RTG Share Register	the register of members of RTG.
RTG Shareholder	a holder of RTG Shares.
Sale Agent	means RTG or a person(s) appointed by RTG to act as sale agent(s) to manage the Sale Facility.
Sale Facility	the facility described in section 10.5.
Sale Facility Election Form	the sale facility election form that accompanies the Scheme Booklet or is available from the Sierra Registry.
Sale Facility Participant	a Small Securityholder who has not withdrawn from participating in the Sale Facility in accordance with the requirements in section 10.6 or an Ineligible Foreign Securityholder.
Sale Facility Participant's Proceeds	as defined in section 10.5(iii).
Sale Facility Securities	the RTG Shares and RTG Options described in section 10.5.
Scheme	the Share Scheme or the Option Scheme, as the context requires.
Scheme Booklet	means this document.
Scheme Consideration	Option Scheme Consideration or Share Scheme Consideration, as the context requires.

Term	Meaning
Scheme Implementation Deed	the scheme implementation deed dated 24 February 2014, as amended between Sierra and RTG relating to the implementation of the Scheme, a copy of which is contained in Annexure 3.
Scheme Meeting	the Share Scheme Meeting or one of the Option Scheme Meetings, as the context requires.
Scheme Option	each Sierra Option on issue at 5.00pm on the Record Date.
Scheme Optionholder	each person registered in the Sierra Option Register as the holder of Scheme Options.
Scheme Share	each Sierra Share on issue at 5.00 pm on the Record Date
Scheme Shareholders	each person registered in the Sierra Share Register as the holder of Scheme Shares.
Second Court Date	the date on which the application made to the Court for orders pursuant to section 411(4)(b) of the Corporations Act approving the Schemes is first heard.
Second Court Hearing	the hearing of the application made to the Court for orders pursuant to section 411(4)(b) of the Corporations Act approving the Schemes.
Segilola Gold Project	The Segilola gold mineral exploration, development and mining project, located near the village of Iperindo-Odo Ijsha, near the city of Ilesah in Osun State, Nigeria, together with all associated infrastructure.
SML	Seringa Mining Limited
SGL	Segilola Gold Limited
Share Election	an election by a Sierra Securityholder (other than an Ineligible Foreign Securityholder) to receive RTG Shares and RTG Options listed on TSX rather than RTG CDIs and RTG Option CDIs quoted on ASX, which election is made by following the procedure in section 10.4 under 'How to make a Share Election'.
Share Election Form	the share election form available from the Sierra Registry.
Share Sale Agreement	the Share Sale Agreement between ZML and Elephant Copper dated 26 August 2013.

Term	Meaning
Share Sale and Purchase Agreement	the Share Sale and Purchase Agreement between Ratel and SROL came into effect on 10 October 2013.
Share Scheme	the members' scheme of arrangement under Part 5.1 of the Corporations Act between Sierra and the Scheme Shareholders substantially in the form set out in Annexure 4 or in such other form as Sierra and RTG agree in writing.
Share Scheme Consideration	the consideration to be provided to Scheme Shareholders under the terms of the Share Scheme for the transfer to RTG of their Scheme Shares, ascertained in accordance with clause 4.4 of the Share Scheme, being three (3) RTG Shares (in the form of RTG CDIs) for every one (1) Sierra Share held together with one (1) RTG Option (in the form of a RTG Option CDI) for every three (3) Sierra Shares, on a pre RTG Share Consolidation basis.
Share Scheme Deed Poll	the deed poll dated 8 April 2014 by RTG relating to the Share Scheme, a copy of which is contained in Annexure 5.
Share Scheme Meeting	the meeting of Sierra Shareholders to be convened by the Court in relation to the Share Scheme pursuant to section 411(1) of the Corporations Act.
Sierra	Sierra Mining Limited (ACN 118 060 441) and, where the context requires, includes Sierra Mining Limited and its subsidiaries.
Sierra Board	the Sierra board of directors.
Sierra Group	Sierra and each of its subsidiaries and a reference to an 'Sierra Group Member' or a 'Member of the Sierra Group' is to Sierra or any of its subsidiaries.
Sierra Information	the information in this booklet, except: <ol style="list-style-type: none"> 1. the RTG Information; 2. the Independent Expert's Report (including the Technical Specialist's Report); and 3. the Solicitor's Report on Tenements.
Sierra Option	an ASX listed option to acquire one unissued Sierra Share.
Sierra Optionholder	a holder of Sierra Options.

Term	Meaning
Sierra Option Register	the register of Sierra Optionholders maintained in accordance with the Corporations Act.
Sierra Prescribed Occurrence	the meaning given in clause 1.1 of the Scheme Implementation Deed.
Sierra Registry	Computershare Investor Services Pty Ltd.
Sierra Security	a Sierra Share or a Sierra Option.
Sierra Securityholder	a Sierra Shareholder or a Sierra Optionholder.
Sierra Share	a fully paid ordinary share in the capital of Sierra.
Sierra Share Register	the register of members of Sierra maintained in accordance with the Corporations Act.
Sierra Shareholder	a holder of Sierra Shares.
Small Securityholder	a Sierra Securityholder who is entitled to receive an aggregate of 9,000 or less RTG Shares under the Schemes, on a pre RTG Share Consolidation basis.
SROL	Segilola Resources Operating Limited.
Solicitor's Report on Tenements	the report prepared by Cruz Marcelo & Tenefrancia, a copy of which is contained in Annexure 2.
SRN	Securityholder Reference Number for a Sierra Shareholder or Optionholder who is issuer sponsored.
Superior Proposal	the meaning given in clause 1.1 of the Scheme Implementation Deed.
Tax Act	means the Income Tax Assessment Act 1936 (Cth) and the Income Tax Assessment Act 1997 (Cth).
Technical Specialist	CSA Global Pty Ltd
Technical Specialist's Report	the report by the Technical Specialist, a copy of which is contained in appendix 3 to the Independent Expert's Report.
Third Party Transaction	the meaning given in clause 1.1 of the Scheme Implementation Deed.
TML	Tropical Mines Limited.
Trading Day	a day on which the ASX or TSX is open for trading.

Term	Meaning
TSX	the Toronto Stock Exchange.
TSXV	the TSX Venture Exchange.
TSX Rules	the rules of the TSX as contained in the TSX Company Manual.
United States Shareholder	a Sierra Securityholder resident in the United States or that is a US Person.
US Person	a US person as defined in Regulation S under the US Securities Act.
US Securities Act	the United States Securities Act of 1933, as amended.
VWAP	the volume weighted average price.
Westchester	Westchester Resources Limited.
WST	western standard time in Australia.
ZML	Zambian Mining Limited.

13.2 Related entities

For the purposes of this Scheme Booklet, an entity is a related entity of another entity if the first entity and the second entity would be related bodies corporate for the purposes of section 50 of the Corporations Act if the Corporations Act were read so that:

- (a) references to bodies corporate included references to other entities;
- (b) a subsidiary of an entity included an entity that is controlled by the first entity for the purposes of section 50AA of the Corporations Act;
- (c) a trust is a subsidiary of another entity if it would have been a subsidiary had the trust been a body corporate and had units in the trust been shares; and
- (d) an entity is a subsidiary of a trust if it would have been a subsidiary had the trust been a body corporate.

13.3 References to certain other words and terms

In this Scheme Booklet:

- (a) any reference, express or implied, to any legislation in any jurisdiction includes:

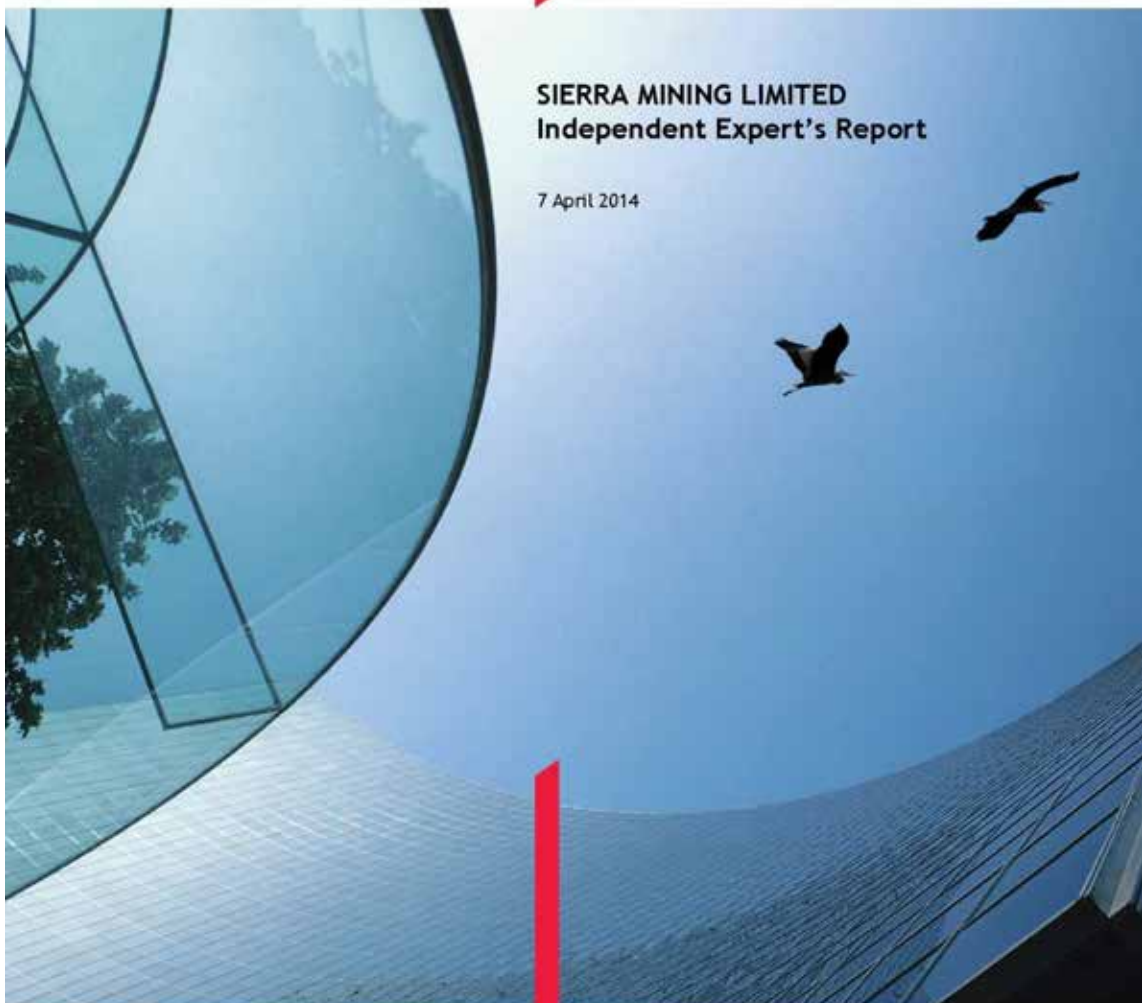
- (i) that legislation as amended, extended or applied by or under any other legislation made before or after the date of this Scheme Booklet;
 - (ii) any legislation which that legislation re-enacts with or without modification; and
 - (iii) any subordinate legislation made before or after the date of this Scheme Booklet under that legislation, including (where applicable) that legislation as amended, extended or applied as described in subsection 13.3(a)(i), or under any legislation which it re-enacts as described in subsection 13.3(a)(ii);
- (b) words denoting persons include bodies corporate and unincorporated associations of persons;
 - (c) references to an individual or a natural person include his estate and personal representatives;
 - (d) the annexures form part of this Scheme Booklet and a reference to a section, schedule or annexure is a reference to a section, schedule or annexure of or to this Scheme Booklet; and
 - (e) a reference to any time is, unless otherwise indicated, a reference to that time in Perth, Australia.

13.4 Rules of interpretation and construction

In this Scheme Booklet:

- (a) singular words include the plural and vice versa;
- (b) a word of any gender includes the corresponding words of any other gender;
- (c) if a word or phrase is defined, other grammatical forms of that word have a corresponding meaning;
- (d) general words must not be given a restrictive meaning by reason of the fact that they are followed by particular examples intended to be embraced by the general words; and
- (e) the headings do not affect interpretation.

Annexure 1 – Independent Expert's Report





Financial Services Guide

7 April 2014

BDO Corporate Finance (WA) Pty Ltd ABN 27 124 031 045 ('we' or 'us' or 'ours' as appropriate) has been engaged by Sierra Mining Limited ('Sierra') to provide an independent expert's report on the proposal for all existing shares and options in Sierra to be exchanged for shares and options in RTG Mining Inc ('RTG') by way of two schemes of arrangement. You will be provided with a copy of our report as a retail client because you are a shareholder or optionholder of Sierra.

Financial Services Guide

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide ('FSG'). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- ♦ Who we are and how we can be contacted;
- ♦ The services we are authorised to provide under our Australian Financial Services Licence, Licence No. 316158;
- ♦ Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- ♦ Any relevant associations or relationships we have; and
- ♦ Our internal and external complaints handling procedures and how you may access them.

Information about us

BDO Corporate Finance (WA) Pty Ltd is a member firm of the BDO network in Australia, a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International). The financial product advice in our report is provided by BDO Corporate Finance (WA) Pty Ltd and not by BDO or its related entities. BDO and its related entities provide services primarily in the areas of audit, tax, consulting and financial advisory services.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business.

Financial services we are licensed to provide

We hold an Australian Financial Services Licence that authorises us to provide general financial product advice for securities to retail and wholesale clients.

When we provide the authorised financial services we are engaged to provide expert reports in connection with the financial product of another person. Our reports indicate who has engaged us and the nature of the report we have been engaged to provide. When we provide the authorised services we are not acting for you.

General Financial Product Advice

We only provide general financial product advice, not personal financial product advice. Our report does not take into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice.



Financial Services Guide

Page 2

Fees, commissions and other benefits that we may receive

We charge fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees are agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. The fee payable to BDO Corporate Finance (WA) Pty Ltd for this engagement is approximately \$36,000.

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

Other Assignments

In May 2013 we were engaged to provide an independent expert's report on the proposal for Sierra to enter into a Joint Venture Agreement with a related party, Galeo Equipment and Mining Company Inc, in regard to the exploration and development of the Mabilo and Nalesbitan Gold-Copper Projects. Our fees for this work amounted to approximately \$22,000.

BDO Audit (WA) Pty Ltd is the appointed auditor of RTG. We do not consider that this impacts on our independence in accordance with the requirements of Regulatory Guide 112 'Independence of Experts'. We have completed a conflict search of BDO affiliated organisations within Australia. This conflict search incorporates all Partners, Directors and Managers of BDO affiliated organisations. We are not aware of any circumstances that, in our view, would constitute a conflict of interest or would impair our ability to provide objective assistance in this matter.

Remuneration or other benefits received by our employees

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report. We have received a fee from Sierra for our professional services in providing this report. That fee is not linked in any way with our opinion as expressed in this report.

Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Complaints resolution

Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing addressed to The Complaints Officer, BDO Corporate Finance (WA) Pty Ltd, PO Box 700 West Perth WA 6872.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than **45 days** after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service ('FOS'). FOS is an independent organisation that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial service industry. FOS will be able to advise you as to whether or not they can be of assistance in this matter. Our FOS Membership Number is 12561. Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly via the details set out below.

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001
Toll free: 1300 78 08 08
Facsimile: (03) 9613 6399
Email: info@fos.org.au

Contact details

You may contact us using the details set out on page 1 of the accompanying report.



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Appendix 1 - Glossary

Appendix 2 - Valuation Methodologies

Appendix 3 - Independent Valuation Report prepared by CSA Global Pty Ltd



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7 April 2014

The Directors
Sierra Mining Limited
Level 9, BGC Centre
28 The Esplanade
Perth WA 6000

Dear Directors

INDEPENDENT EXPERT'S REPORT

1. Introduction

On 24 February 2014, Sierra Mining Limited ('Sierra' or 'the Company') announced it had entered into a conditional Scheme Implementation Agreement under which all existing shares and options in Sierra will be exchanged for shares and options in RTG Mining Inc ('RTG') by way of two schemes of arrangement, a Share Scheme and an Option Scheme. The Share Scheme and the Option Scheme are collectively referred to as the 'Schemes'. The Option Scheme is conditional on implementation of the Share Scheme; however, the Share Scheme is not conditional on implementation of the Option Scheme.

RTG is a company incorporated in the British Virgin Islands ('BVI') and is listed on the Toronto Stock Exchange ('TSX') and which, upon implementation of the Schemes, is expected to be listed on the Australian Securities Exchange ('ASX').

If the Share Scheme becomes effective, RTG intends to perform a share consolidation in the form of every ten RTG shares on issue being consolidated into one RTG share post consolidation. All calculations in our Report have been done on a pre consolidation basis. The consideration for the Schemes, on a pre consolidation basis, is as follows:

- (a) Share Scheme Consideration - three RTG Shares (in the form of RTG CHESS Depository Interest ('CDI')) for every one Sierra Share held plus one RTG Option (in the form of a RTG Option CDI) for every three Sierra Shares held by a Sierra Shareholder.
- (b) Option Scheme Consideration - two RTG Shares (in the form of RTG CDIs) for every one ASX listed Sierra Option ('Sierra Option') plus two RTG Options (in the form of RTG Option CDIs) for every nine Sierra Options held by a Sierra Optionholder.

RTG Shares and RTG Options to be issued as consideration are following the merger and are therefore shares and options in the combined entity of Sierra and RTG following the implementation of the Schemes ('Proposed Merged Entity').

BDO Corporate Finance (WA) Pty Ltd ABN 27 124 821 045 APS Licence No 216158 is a member of a national association of independent entities which are all members of BDO (Australia) Ltd ABN 77 050 110 279, an Australian company limited by guarantee. BDO Corporate Finance (WA) Pty Ltd and BDO (Australia) Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the International BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation (other than for the acts or omissions of financial services licensees) in each State or Territory other than Tasmania.



2. Summary and Opinion

2.1 Purpose of the report

The directors of Sierra have requested that BDO Corporate Finance (WA) Pty Ltd ('BDO') prepare an independent expert's report ('our Report') to express an opinion as to whether or not the Share Scheme is in the best interests of the non associated shareholders of Sierra ('Shareholders'), and whether or not the Option Scheme is in the best interests of the non associated optionholders of Sierra ('Optionholders'). The Sierra Shareholders and Optionholders are collectively referred to as the 'Securityholders'.

Our Report is prepared pursuant to section 411 of the Corporations Act 2001 (Cth) ('the Act') in order to assist the Securityholders in their decisions whether to approve the Schemes, and will be included in the scheme booklet for Sierra to be sent to all Securityholders ('Scheme Booklet').

2.2 Approach

Our Report has been prepared having regard to Australian Securities and Investments Commission ("ASIC") Regulatory Guide 60 'Schemes of Arrangements' ("RG 60"), Regulatory Guide 111 'Content of Expert's Reports' ("RG 111") and Regulatory Guide 112 'Independence of Experts' ("RG 112").

In arriving at our opinion, we have assessed the terms of the Schemes as outlined in the body of this report. We have considered:

- A post merger analysis;
- A comparison of the value of one Sierra Share prior to the Schemes on a control basis to the value of the Share Scheme Consideration for each Sierra Share (3 Proposed Merged Entity Shares plus 1/3rd of a Proposed Merged Entity Option) on a minority interest basis;
- A comparison of the value of one Sierra Option prior to the Schemes on a control basis to the value of the Option Scheme Consideration for each Sierra Option (2 Proposed Merged Entity Shares plus 2/9th of a Proposed Merged Entity Option) on a minority interest basis;
- The likelihood of a superior alternative offer being available to Sierra;
- Other factors which we consider to be relevant to the Securityholders in their assessment of the Schemes; and
- The position of the Securityholders should the Schemes not proceed.

2.3 Opinion

Share Scheme

We have considered the terms of the Schemes as outlined in the body of this report and have concluded that, in the absence of a superior offer, the Share Scheme is not fair but reasonable to Shareholders. Overall, we believe that there are sufficient reasons for Shareholders to approve the Share Scheme in the absence of any higher offer and we therefore conclude that the Share Scheme is in the best interest of Shareholders.

We consider that the Share Scheme is reasonable and in the best interests of Shareholders due to the significant advantages that the Share Scheme will bring to the Proposed Merged Entity and therefore to Shareholders. These advantages include the creation of a combined group with a stronger financial position and an experienced management and technical team with a track record in the development of new gold projects, particularly in the Philippines.



Option Scheme

We have also concluded that, in the absence of a superior offer, the Option Scheme is not fair but reasonable to Optionholders. Overall, we believe that there are sufficient reasons for Optionholders to approve the Option Scheme in the absence of any higher offer and we therefore conclude that the Option Scheme is in the best interest of Optionholders.

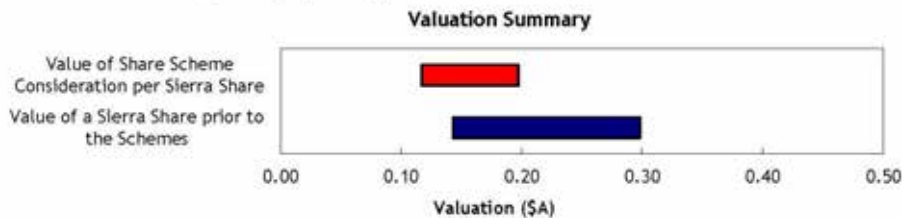
We consider that the Option Scheme is reasonable and in the best interests of Optionholders due to the significant advantages that the Option Scheme will bring to the Proposed Merged Entity and therefore to Optionholders.

2.4 Fairness

In section 14, we concluded that the preferred value of the Share Scheme Consideration for each Sierra Share on a minority interest basis is less than the preferred value of a Sierra Share prior to the implementation of the Schemes on a control basis. Whilst the valuation ranges do overlap and so in some scenarios the Share Scheme would be fair, overall we do not consider there to be sufficient overlap in values to form the opinion that the Share Scheme is fair. Therefore, we conclude that the Share Scheme is not fair to Shareholders.

	Ref	Low	Preferred	High
		\$	\$	\$
Value of 3 Proposed Merged Entity Shares on a minority basis	12.1	\$ 0.114	\$ 0.153	\$ 0.189
Value of 1/3 rd of a Proposed Merged Entity Option	13.2	\$ 0.003	\$ 0.006	\$ 0.008
Value of Share Scheme Consideration per Sierra Share		\$ 0.117	\$ 0.159	\$ 0.197
Value of a Sierra Share on a control basis	11.3	\$ 0.143	\$ 0.220	\$ 0.298

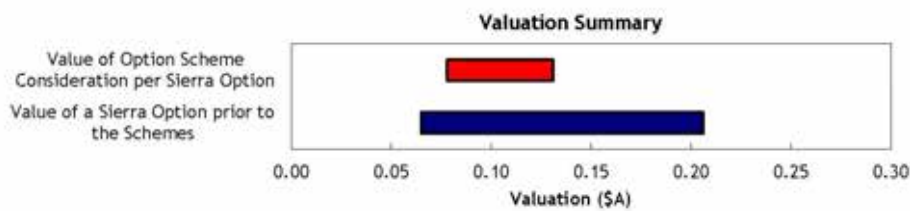
The above valuation ranges are graphically presented below:



In section 14, we concluded that the preferred value of the Option Scheme Consideration for each Sierra Option on a minority interest basis is less than the preferred value of a Sierra Option prior to the implementation of the Schemes on a control basis. Whilst the valuation ranges do overlap and so in some scenarios the Option Scheme would be fair, overall we do not consider there to be sufficient overlap in values to form the opinion that the Option Scheme is fair. Therefore, we conclude that the Option Scheme is not fair to Optionholders.

	Ref	Low	Preferred	High
		\$	\$	\$
Value of 2 Proposed Merged Entity Shares on a minority basis	12.1	\$ 0.076	\$ 0.102	\$ 0.126
Value of 2/9 th of a Proposed Merged Entity Option	13.2	\$ 0.002	\$ 0.004	\$ 0.005
Value of Option Scheme Consideration per Sierra Option		\$ 0.078	\$ 0.106	\$ 0.131
Value of a Sierra Option on a control basis	13.1	\$ 0.065	\$ 0.132	\$ 0.206

The above valuation ranges are graphically presented below:



2.5 Reasonableness

We have considered the analysis in section 15 of this report, in terms of both

- advantages and disadvantages of the Schemes; and
- alternatives, including the position of Securityholders if the Schemes do not proceed.

In our opinion, the position of Shareholders and Optionholders if the Schemes are approved is more advantageous than the position if the Schemes are not approved. Accordingly, in the absence of any other relevant information and a superior proposal, we believe that the Schemes are reasonable for both Shareholders and Optionholders.

The respective advantages and disadvantages considered are summarised below:

ADVANTAGES AND DISADVANTAGES			
Section	Advantages	Section	Disadvantages
15.1.1	On a minority Interest basis and a NAV basis the value of the Share Scheme Consideration and the value of a Sierra Share are similar	15.2.1	Securityholders' interests will be diluted
15.1.2	There is an overlap in the valuation ranges in our fairness assessment of both the Share Scheme and the Option Scheme	15.2.2	Sierra will have to share benefits of its assets with RTG
15.1.3	Creation of a combined group with a stronger position and improved access to capital and funding	15.2.3	If the Share Scheme is approved but the Option Scheme is not, RTG intends to compulsorily acquire Sierra Options



15.1.4	Increased strength of management with broader expertise and proven track record of successful development in the Philippines
15.1.5	Proposed Merged Entity to be listed on the TSX and ASX
15.1.6	Major shareholder intends to support the Schemes
15.1.7	No selling costs

Other key matters we have considered include:

Section	Description
15.3.1	The likelihood of an alternative proposal or alternative funding options
15.3.2	Movements in Sierra's share price following announcement of the Schemes
15.3.3	Consequences of not approving the Schemes include: <ul style="list-style-type: none"> - Potential decline in liquidity of a Sierra share - Potential decline in Sierra share price
15.3.4	Change in Jurisdiction
15.3.5	Comparable shareholder protection and regulations
15.3.6	Taxation implications
15.3.7	Shareholders' Investment profile will change

3. Scope of the Report

3.1 Purpose of the Report

The Schemes are to be implemented pursuant to section 411 of the Act. Part 3 of Schedule 8 to the Corporations Act Regulations ('Regulations') prescribes the information to be sent to shareholders in relation to schemes of arrangement pursuant to section 411 of the Act ('Section 411').

Schedule 8 of the Act requires an independent expert's report if:

- The corporation that is the other party to the scheme has a common director or directors with the company which is the subject of the scheme; or
- The corporation that is the other party is entitled to more than 30% of the voting shares in the subject company.



The expert must be independent and must state whether or not, in his or her opinion, the proposed scheme is in the best interest of the members of the company the subject of the scheme and setting out his or her reasons for that opinion.

RTG does not hold any shares in Sierra and there are no common directors, hence an independent expert's report is not specifically required in relation to the Schemes. However, for reasons of good corporate governance, the Directors of Sierra have engaged us to prepare an independent expert's report in relation to the Schemes, as if such report was required under the Regulations.

The requirement of an independent expert's report is also a precondition in the Scheme Implementation Deed, which states that for the Schemes to proceed, the independent expert's report must conclude that the Schemes are in the best interest of Sierra Shareholders and Optionholders.

3.2 Regulatory guidance

Neither the Act nor the Regulations defines the term 'in the best interests of'. In determining whether the Schemes are in the best interests of Shareholders and Optionholders, we have had regard to the views expressed by ASIC in RG 111. This regulatory guide provides guidance as to what matters an independent expert should consider to assist security holders to make informed decisions about transactions.

A key matter under RG 111 that an expert needs to consider when determining the appropriate form of analysis is whether or not the effect of the transaction is comparable to a takeover bid and is therefore representative of a change of 'control' transaction.

In the circumstance of a scheme that achieves the same outcome as a takeover bid, RG 111 suggests that the form of the analysis undertaken by the independent expert should be substantially the same as for a takeover. Independent expert reports required under the Act in the circumstance of a takeover are required to provide an opinion as to whether or not the takeover bid is 'fair and reasonable'. While there is no definition of 'fair and reasonable', RG 111 provides some guidance as to how the terms should be interpreted in a range of circumstances.

RG 111 suggests that an opinion as to whether transactions are fair and reasonable should focus on the purpose and outcome of the transaction, that is, the substance of the transaction rather than the legal mechanism to effect the transaction.

Schemes of arrangement pursuant to section 411 can encompass a wide range of transactions. Accordingly, "in the best interests" must be capable of a broad interpretation to meet the particular circumstances of each transaction. This involves a judgment on the part of the expert as to the overall commercial effect of the transaction, the circumstances that have led to the transaction and the alternatives available. The expert must weigh up the advantages and disadvantages of the proposed transaction and form an overall view as to whether shareholders are likely to be better off if the proposed transaction is implemented than if it is not. This assessment is the same as that required for a 'fair and reasonable' assessment in the case of a takeover. If the expert would conclude that a proposal was 'fair and reasonable'; if it was in the form of a takeover bid, the expert will also be able to conclude that the scheme is in the best interests of shareholders. An opinion of 'in the best interests' does not imply the best possible outcome for shareholders.

3.3 Adopted basis of evaluation

RG 111 states that a transaction is fair if the value of the offer price or consideration is greater than the value of the securities subject of the offer. This comparison should be made assuming a knowledgeable



and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length. Further to this, RG 111 states that a transaction is reasonable if it is fair. It might also be reasonable if despite being 'not fair' the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid.

Having regard to the above, we have completed this comparison in the following parts:

Are the Schemes fair (section 14)?

- A comparison of the value of a Sierra Share prior to the Schemes on a control basis to the value of the Share Scheme Consideration for each Sierra Share (3 Proposed Merged Entity Shares plus 1/3rd of a Proposed Merged Entity Option) on a minority interest basis;
- A comparison of the value of a Sierra Option prior to the Schemes on a control basis to the value of the Option Scheme Consideration for each Sierra Option (2 Proposed Merged Entity Shares plus 2/9th of a Proposed Merged Entity Option) on a minority interest basis;

Are the Schemes reasonable (section 15)?

- An investigation into other significant factors to which Shareholders and Optionholders might give consideration, prior to approving the Schemes, after reference to the values derived above; and
- A consideration of whether the Scheme is in the best interests of Shareholders and Optionholders.

RG 111 states that if a transaction is fair and reasonable then the expert can conclude that the transaction is in the best interests of shareholders; if a transaction is not fair but reasonable an expert can still conclude that the transaction is in the best interests of shareholders; if a transaction is neither fair nor reasonable then the expert would conclude that the transaction is not in the best interests of shareholders. This assignment is a Valuation Engagement as defined by Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services' ("APES 225").

A Valuation Engagement is defined by APES 225 as follows:

"an Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time."

This Valuation Engagement has been undertaken in accordance with the requirements set out in APES 225.

4. Outline of the Schemes

On 24 February 2014, Sierra announced that it had entered into a conditional Scheme Implementation Agreement under which all existing shares and options in Sierra will be exchanged for shares and options in RTG by way of a Share Scheme and an Option Scheme. RTG is a company incorporated in the BVI and is currently listed on the TSX and which, upon implementation of the Schemes, is expected to be listed on the ASX.

Following the Schemes becoming effective, Mr Matthew Syme, the current Managing Director of Sierra, will be invited to join the RTG Board as a Non-Executive Director.

If the Share Scheme becomes effective, RTG intends to perform a share consolidation in the form of every ten RTG shares on issue being consolidated into one RTG share post consolidation. All calculations in our Report have been done on a pre consolidation basis. The consideration for the Schemes, on a pre consolidation basis, is as follows:



- (a) Share Scheme Consideration - three RTG Shares in the form of RTG CDIs for every one Sierra Share held plus one RTG Option in the form of a RTG Option CDI for every three Sierra Shares held by a Sierra Shareholder.
- (b) Option Scheme Consideration - two RTG Shares in the form of RTG CDIs for every one Sierra Option plus two RTG Options in the form of RTG Option CDIs for every nine Sierra Options held by a Sierra Optionholder.

Fractional entitlements will be rounded up or down to the nearest whole number, with entitlements to half of a RTG CDI or RTG Option CDI rounded down. Sierra Securityholders who would prefer to receive RTG Shares and RTG Options listed on TSX rather than RTG CDIs and RTG Option CDIs quoted on ASX can make an election to receive RTG Shares and RTG Options.

The Sierra Options that are the subject of the Option Scheme are the 31,970,363 ASX listed options which have an exercise price of \$0.10 exercisable on or before 31 December 2014. The RTG Options to be issued as consideration under the Schemes will have an exercise price of C\$0.15 each and an expiry date 3 years after the date of issue. Sierra also has on issue a total of 12,016,667 unlisted options. These unlisted options will be dealt with by private treaty prior to the First Court Date.

If the Option Scheme does not become effective, but the Share Scheme becomes effective, RTG may become entitled to and currently may compulsorily acquire outstanding Sierra Options under Part 6A.2 of the Act for a cash amount only.

RTG has no obligation to allot or issue RTG Shares, RTG Options, CDIs or Option CDIs to an Ineligible Foreign Shareholder under the Schemes and, instead, must procure that any new RTG Shares and new RTG Options are issued to a sale agent for the account of the ineligible foreign shareholder and are dealt with in accordance with the Schemes. Any RTG Shares or RTG Options to be sold by the sale agent will be issued for the account of, and will be held by, the sale agent as nominee in trust for the Scheme Shareholder who is the beneficial owner. The implementation of the Schemes is conditional upon, but not limited to, the following:

- The receipt of all regulatory approvals included those required from Foreign Investment Review Board, ASIC, ASX and TSX;
- The Independent Expert provides a report to Sierra which concludes that the Share Scheme and Option Scheme are in the best interests of Shareholders and Optionholders;
- The ASX approving RTG for admission to the official list of the ASX and granting approval for the official quotation of CDIs and Option CDI's in respect of RTG Shares and RTG Options;
- Sierra Shareholders agree to the Share Scheme at the Scheme Meeting by the requisite majorities under the Act;
- RTG Shareholders agreeing to the issue of the new RTG Shares and new RTG Options pursuant to the Share Scheme and Option Scheme as required by the listing rules of the TSX;
- The Court approves the Share Scheme in accordance with section 411(4)(b) of the Act;
- No Sierra or RTG prescribed occurrence occurs between the date of the Scheme Implementation Deed and the Second Court date;



- The representations and warranties of both Sierra and RTG set out in the Scheme Implementation Deed are true and correct in all material respects as at the date of the Scheme Implementation Deed and on the Second Court date;
- Sierra Optionholders agree to the Option Scheme at the Option Scheme Meeting by the requisite majorities under the Act; and
- The Court approves the Option Scheme in accordance with section 411(4) (b) of the Act.

Further disclosure of the conditions precedent to the Schemes is included in the Scheme Booklet.

5. Profile of Sierra Mining Limited

5.1 History

Sierra is an Australian exploration company operating in the Philippines with its head office located in Perth, Western Australian. The Company was incorporated on 27 January 2006 and obtained admission to the ASX during December 2006 following the issue of 22.5 million shares at an issue price of \$0.20 each to raise \$4,500,000 before costs.

Sierra's primary focus is the exploration of gold and copper in the Paracale gold district located in eastern Luzon and the eastern Mindanao mineral belt in the southern Philippines. The Company previously held two exploration licenses in Papua New Guinea though these are no longer held.

The Company's current board members and senior management are shown below:

- Mr Ian Middlemas - Non Executive Chairman
- Mr Matthew Syme - Managing Director
- Mr John Raadsma - Executive Director
- Mr Francis Enrico Gutierrez - Non Executive Director
- Mr Clinton McGhie - Company Secretary

5.2 Projects

The Paracale Province

The Paracale gold district located in eastern Luzon is one of the largest historical gold producing regions in the Philippines. Sierra has two exploration projects operating in this region, the Nalesbitan project located in the Camarines Norte Province and the Mabilo project located 15 km east of the Nalesbitan project. Both projects were granted exploration licenses in November 2011.

The Nalesbitan and Mabilo projects are 100% owned by Mt Labo Exploration and Development Corporation ('Mt Labo') with Sierra holding a 64% interest in Mt Labo comprised of:

- A 40% interest held by the Sierra's wholly owned subsidiary, SRM Gold Limited; and
- A 24% interest by virtue of SRM Gold Limited's 40% holding in St Ignatius Exploration and Mineral Resources Corp, which owns 60% of Mt Labo.



There is a call option, with an exercise price equivalent to the par value of the shares, over the 60% interest in St Ignatius Exploration and Mineral Resources Corp held by a Philippine national in favour of SRM Gold Limited. The call option is exercisable in perpetuity, subject to foreign ownership restrictions in the Philippines. Under the Philippine Mining Act only companies that are at least 60% locally owned can hold mineral agreements.

In May 2013, Sierra and Mt Labo entered into a joint venture with Galeo Equipment and Mining Company Inc ('Galeo') to partner in exploring and developing the Mabilo and Nalesbitan projects. Galeo is currently earning a 36% interest in both the Mabilo and Nalesbitan projects down to 200 meters, by contributing approximately US\$4.25 million of exploration drilling and management services over a two year period.

In November 2013, the Company announced that it had entered into a Memorandum of Understanding with Galeo which details the proposed terms of amendment to the joint venture, under which Galeo will drill a further 5,000 meters of diamond core to earn a 36% interest in both of the projects below 200 meters. Galeo shall be given a 36% upfront interest in the joint venture, subject to a clawback system. The Memorandum of Understanding outlines that the additional 5,000 meters of drilling is valued at US\$300 per meter for a total value of US\$1.5 million. Alternatively, Galeo, at its discretion, may meet its drilling commitment by paying cash in the amount of US\$300 per meter, without price escalation.

Therefore, Galeo will receive a 36% interest in the Nalesbitan and Mabilo projects, without any depth restrictions, for a total consideration of US\$5.75 million. The amendment to the joint venture agreement is still subject to approval by Sierra Shareholders.

The Company has also entered into a subsequent conditional Memorandum of Understanding with Galeo which allows it to earn an additional 6% of the joint venture (up to 42%) by mining 1.5Mt of waste. The ability of Galeo to earn the additional 6% of the joint venture is subject to satisfaction of a range of conditions, including the approval by Sierra Shareholders.

The Eastern Mindanao Region

The Eastern Mindanao belt located in the southern Philippines, hosts one of the world's major regional clusters of porphyry copper-gold and related epithermal gold-silver deposits. Sierra has four exploration projects operating in this region.

In December 2006, Sierra acquired two applications over the Bunawan project which is located in eastern Mindanao. During the permit application process, Sierra has conducted limited exploration on the application areas. Following recent advances in the permitting process, Sierra has completed an exploration program which included a ground magnetic survey and grid base soil sampling.

The Bahayan exploration project is located to the northwest of the Diwalwal gold rush area. Preliminary exploration programs on the northern block identified widespread gold and silver mineralisation, following which Sierra conducted sediment sampling programs over the entire northern block. A program of infill soil and stream sampling along with mapping and rock chip sampling was initiated during the March 2012 quarter; however no recent significant work has been conducted.

Located in the northwest part of the Masara Mineral Field is the Mawab project. Following grant of the exploration permit in 2010, Sierra established an exploration camp at Mawab and began detailed programs over the entire tenement block. More detailed mapping and sampling is still required following the results from the previous sampling, however no recent significant work has been conducted at the Mawab project.



The Taguibo project, located on the Madianao Island, was granted an exploration license in October 2006. Due to local security concerns, the drilling program initiated in June 2012 was curtailed in June 2013 with plans to re-commence once security concerns are assured. To date 12 holes have been completed at the Taguibo project.

Refer Appendix 3 for further information regarding the Company's projects.

5.3 Historical Financial Information

Consolidated Statement of Financial Position	Reviewed as at	Audited as at	Audited as at
	31-Dec-13	30-Jun-13	30-Jun-12
	\$	\$	\$
CURRENT ASSETS			
Cash and cash equivalents	1,958,787	3,578,666	7,509,480
Trade and other receivables	18,526	28,347	31,199
Other financial assets	283,650	283,650	283,650
Other current assets	67,236	46,889	700
TOTAL CURRENT ASSETS	2,328,199	3,937,552	7,825,029
NON-CURRENT ASSETS			
Trade and other receivables	192,415	179,635	27,385
Exploration and evaluation assets	2,108,110	2,112,045	1,410,748
Equity accounted investments	-	-	21,102
Property, plant and equipment	117,695	88,467	12,242
Other non-current assets	18,040	15,568	7,930
TOTAL NON-CURRENT ASSETS	2,436,260	2,395,715	1,479,407
TOTAL ASSETS	4,764,459	6,333,267	9,304,436
CURRENT LIABILITIES			
Trade and other payables	534,899	349,996	183,849
Provisions	17,030	13,835	15,092
TOTAL CURRENT LIABILITIES	551,929	363,831	198,941
TOTAL LIABILITIES	551,929	363,831	198,941
NET ASSETS	4,212,530	5,969,436	9,105,495
EQUITY			
Contributed Equity	20,977,039	20,977,039	20,977,039
Reserves	1,707,191	2,076,669	1,857,342
Accumulated losses	(14,624,877)	(13,699,360)	(14,173,156)
Equity attributable to owners of the Company	8,059,353	9,354,348	8,661,225
Non-controlling interests	(3,846,823)	(3,384,912)	444,270
TOTAL EQUITY	4,212,530	5,969,436	9,105,495

Source: Reviewed financial statements for the half-year ended 31 December 2013 and audited financial statements for the years ended 30 June 2013 (restated and reviewed) and 30 June 2012.



Consolidated Statement of Profit or Loss and Other Comprehensive Income	Reviewed for the half	Audited for the year	Audited for the year
	year ended 31 Dec-13	ended 30-Jun-13	ended 30-Jun-12
	\$	\$	\$
Revenue	42,035	239,062	489,925
Other income	-	-	3,913
Corporate and administrative expenses	(313,081)	(552,725)	(1,063,743)
Exploration and evaluation expenses	(1,484,505)	(2,193,877)	(1,308,904)
Business development expenses	-	(70,033)	(143,553)
Other expenses	-	(1,474)	(16,046)
Impairment losses	-	(1,761,429)	(1,845,276)
Loss before income tax	(1,755,551)	(4,340,476)	(3,883,684)
Income tax expense	-	-	-
Loss for the period	(1,755,551)	(4,340,476)	(3,883,684)
Loss attributable to members of Sierra Mining Ltd	(1,265,934)	(3,963,996)	(3,813,580)
Loss attributable to non-controlling interests	(489,617)	(376,480)	(70,104)
Other comprehensive income, net of income tax			
Exchange differences on translation of foreign operations	(14,876)	162,956	31,118
Reclassification adjustment:			
Exchange differences on translation of foreign operation taken to loss for the year on deconsolidation of the operation	-	-	14,782
Total comprehensive loss for the period	(1,770,427)	(4,177,520)	(3,837,784)

Source: Reviewed financial statements for the half-year ended 31 December 2013 and audited financial statements for the years ended 30 June 2013 and 30 June 2012.

Commentary of historical financial information

- For the half-year ended 31 December 2013, the auditor's review report in the financial statements included an emphasis of matter regarding the Company's ability to continue as a going concern. If the Schemes are approved, the Directors are satisfied that the Proposed Merged Entity will have sufficient cash flows to enable it to continue to operate on a going concern basis. In the event the Schemes do not proceed, the Directors are satisfied that they will be able to raise additional capital within 6 months of the 31 December 2013 financial report to enable the Company to meet its planned operations and obligations as and when they fall due.
- Cash and cash equivalents has decreased from \$3.58 million as at 30 June 2013 to \$1.96 million as at 31 December 2013. The majority of this decrease in cash has resulted from exploration and evaluation expenditure incurred over the period.
- Other financial assets totalling \$0.28 million as at 31 December 2013 relates to a loan to a key consultant to allow the consultant to exercise listed options. The loan is for a 3 year term, interest free and repayable in full at the end of the term or if the consultant ceases employment with the Company. Sierra intends extending the term of the loan for 12 months.
- A reduction in equity accounted investments between 30 June 2012 and 31 December 2013 resulted from a change in accounting standards. The Company concluded that, in accordance with the requirements of the accounting standards, it is deemed to have control over Bunawan Mining Corporation, OZ Metals Exploration and Development Corporation and St Ignatius Exploration and Mineral Resources Corporation due to the Company's holding in these entities, the potential impact of the call options and the involvement the Company has with these entities. Therefore,



these entities are deemed to be subsidiaries rather than associates which were previously accounted for using the equity method of accounting.

- Trade and other payables increased from \$0.35 million as at 30 June 2013 to \$0.53 million as at 31 December 2013. The majority of this increase is a result of legal fees incurred during the period and a delay in the invoices being received.
- The decrease in the reserves balance from 30 June 2013 to 31 December 2013 resulted from the expiration of 3,333,333 unlisted options.
- The Company made losses of \$4.18 million and \$3.84 million for the years ended 30 June 2013 and 30 June 2012 respectively. For the half-year ended 31 December 2013 a loss of \$1.77 million was incurred. Contributing to these losses was the expensing of exploration and evaluation expenditure incurred during the half-year and impairment charges.

5.4 Capital Structure

The share structure of Sierra as at 31 January 2014 is outlined below:

	Number
Total ordinary shares on issue	232,854,663
Top 20 shareholders	111,808,011
Top 20 shareholders - % of shares on issue	48.02%

Source: Management of Sierra

The range of shares held in Sierra as at 31 January 2014 is as follows:

Range of Shares Held	Number of Ordinary Shareholders	Number of Ordinary Shares	Percentage of Issued Shares (%)
1 - 1,000	43	2,452	0.00%
1,001 - 5,000	68	239,566	0.10%
5,001 - 10,000	71	594,766	0.26%
10,001 - 100,000	412	18,405,362	7.90%
100,001 - and over	178	213,612,517	91.74%
TOTAL	772	232,854,663	100.00%

Source: Management of Sierra



The ordinary shares held by the most significant shareholders as at 31 January 2014 are detailed below:

Name	Number of Ordinary Shares Held	Percentage of Issued Shares (%)
CGA Mining Limited	17,317,333	7.44%
Hopetoun Consulting Pty Ltd <The M Syme Family A/C>	10,000,000	4.29%
Arredo Pty Ltd	7,575,000	3.25%
Mr Ian Middlemas	6,400,000	2.75%
Subtotal	41,292,333	17.73%
Others	191,562,330	82.27%
Total ordinary shares on issue	232,854,663	100.00%

Source: Management of Sierra

Sierra has the following options on issue as at 31 January 2014:

Current Options on Issue	Number
Listed options exercisable at \$0.10 each on or before 31 December 2014	31,970,363
Unlisted options exercisable at \$0.20 each on or before 1 July 2014	3,683,333
Unlisted options exercisable at \$0.25 each on or before 1 July 2015	8,333,334

Source: Management of Sierra

The most significant holders of \$0.10 Listed options as at 31 January 2014 are outlined below:

Name	Number of \$0.10 Listed Option Held	Percentage of Issued Shares (%)
CGA Mining Limited	7,866,666	24.61%
Hopetoun Consulting Pty Ltd <The M Syme Family A/C>	5,000,000	15.64%
Nefco Nominees Pty Ltd	2,783,332	8.71%
Pittar Nominees Pty Ltd <The Pittar Family A/C>	1,320,236	4.13%
Subtotal	16,970,234	53.08%
Others	15,000,129	46.92%
Total ordinary shares on issue	31,970,363	100.00%

Source: Management of Sierra



6. Profile of RTG Mining Inc

6.1 History

RTG was incorporated on 27 December 2012 and is domiciled in the British Virgin Islands. It is a mining and exploration company focused on identifying and developing new gold opportunities with its Australian head office located in Perth, Western Australian. RTG is run by the previous management team of CGA Mining Limited ('CGA'), which successfully merged with B2Gold Inc ('B2Gold') in a US\$1.1 billion scheme of arrangement in January 2013.

RTG listed on the Toronto Stock Exchange ('TSX') in April 2013 following a merger between Ratel Merger Limited and Ratel Group Limited and upon the issue of 162,538,641 shares for C\$0.13 per share. The trading of RTG shares on the TSX commenced on 15 April 2013 in substitution of the ordinary shares of Ratel Group Limited.

The Company's current board members and senior management are shown below:

- Mr Michael Carrick - Chairman
- Ms Justine Magee - Executive Director and Chief Executive Officer
- Mr Mark Turner - Chief Operating Officer
- Mr Robert Scott - Non Executive Director
- Mr Phil Lockyer - Non Executive Director
- Mr David Cruse - Non Executive Director
- Ms Hannah Hudson - Chief Financial Officer and Company Secretary

Sale of Mkushi Copper Project

On 29 August 2013, RTG announced that it had entered into an agreement for the sale of its 51% interest in the Mkushi Copper Project in Zambia for approximately US\$13.1 million to the Company's joint venture partner, Elephant Copper Ltd ('Elephant Copper'). Under the Share Sale Agreement between Zambian Mining Limited (a 100% owned subsidiary of RTG) and Elephant Copper, Zambian Mining Limited ('Zambian') agreed to sell 100% of the share capital of Seringa Mining Ltd, which holds the 51% interest in the Mkushi Copper Project. Consideration for the sale consists of the following:

- The issue of 20 million Elephant Copper shares to Zambian at an issue price of US\$0.33 per share to the value of US\$6.6 million ('Consideration Shares');
- Entering into an unsecured convertible note deed in respect of a principal sum of US\$6.5 million ('Convertible Note'). The Convertible Note is interest free and will be repayable on or before 1 January 2015, unless converted earlier. The exercise price for conversion is equal to the lesser of US\$0.45 and 1.36 times the Initial Public Offering ('IPO') price. If the Convertible Note has not been converted by Zambian on or before maturity, the Convertible Note will be redeemed for an amount equal to the principal sum; and



- Payment of the Deferred Heap Leach payment totalling approximately US\$1.4 million ('DHL Payment'). The DHL Payment represents amounts paid by Zambia on behalf of Elephant Copper in relation to the joint venture.

On 22 October 2013, the conditions precedent to the Share Sale Agreement with Elephant Copper were satisfied and the sale was completed.

Elephant Copper was incorporated in the British Virgin Islands on 22 February 2012 and currently has three mineral development properties located in Southern Africa that are in the early to advanced stages of exploration. Elephant Copper intended to complete an IPO prior to the end of 2013 however, Elephant Copper decided not to proceed and on 24 December 2013, International Millennium Mining Corp ('IMMC'), a company listed on the TSX Venture Exchange ('TSXV') announced that it had signed a share exchange agreement with Elephant Copper whereby IMMC proposes to acquire all of the issued ordinary shares in Elephant Copper. Each Elephant Copper shareholder will receive one IMMC share, at a deemed value of C\$0.30 per share.

The completion of this transaction will be subject to the satisfaction of certain conditions prior to closing, including, but not limited to, the following:

- Elephant Copper must complete a financing for a minimum gross proceeds of not less than C\$1 million at an issue price of not less than C\$0.30 per share;
- Elephant Copper and IMMC will enter into a Definitive Agreement in respect to the transaction; and
- All requisite regulatory approvals relating to the transaction, including, without limitation, TSXV approval, will have been obtained.

Pursuant to the Share Sale Agreement, Elephant Copper undertook to complete its IPO by 31 December 2013 and repay the DHL Payment by 1 January 2014.

RTG has been advised by Elephant Copper that they have progressed in its discussion with investors for a new capital raising of C\$1 million and that Elephant Copper is currently on track to complete and lodge the IPO documents with the TSX shortly.

Under the Share Sale Agreement between Zambia and Elephant Copper, if the IPO does not proceed, or proceeds at a price less than US\$0.33 per share, Zambia will be entitled to additional Consideration Shares so that the total value of the Consideration Shares is US\$6.6 million. If Elephant Copper enters into an alternative transaction then the total consideration payable under the Share Sale Agreement is to be satisfied in cash or alternatively, Elephant Copper will be required to buy all of the Consideration Shares and any shares to be issued under the Convertible Note at a price of US\$0.33 per share.

Refer the Scheme Booklet for further information regarding the sale of the Mkushi Copper Project.

Sale of Segilola Gold Project

The Segilola Gold Project is located at the village of Iperindo-Odo Ijesha, near the city of Ilesha in Osun State, Nigeria. The project site is situated within 600 meters of a sealed road, 18 km south of the regional centre Ilesha, the local government centre, with a population of 300,000, which is itself located on a sealed dual carriage way, 120 km north east of Lagos. In March 2012, the Company completed a Revised Bankable Feasibility Study ('Revised BFS') for the Segilola Gold Project, which updated the previously completed BFS. The study involved a drilling programme that was carried out in the period June to



December 2011 which resulted in the subsequent increase in the overall mineralised resources reported in the BFS.

As at the date of our Report, negotiations have been completed between the Company and Segilola Resources Operating Limited ('SROL') for the sale of the Company's 51% interest in the Segilola Gold Project. Under the Share Sale and Purchase Agreement between the Company and SROL, the consideration to be received by the Company for the sale of its 51% interest in the Segilola Gold Project is as follows:

- A cash amount of US\$1 million which is receivable through the assignment of a shareholder debt ('**Initial Consideration**'). The Initial Consideration is payable to the Company on the Completion Date;
- A cash amount of US\$5 million ('**Deferred Consideration**'). This amount is payable to the Company 18 months after the Completion Date; and
- Once the Segilola Gold Project has commenced commercial operations, SROL shall pay the Company a royalty equal to 3% of the Net Smelter Return in respect of all products that are mined on, produced from or otherwise originate from the Segilola Gold Project following the commencement of commercial operations ('**Royalty Consideration**'). The maximum amount of the Royalty Consideration is US\$8 million. Once SROL has paid in aggregate US\$8 million its obligation to make further payments shall cease.

At any time following the date of the Royalty Agreement, SROL may, at its absolute discretion, give notice to the Company that SROL wishes to repurchase the Royalty Consideration. The repurchase price will be calculated as follows:

- (a) US\$8 million minus the aggregate of all amounts paid to RTG by way of royalty prior to the date of the buy-out notice;
- (b) Discounted by 8% per annum. The discount shall be applied on the basis that the amount falls due in equal yearly sums on the six month anniversary of the commencement of commercial operations. If commercial operations have not commenced on the date of the buy-out notice, it shall be deemed to be two years from the date of the Share Sale and Purchase Agreement and royalty payments will be made over a four year period.

Refer the Scheme Booklet for further information regarding the sale of the Segilola Gold Project.



6.2 Historical Consolidated Statement of Financial Position

Consolidated Statement of Financial Position	Audited as at 31-Dec-13 US\$	Audited as at 30-Jun-13 US\$	Reviewed as at 30-Jun-12 US\$
CURRENT ASSETS			
Cash and cash equivalents	10,987,534	14,988,172	144,984
Trade and other receivables	276,255	242,061	1,130,522
Prepayments	187	2,259	18,036
TOTAL CURRENT ASSETS	11,263,976	15,232,492	1,293,542
NON-CURRENT ASSETS			
Property, plant and equipment	362,329	961,496	1,224,049
Investments	1,841,854	-	-
Derivative financial asset	1,330,228	-	-
TOTAL NON-CURRENT ASSETS	3,534,411	961,496	1,224,049
TOTAL ASSETS	14,798,387	16,193,988	2,517,591
CURRENT LIABILITIES			
Trade and other payables	208,625	722,986	308,441
TOTAL CURRENT LIABILITIES	208,625	722,986	308,441
TOTAL LIABILITIES	208,625	722,986	308,441
NET ASSETS	14,589,762	15,471,002	2,209,150
SHAREHOLDER'S EQUITY			
Issued capital	34,162,759	34,162,759	14,493,355
Reserves	(1,160,957)	(1,160,957)	(3,076,157)
Accumulated losses	(18,412,040)	(17,530,800)	(9,208,048)
TOTAL SHAREHOLDER'S EQUITY	14,589,762	15,471,002	2,209,150

*Financial information prior to April 2013 relates to Ratel Group Limited

Source: Audited financial statements for the period ended 31 December 2013 and audited financial statements for the years ended 30 June 2013 and 30 June 2012.



6.3 Historical Consolidated Statement of Profit or Loss and Other Comprehensive Income

Consolidated Statement of Profit or Loss and Other Comprehensive Income	Audited for the period	Audited	Audited
	ended 31-Dec-13	for the year	for the year
	(six months)	ended 30-Jun-13	ended 30-Jun-12
	US\$	US\$	US\$
Revenue	24,598	10,553	4,073
Exploration and evaluation expenditure	(91,333)	(558,853)	(2,754,667)
Business development	(790,426)	(811,117)	(77,879)
Borrowing costs	-	(112,606)	-
Foreign exchange gains/(losses)	(201,060)	(319,111)	(73,240)
Administrative expense	(2,038,845)	(4,748,453)	(1,945,595)
Loss from continuing operations	(3,097,066)	(6,539,587)	(4,847,308)
Income tax benefit	-	-	-
Loss from continuing operations for the period	(3,097,066)	(6,539,587)	(4,847,308)
Discontinued operations			
Gain/(Loss) from discontinued operations (after tax)	2,215,826	(1,783,165)	-
Total comprehensive loss for the year	(881,240)	(8,322,752)	(4,847,308)

*Financial information prior to April 2013 relates to Ratel Group Limited

Source: Audited financial statements for the period ended 31 December 2013 and audited financial statements for the years ended 30 June 2013 and 30 June 2012.

Commentary of historical financial information

- The Company changed its year end from 30 June to 31 December for the 31 December 2013 period. Therefore, the consolidated statement of profit or loss and other comprehensive income for the period ended 31 December 2013 is only for a six month period.
- Cash and cash equivalents increased from US\$0.14 million as at 30 June 2011 to US\$14.99 million as at 30 June 2013. This increase primarily resulted from the restructuring transaction which resulted in the merger between Ratel Merger Limited and Ratel Group Limited and the TSX listing of RTG in April 2013. This transaction involved the issue of 162,538,641 shares for C\$0.13 per share and led to a corresponding increased in issued capital over the period. Some of the funds raised were used to repay a US\$2.5 million loan facility in place with CGA. Cash and cash equivalents decreased to US\$10.99 million as at 31 December 2013 as a result of exploration expenditure and administration costs incurred over the period.
- The investments balance of US\$1.84 million and the derivative financial asset of US\$1.33 million as at 31 December 2013 relates to the consideration received by RTG for the sale of its interest in the Mkushi Copper Project. The consideration consists of 20 million Elephant Copper shares and a convertible note which is repayable or convertible into Elephant Copper shares.
- The Company's policy is to write off exploration expenditure as incurred, except for acquisition costs and where an area of interest is established. For the periods ended 30 June 2012, 30 June



2013 and 31 December 2013 the Company expensed amounts of US\$2.75 million, US\$0.56 million and US\$0.10 million respectively.

- Administrative expenses for the periods ended 30 June 2013 and 31 December 2013 include employee loan funded share expenses. Shares issued pursuant to the Loan Funded Share Plan are for services rendered to date by eligible employees and directors and for services rendered by existing and any new eligible employees and directors who are appointed in the future.
- For the years ended 30 June 2012, 30 June 2013 and 31 December 2013 the Company made losses of US\$4.85 million, US\$8.32 million and US\$0.88 million respectively.

6.4 Capital Structure

The share structure of RTG as at the date of our Report is outlined below:

	Number
Total ordinary shares on issue	326,538,643

Source: Scheme Booklet

The ordinary shares held by the most significant shareholders as at the date of our Report are detailed below:

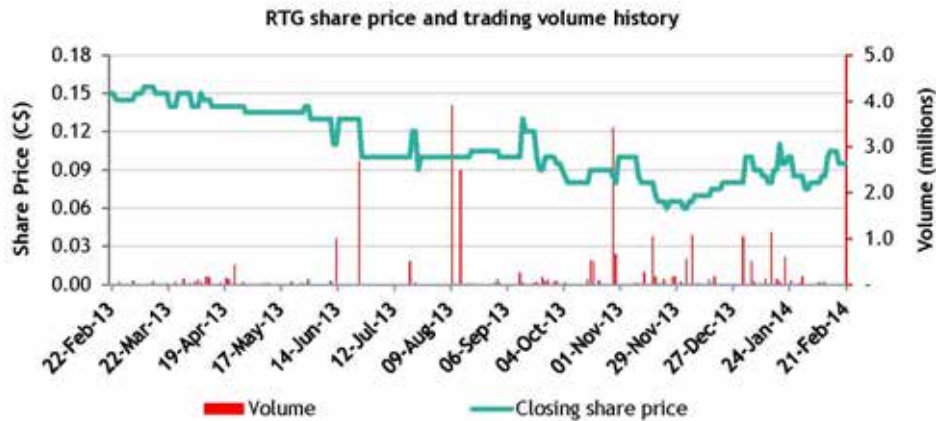
Name	Number of Ordinary Shares Held	Percentage of Issued Shares (%)
Portland House Investments Ltd	61,465,602	18.82%
B2Gold Corp	59,491,522	18.22%
Subtotal	120,957,124	37.04%
Others	205,581,519	62.96%
Total ordinary shares on issue	326,538,643	100.00%

Source: Scheme Booklet

As at the date of our Report, RTG does not have any options on issue.

6.5 Share price and volume trading analysis

The following chart provides a summary of the share price movement over the 12 months to 21 February 2014, for RTG shares traded on the TSX, which was the last full trading day prior to the announcement of the Schemes.



Source: Bloomberg and BDO analysis

The chart above indicates that the closing share price of RTG has traded within a range of C\$0.155 and C\$0.060 over the 12 months to 21 February 2014 and closed at C\$0.095 on 21 February 2014. The volume of RTG shares that have been traded over the 12 months to 21 February 2014 has been consistently low and this is supported by the data in the table below.

	Share price low (C\$)	Share price high (C\$)	Cumulative Volume traded	As a % of current issued capital
1 day	0.095	0.095	3	0.00%
10 days	0.080	0.105	116,034	0.04%
30 days	0.075	0.110	3,455,417	0.75%
60 days	0.060	0.110	6,229,361	1.91%
90 days	0.060	0.110	13,256,128	4.06%
180 days	0.060	0.130	25,053,388	7.67%
1 year	0.060	0.155	27,156,695	8.32%

Source: Bloomberg and BDO analysis

This table indicates that RTG's shares listed on the TSX display a low level of liquidity, with only 8.32% of the Company's capital currently issued on the TSX being traded in a 12 month period.



7. Proposed Merged Entity

7.1 Overview of the Proposed Merged Entity

Upon completion of the Schemes, RTG will own 100% of Sierra. The Proposed Merged Entity will comprise the assets of Sierra and the assets of RTG and will have exposure to exploration assets in the Philippines, with a management team who has considerable experience in the area. The current intentions of RTG in relation to Sierra, at the date of our Report, are as follows:

- RTG intends to operate the Proposed Merged Entity consistent with past practice. The Proposed Merged Entity will continue to follow RTG's strategy of providing shareholders with exposure to high quality assets with a pathway to production;
- RTG intends to conduct a detailed operational review of Sierra's structure and operations on both a strategic and a financial level in order to evaluate Sierra's performance, profitability and prospects, and to identify opportunities for operating synergies and further progressing the project interests of Sierra;
- RTG intends to perform a review of the current and proposed exploration properties, including a review of all available technical and financial data, so that ongoing and future exploration programs can be optimised. At the Mabilo project, RTG intends to review of all of the technical and financial data in detail, including drilling results to date, planned new drilling programs and the methodology behind the calculations and the subsequent reconciliations and the metallurgical test work and progress on feasibility study work. Personnel levels, both nationals and expatriates, will be examined to ensure proper staffing of the operations is maintained;
- Subject to a full operational review post-acquisition, RTG currently intends that the current operating management and employees of Sierra located in the Philippines will continue to service in their current roles;
- RTG does not presently pay dividends. RTG does not presently intend to change that policy for the Proposed Merged Entity;

Except for the possible changes and current intentions set out above, it is the intention of RTG, based on the facts and information concerning Sierra at the date of our Report to conduct the business of Sierra (and RTG) in substantially the same manner as currently, not to make any major changes to the deployment of Sierra's assets and to continue the employment of Sierra's present employees (and those of RTG), as appropriate.

7.2 Capital Structure

The Share Scheme and the Option Scheme will result in RTG acquiring a total of 232,854,663 Sierra Shares and 31,970,363 Sierra Options. The following table summarises the number of shares the respective companies have on issue, the number of shares that RTG would need to issue to Shareholders and Optionholders and the total number of shares on issue on completion of both the Share Scheme and Option Scheme, assuming no further Sierra options are exercised.



Summary of Proposed Merged Entity - If the Share Scheme and Option Scheme are approved	Number
Total Sierra shares on issue subject to the Share Scheme	232,854,663
Total Sierra Options on issue subject to the Option Scheme	31,970,363
Exchange ratio under the Share Scheme, 3 RTG Shares for every 1 Sierra Share	3
Exchange ratio under the Option Scheme, 2 RTG Shares for every 1 Sierra Option	2
Maximum number of RTG shares to be issued under the Share Scheme and Option Scheme	762,504,715
RTG after the Share Scheme and Option Scheme	
Number of shares RTG currently has on issue	326,538,643
Maximum number of shares to be issued under the Share Scheme and Option Scheme	762,504,715
Number of RTG shares to be issued to unlisted Sierra optionholders	7,850,000
Maximum number of RTG shares on issue on completion of the Share Scheme	1,096,893,358
Interest held by Sierra Shareholders	70.23%
Interest held by existing RTG Shareholders	29.77%
	100.00%

We note Sierra currently has 12,016,667 unlisted options on issue which are not subject to the Schemes. If the Schemes are implemented, RTG will acquire the unlisted Sierra Options and issue an additional 7,850,000 Proposed Merged Entity Shares and 872,222 Proposed Merged Entity Options.

RTG currently has no options on issue. The following table summarises the number of options RTG would have on issue on completion of the Share Scheme and Option Scheme, assuming no further Sierra Options are exercised.

Summary of Proposed Merged Entity - Options on issue	Number
Total Sierra shares on issue subject to the Share Scheme	232,854,663
Total Sierra Options on issue subject to the Option Scheme	31,970,363
Exchange ratio under Share Scheme, 1 RTG Option for every 3 Sierra Shares	0.333
Exchange ratio under Option Scheme, 2 RTG Options for every 9 Sierra Options	0.222
Number of RTG Options to be issued to unlisted Sierra optionholders	872,222
Maximum number of Options to be issued	85,594,968

In the instance that only the Share Scheme is approved, the following table summarises the number of shares that RTG would need to issue to Shareholders and the total number of shares on issue on completion of only the Share Scheme, assuming no further Sierra Options are exercised.



Summary of Proposed Merged Entity - If only the Share Scheme is approved	Number
Total Sierra shares on issue subject to the Share Scheme	232,854,663
Exchange ratio under the Share Scheme, 3 RTG Shares for every 1 Sierra Share	3
Maximum number of RTG shares to be Issued under the Share Scheme	698,563,989
RTG after the Share Scheme	
Number of shares RTG currently has on Issue	326,538,643
Maximum number of shares to be Issued under the Share Scheme	698,563,989
Number of RTG shares to be Issued to unlisted Sierra optionholders	7,850,000
Maximum number of RTG shares on Issue on completion of the Share Scheme	1,032,952,632
Interest held by Sierra Shareholders	68.39%
Interest held by existing RTG Shareholders	31.61%
	100.00%

In the instance that only the Share Scheme is approved, RTG will issue a total of 77,618,221 options in the Proposed Merged Entity to Sierra Shareholders and 872,222 options to unlisted Sierra optionholders.

If the Share Scheme becomes effective, RTG intends to perform a share consolidation in the form of every ten RTG shares on issue being consolidated into one RTG share post consolidation. All calculations in our Report have been done on a pre consolidation basis.

7.3 Board of the Proposed Merged Entity

Under the Scheme Implementation Deed, Matthew Syme, Sierra's current Managing Director will be invited to join the Board of the merged RTG entity as a Non-Executive Director. The Proposed Merged Entity's Board will consist of the current directors of RTG, with the addition of Matthew Syme.

7.4 Stock exchange listing

Following the implementation of the Schemes, Sierra will be delisted from the ASX. New RTG shares received by Shareholders will be listed on the TSX. ASX approving RTG for admission to the official list of the ASX is a condition for the implementation of the Share Scheme but can be waived by the parties.



8. Economic analysis

8.1 Australian economy

Since the Reserve Bank of Australia ('RBA') Board's previous meeting, information on the global economy has been consistent with growth having been a bit below trend in 2013, but with reasonable prospects of a pick-up this year. The United States economy continues its expansion and the euro area has begun a recovery from recession, albeit a fragile one. Japan has recorded a significant pick-up in growth, while China's growth remains in line with policymakers' objectives. Commodity prices have declined from their peaks but in historical terms remain high.

The Federal Reserve has begun the process of curtailing stimulus measures but financial conditions overall remain very accommodative. Long-term interest rates and most risk spreads remain low. Equity and credit markets remain able to provide adequate funding, but for some emerging market countries conditions are considerably more challenging than they were a year ago.

In Australia, information becoming available over the summer suggests slightly firmer consumer demand and foreshadows a solid expansion in housing construction. Some indicators of business conditions and confidence have shown improvement. At the same time, with resources sector investment spending set to decline significantly, considerable structural change occurring and lingering uncertainty in some areas of the business community, near-term prospects for business investment remain subdued. The demand for labour has remained weak and, as a result, the rate of unemployment has continued to edge higher. Growth in wages has declined noticeably.

Inflation in the December quarter was higher than expected. This may be explained in part by faster than anticipated pass-through of the lower exchange rate, though domestic prices also continued to rise at a solid pace, despite slower growth in labour costs. If domestic costs remain contained, some moderation in the growth of prices for non-traded goods could be expected over time.

Monetary policy remains accommodative. Interest rates are very low and savers continue to look for higher returns in response to low rates on safe instruments. Credit growth remains low overall but is picking up gradually for households. Dwelling prices have increased further over the past several months. The exchange rate has declined further, which, if sustained, will assist in achieving balanced growth in the economy.

Looking ahead, the RBA expects growth to remain below trend for a time yet and unemployment to rise further before it peaks. Beyond the short term, growth is expected to strengthen, helped by continued low interest rates and the lower exchange rate. Inflation is expected to be somewhat higher than forecast three months ago, but still consistent with the 2% to 3% target over the next two years.

In the RBA Board's judgement, monetary policy is appropriately configured to foster sustainable growth in demand and inflation outcomes consistent with the target. On present indications, the most prudent course is likely to be a period of stability in interest rates.

Source: www.rba.gov.au Statement by Glenn Stevens, Governor: Monetary Policy Decision dated 4 February 2014



8.2 Canadian economy

Inflation in Canada has moved further below the 2% target, owing largely to significant excess supply in the economy and heightened competition in the retail sector. The path for inflation is now expected to be lower than previously anticipated for most of the projection period. The Bank of Canada expects inflation to return to the 2% target in about two years, as the effects of retail competition dissipate and excess capacity is absorbed.

Global growth is expected to strengthen over the next two years, rising from 2.9% in 2013 to 3.4% in 2014 and 3.7% in 2015. The United States will lead this acceleration, aided by diminishing fiscal drag, accommodative monetary policy and stronger household balance sheets. The improving U.S. outlook is affecting global bond, equity, and currency markets. Growth in other regions is evolving largely as projected in October 2013. Global trade growth plunged after 2011, but is poised to recover as global demand strengthens.

In Canada, growth improved in the second half of 2013. However, there have been few signs of the anticipated rebalancing towards exports and business investment. Stronger U.S. demand, as well as the recent depreciation of the Canadian dollar, should help to boost exports and, in turn, business confidence and investment. Meanwhile, recent data have been consistent with the Bank's expectation of a soft landing in the housing market and a stabilization of household indebtedness relative to income.

Real GDP growth is projected to pick up from 1.8% in 2013 to 2.5% in both 2014 and 2015. This implies that the economy will return gradually to capacity over the next two years.

The outlook for inflation is subject to several risks emanating from both the external environment and the domestic economy. The most important risks are stronger U.S. investment, underperformance in Canadian exports, and imbalances in the household sector. Overall, the Bank of Canada judges that the risks to the projection for inflation are roughly balanced.

Although the fundamental drivers of growth and future inflation appear to be strengthening, inflation is expected to remain well below target for some time, and therefore the downside risks to inflation have grown in importance. At the same time, risks associated with elevated household imbalances have not materially changed. Weighing these considerations, the Bank of Canada judges that the balance of risks remains within the zone articulated in October 2013, and therefore has decided to maintain the target for the overnight rate at 1%. The timing and direction of the next change to the policy rate will depend on how new information influences this balance of risks.

Source: <http://www.bankofcanada.ca> Monetary Policy Report Summary January 2014

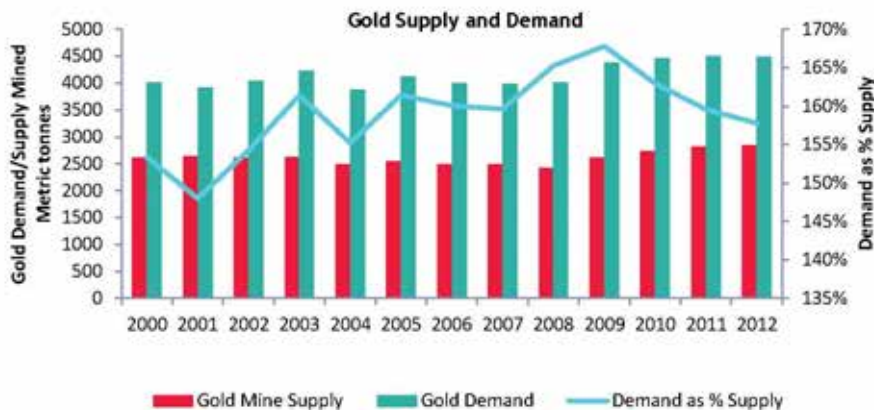


9. Industry analysis

9.1 Gold

Gold is both a commodity and an international store of monetary value. Once mined, gold continues to exist indefinitely, often melted down and recycled to produce alternative or replacement products. This characteristic means that gold demand is supported by both mine production and gold recycling.

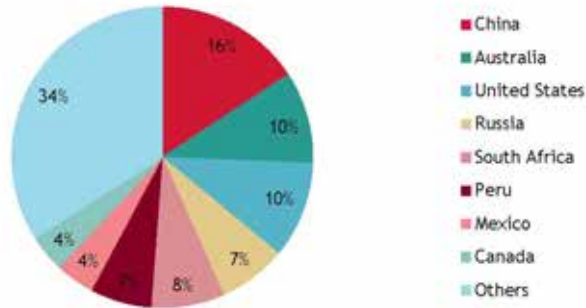
As illustrated in the chart below, gold mine production was approximately 2,842 metric tonnes in 2012 and gold consumption was 4,484 metric tonnes. Demand for gold has consistently exceeded supply over the last 12 years, and the escalated level of economic and financial uncertainty during the past 48 months has caused investors to move capital from comparatively risky assets to gold assets, which are perceived to be a good store of monetary value. As a result, total gold demand has increased by 11% and supply by 17% between 2008 and 2012. Demand as a percentage of supply has remained at over 150% for the same period however; this margin is on a downward trend as the growth in supply has exceeded the growth in demand in recent years.



Source: Bloomberg and BDO Analysis

Until the late 1980's, South Africa produced approximately half of the total gold produced. More recently however, gold production has become geographically segmented, as shown in the chart below, with production dominated by China, Australia and the United States.

Production by Country - 2012



Source: Bloomberg and BDO Analysis

Gold prices

The price of gold fluctuates on a daily basis depending on global demand and supply factors. The price trend over the last two years is reflective of weak global economic conditions driving demand.



Source: Bloomberg and BDO Analysis

As can be seen in the graph above, the value of gold peaked at US\$1,900 per ounce on 5 September 2011. This peak was largely caused by the debt market crisis in Europe, but it was also driven by the Standard and Poor's downgrade of the US credit rating. This resulted in a depression of global stock markets as investors redirected their assets from equity capital markets towards safer havens such as gold. Prices contracted in December 2011 reaching a low of US\$1,545 per ounce; however 2012 saw the gold price recover, reaching US\$1,790 per ounce on 4 October 2012.



In the first half of 2013 the gold price fell significantly. The decrease was primarily driven by the US Federal Reserve's announcement that it was going to wind back its stimulus policies. Investors saw this announcement as an indication that the economy was beginning to recover and therefore investors reduced their investments in gold in search of higher returns from comparatively riskier investments. This action by investors resulted in the gold price falling to a low of US\$1,201 per ounce on 27 June 2013, a 32% decrease from the 2012 high of US\$1,790 per ounce.

Gold prices are forecast to remain stable at around US\$1,300 per ounce to US\$1,350 per ounce over the three year period to 30 June 2017. Nevertheless, growth in global money supply, the uncertainty regarding the US debt ceiling and overall uncertainty in global financial markets may continue to drive investors toward gold as a store of value. This could be further fuelled by the rapidly increasing appetite for gold from China.

Recent gold transactions

The emergence of a new generation of mid-tier miners and the resurgent gold price has been driving the increase in the number of announced gold acquisitions in 2012.

In the last half of 2012, several large deals were announced to the market involving gold companies:

- On 29 June 2012 it was announced that Allied Gold Mining Plc and St Barbara Ltd had reached an agreement in which the two companies would merge, worth \$594 million. This deal was completed on 7 September 2012.
- In August 2012, Zijin Mining Group announced that it had made a cash offer to acquire its remaining 83.02% share in Norton Gold Fields Ltd for \$198 million. This deal was completed on 21 August 2012.
- On 6 August 2012, Silver Lake Resources announced it planned to merge with Integra Mining Ltd in a deal worth \$417 million. The merger between Integra and Silver Lake was completed on 11 January 2013.
- On 9 August 2012, Regis Resources Limited announced it had executed a letter of agreement to acquire the McPhillamys Gold Project from joint venture owners, Newmont Exploration Pty Ltd and Alkane Resources Limited. The consideration to be paid is \$150 million to be satisfied by the issue of Regis shares based on an issue price of \$4.20 per share. This deal was completed on 16 November 2012.
- On 19 September 2012, CGA Mining Limited and B2Gold Corp announced they had entered into a Merger Implementation Agreement to combine the two companies. The transaction was valued at \$939 million. This merger was completed on 31 January 2013.
- On 13 December 2012, Primero Mining Corp, a Canada based mining corporation announced that it had signed a definite agreement to acquire Cerro Resources, an Australian based mining company that specialised in global gold and silver exploration in a deal worth \$111 million. This acquisition was completed on 22 May 2013.

The fall in the gold price during 2013 saw a decrease in the number of transaction announced to the market. We have identified the following transactions announced to the market in 2013 and early 2014 involving gold companies:



- On 30 January 2013, Kumarina Resources Limited, a West Australian copper and gold exploration company, announced it had agreed to merge by way of a Scheme of Arrangement with Zeta Resources Limited.
- On 28 March 2013, Troy Resources Limited announced it had made an off-market takeover bid for Azimuth Resources Limited. The all scrip offer valued Azimuth at approximately \$188 million. After receiving acceptances of 95.94% by the closing date in July 2013, Troy Resources Ltd moved to compulsorily acquire the outstanding shares.
- On 17 April 2013, Norton Gold Fields Limited announced it had signed a Takeover Bid Implementation Deed with Kalgoorlie Mining Company Ltd pursuant to which Norton would make an off-market takeover offer to acquire all Kalgoorlie Mining shares. Norton closed the takeover offer on 7 August 2013 and announced it had received a relevant interest in more than 90% of Kalgoorlie Mining shares and would now exercise its rights to compulsorily acquire the remaining shares.
- On 23 January 2014, Northern Star Resources Ltd announced that it had purchased Barrick Gold Corporation's 51% interest in the East Kundana Joint Venture as well as the Kanowna Belle mine, both in WA's goldfields region, for a total value of \$75 million.

9.2 Copper

Copper is a soft malleable, ductile metal used primarily for its excellent electrical and thermal conductive properties and its resistance to corrosion. As well as electrical and electronic applications, copper is utilised extensively as an alloy. Copper is produced from an oxide or sulphide ore from which it is converted to copper metal.

The majority of copper ore bodies can be classified as either porphyries (where copper occurs in igneous rock), strata bound ore bodies (sedimentary rock), and volcanic hosted massive sulphide deposits (volcanic rock along with other base metal sulphides). In these deposits copper is mined in very low concentrations and consequently is a volume intensive process. For this reason open pit mining is the preferred method of extraction, however underground mining and leach mining are also used in limited circumstances.

Copper prices

Copper is a global commodity and, as such, prices are determined by global supply and demand factors. Due to this, copper prices have historically reflected global economic cycles and experienced major fluctuations reflecting equity market movements. At the beginning of 2008, supply concerns, falling inventories and increased demand from emerging economies provoked a significant and accelerated rise in the copper price. As with most commodities, prices fell during the GFC. Prices have since overtaken the increases which occurred in 2008, occurring during the latter half of 2010 and throughout the beginning of 2011, reaching a peak of just over US\$10,000/Mt in February 2011. Since that peak, prices stabilised at around \$8,000 per tonne during 2012 before declining to around \$7,000 per tonne in 2013.

The average copper price for December 2013 was US\$7,203, up from the November 2013 average of US\$7,066. Copper prices during 2013 ranged from a low of US\$6,638 on 24 June 2013 to a high of US\$8,243 on 5 February 2013. Looking forward, the recovering global economy is expected to support the copper price through growth in world usage resulting in an increase in demand. The consensus view is for copper prices to stay at approximately \$7,000 for the short to medium term.



Source: Bloomberg and BDO Analysis

9.3 Mining in the Philippines

The Philippine Archipelago consists of approximately 7,100 islands and is located in South-East Asia, between the Philippine Sea and the South China Sea. The Philippines has nine million hectares of mineralised land and hence significant reserves of copper, gold, silver, nickel and chromite deposits. As only 3.8% of the mineralised land is currently covered by mining permits, it remains relatively unexplored by modern exploration technology and practices and is considered to have significant potential for new mineral discoveries.

Gold and copper production and exploration levels in the Philippines are considered sensitive to the legal environment with the existing government regulations restricting mining investments in the country. The current Philippines government regulations sets out financial, technical and employment conditions as well as a foreign equity restrictions which potentially makes mining activities in the Philippines less attractive.

However, according to the Department of Environment and Natural Resources of the Republic of Philippines, the Philippines government commits to provide a competitive investment climate and adequate protection of the rights and privileges of mining investors.

10. Valuation approach adopted

There are a number of methodologies which can be used to value a business or the shares in a company. The principal methodologies which can be used are as follows:

- Capitalisation of future maintainable earnings ('FME')
- Discounted cash flow ('DCF')
- Quoted market price basis ('QMP')
- Net asset value ('NAV')
- Market based assessment such as a Resource Multiple

A summary of each of these methodologies is outlined in Appendix 2.

Different methodologies are appropriate in valuing particular companies, based on the individual circumstances of that company and available information.

10.1 Valuation of Sierra prior to the Schemes

In our assessment of the value of Sierra shares prior to the Schemes, we have chosen to employ the following methodologies:

- NAV approach as our primary method
- QMP approach as our secondary method.

We have chosen these methodologies for the following reasons:

- As Sierra is an exploration company, its core value is in the cash and exploration assets that it holds. We have instructed CSA Global Pty Ltd ('CSA') to act as independent specialist and to provide an independent market valuation of the Company's exploration assets in accordance with the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports 2005 ('the Valmin Code'). CSA's full report may be found in Appendix 3. We have considered this in the context of Sierra other assets and liabilities on a NAV basis;
- The QMP basis is a relevant methodology to consider because Sierra's shares are listed on the ASX. This means there is a regulated and observable market where Sierra's shares can be traded. However, in order for the QMP methodology to be considered appropriate, the Company's shares should be liquid and the market should be fully informed as to its activities. We have considered these factors in section 11.2 of our Report;
- Sierra does not generate regular trading income. Therefore there are no historic profits that could be used to represent future earnings. This means that the FME valuation approach is not appropriate; and
- Sierra has no foreseeable future net cash inflows and therefore the application of the DCF valuation approach is not appropriate. Under RG111, it is considered that it is only appropriate to use a DCF where Reserves are present. Sierra is yet to delineate Reserves on any of its exploration assets.



10.2 Valuation of the Proposed Merged Entity

In our assessment of the value of the Proposed Merged Entity, we have chosen to employ the following methodologies:

- Sum-of-parts method, as our primary method, which estimates the market value of a company by separately valuing each asset and liability of the company. The value of each asset may be determined using different methods. The component parts of the Proposed Merged Entity are valued using NAV as our primary methodology.

We have employed the sum-of-the-parts method in estimating the fair market value of the Proposed Merged Entity by aggregating the estimated fair market values of its underlying assets and liabilities, having consideration to the following:

- The enterprise value of Sierra, including the value of mining tenements held
- The consideration to be received by RTG upon the completion of the sale of its exploration assets including:
 - The value of the consideration to be received from the sale of its 51% interest in the Mkushi Copper Project; and
 - The value of the consideration to be received from the sale of its 51% interest in the Segilola Gold Project.
- The value of any other assets and liabilities of RTG
- The resulting number of Shares upon completion of the Schemes.

10.3 Assessing non cash consideration in control transactions

When assessing non-cash consideration in control transactions, RG 111.31 suggests that a comparison should be made between the value of the securities being offered (allowing for a minority discount) and the value of the target entity's securities, assuming 100% of the securities are available for sale. This comparison reflects the fact that:

- (a) the acquirer is obtaining or increasing control of the target
- (b) the security holders in the target will be receiving scrip constituting minority interests in the combined entity.

RG 111.32 suggests that if we use the quoted market price of securities to value the offered consideration, then we must consider and comment on:

- (a) the depth of the market for those securities
- (b) the volatility of the market price
- (c) whether or not the market value is likely to represent the value if the takeover bid is successful.



Under RG 111.34 it is noted that if, in a scrip bid, the target is likely to become a controlled entity of the bidder, the bidder's securities can also be valued using a notionally combined entity. However, it should still be noted that the accepting holders are likely to hold minority interests in that combined entity. Therefore we have assessed the value of the Proposed Merged Entity shares on a minority interest basis.

10.4 Valuation of Sierra Options and Proposed Merged Entity Options

In our assessment of the value of both Sierra Options and options to be issued in the Proposed Merged Entity, we have used the Black Scholes option pricing model. Under the option valuation theory, no discount is made to the fundamental value derived from the option valuation model for unlisted options over listed shares. Option pricing models assume that the exercise of an option does not affect the value of the underlying asset.

The QMP approach was used as a secondary valuation measure for the ASX listed Sierra options.

All assumptions regarding the inputs required for the option pricing model are set out in section 13.



11. Valuation of Sierra prior to the Schemes

11.1 Net Asset Valuation of a Sierra share prior to the Schemes

The value of Sierra assets on a going concern basis is reflected in our valuation below:

	Notes	31-Dec-13 \$	Low value \$	Preferred value \$	High value \$
CURRENT ASSETS					
Cash and cash equivalents	1	1,958,787	5,066,225	5,066,225	5,066,225
Trade and other receivables		18,526	18,526	18,526	18,526
Other financial assets		283,650	283,650	283,650	283,650
Other current assets		67,236	67,236	67,236	67,236
TOTAL CURRENT ASSETS		2,328,199	5,435,637	5,435,637	5,435,637
NON-CURRENT ASSETS					
Trade and other receivables		192,415	192,415	192,415	192,415
Exploration and evaluation assets	2	2,108,110	14,640,000	28,000,000	37,920,000
Property, plant and equipment		117,695	117,695	117,695	117,695
Other non-current assets		18,040	18,040	18,040	18,040
TOTAL NON-CURRENT ASSETS		2,436,260	14,968,150	28,328,150	38,248,150
TOTAL ASSETS		4,764,459	20,403,787	33,763,787	43,683,787
CURRENT LIABILITIES					
Trade and other payables		534,899	534,899	534,899	534,899
Provisions		17,030	17,030	17,030	17,030
TOTAL CURRENT LIABILITIES		551,929	551,929	551,929	551,929
TOTAL LIABILITIES		551,929	551,929	551,929	551,929
NET ASSETS		4,212,530	19,851,858	33,211,858	43,131,858
Shares on issue (number)			232,854,663	232,854,663	232,854,663
Value per share (\$)		\$	0.085	\$ 0.143	\$ 0.185

We have been advised by management that there were not any material changes in the consolidated statement of financial position since 31 December 2013 apart from those discussed below. We have assumed that the fair market value of the assets and liabilities as at 31 December 2013 are equal to the carrying values as set out in the above consolidated statement of financial position. The table above indicates the net asset value of a Sierra share prior to the Schemes is between \$0.085 and \$0.185, with a preferred value of \$0.143.

The following adjustments were made to the net assets of Sierra as at 31 December 2013 in arriving at our valuation:

Note 1: Cash and cash equivalents

Under the original joint venture over the Mabilo and Nalesbitan projects, Galeo could earn a 36% interest in the projects down to 200 meters, by contributing approximately US\$4.25 million of exploration drilling (valued at US\$1.85 million which can be satisfied in cash) and management services (valued at US\$2.4 million) over a two year period.



The Company and Galeo have since amended the joint venture, whereby Galeo will drill a further 5,000 meters to earn a 36% interest in the both the projects below 200 meters. Galeo shall be given a 36% upfront interest in the joint venture, subject to a clawback system. The additional 5,000 meters of drilling is valued at US\$300 per meter for a total value of US\$1.5 million which can also be satisfied in cash. Galeo can also earn an additional 6% of the joint venture by mining 1.5Mt of waste. The ability of Galeo to earn the additional 6% of the joint venture is subject to satisfaction of a range of conditions which as at the date of our Report we consider to be unlikely to be satisfied.

Therefore, Galeo will receive a 36% interest in the Mabilo and Nalesbitan projects upfront, without any depth restrictions, for a total consideration of US\$5.75 million consisting of US\$3.35 million in drilling services which can be satisfied in cash and US\$2.4 million in management services. In CSA's valuation of the Mabilo and Nalesbitan projects below we have taken into account the joint venture terms and therefore only reflected Sierra's interest in these projects as 64%. We have therefore adjusted the cash balance of Sierra to reflect the amount that Galeo would be required to pay in cash to satisfy the drilling commitments, being a total of US\$3.35 million (A\$3.76 million). We have assumed that this amount will be paid in two years therefore we have calculated the net present value to be A\$3.11 million. As at the date of our Report, Galeo has performed drilling services to earn a 6.7% interest in the Mabilo and Nalesbitan projects however, we have not adjusted the cash balance to reflect this as the value is deemed immaterial. We have not adjusted the cash balance for the management services to be provided by Galeo as this service cannot be satisfied in cash.

Note 2: Valuation of Sierra's mineral assets

We have instructed CSA to provide an independent market valuation of the Company's exploration assets located in the Philippines. CSA considered a number of different valuation methods when valuing these assets including a Yardstick Market Approach for transactions involving mineral resources and the Net In-Situ Value (Rule-of-Thumb) methods for valuing Sierra's projects which are advanced enough to allow the quantification of exploration targets and an area based Comparable Transaction and Geoscientific Factor approach to value early stage exploration assets. We consider the methodologies used by CSA to be appropriate given the stage of development of the Company's projects.

The ranges of values of Sierra's projects, as calculated by CSA, are set out in the below table:

Sierra Mining Ltd	Low value	Preferred value	High value
Mineral Asset Valuation	\$m	\$m	\$m
Mabilo	19.00	36.00	47.00
Nalesbitan	2.00	4.00	6.00
Mindanao exploration	3.00	6.00	10.00
Total value based on 100% interest	24.00	46.00	63.00

The table above indicates a range of values for a 100% interest in Sierra's projects of between \$24 million and \$63 million, with a preferred value of \$46 million. CSA's independent valuation report can be found at Appendix 3.

Under the Philippine Mining Act only companies that are at least 60% locally owned can hold mineral agreements. Therefore, under the current ownership structure, Sierra has an interest of 40% of the Mindanao exploration projects which is held through Sierra's associated entities. The remaining 60% interest is held beneficially by a Philippine shareholder. The Philippine shareholder has granted a call option, with a nominal exercise price, in favour of Sierra Philippines Pty Ltd (a wholly owned subsidiary of



Sierra), subject to foreign ownership restrictions in the Philippines. We have included a 40% interest in the Mindanao exploration projects in our valuation of Sierra.

The Mabilo and Nalesbitan projects are owned by Mt Labo with Sierra holding a 64% direct and indirect economic interest in Mt Labo. The remaining interest in Mt Labo is beneficially held by a Philippine shareholder, who has granted a call option, with an exercise price equivalent to par value, in favour of SRM Gold Limited (a wholly owned subsidiary of Sierra), subject to the foreign ownership restrictions. As discussed in Note 1 above, Galeo will receive an upfront interest of 36% in the Mabilo and Nalesbitan projects which will be clawed back after two years if the services under the joint venture have not been performed. We have therefore excluded Galeo's interest in our calculation of Sierra's deemed interest in the table below:

Sierra Mining Ltd	Low value	Preferred value	High value
Mineral Asset Valuation	\$m	\$m	\$m
Mabilo	12.16	23.04	30.08
Nalesbitan	1.28	2.56	3.84
Mindanao exploration	1.20	2.40	4.00
Total value based on Sierra's deemed interest	14.64	28.00	37.92

The table above indicates a range of values for Sierra's deemed interest in its projects of between \$14.64 million and \$37.92 million, with a preferred value of \$28.00 million.

11.2 Quoted Market Prices for Sierra Securities

To provide a comparison to the valuation of Sierra in section 11.1, we have also assessed the quoted market price for a Sierra share. The quoted market value of a company's shares is reflective of a minority interest. A minority interest is an interest in a company that is not significant enough for the holder to have an individual influence in the operations and value of that company.

RG 111.11 states that the expert should calculate the value of a target's shares as if 100% control were being obtained. An acquirer could be expected to pay a premium for control due to the advantages they will receive should they obtain 100% control of another company. These advantages include the following:

- control over decision making and strategic direction;
- access to underlying cash flows;
- control over dividend policies; and
- access to potential tax losses.

RG 111.13 states that the expert can then consider an acquirer's practical level of control when considering reasonableness. Reasonableness has been considered in section 15.

Therefore, our calculation of the quoted market price of a Sierra share including a premium for control has been prepared in two parts. The first part is to calculate the quoted market price on a minority interest basis. The second part is to add a premium for control to the minority interest value to arrive at a quoted market price value that includes a premium for control.

Minority interest value

Our analysis of the quoted market price of a Sierra share is based on the pricing prior to the announcement of the Schemes. This is because the value of a Sierra share after the announcement may



include the effects of any change in value as a result of the Schemes. However, we have considered the value of a Sierra share following the announcement when we have considered reasonableness in section 15.

Information on the Schemes was announced to the market on 24 February 2014. Therefore, the following chart provides a summary of the share price movement over the 12 months to 21 February 2014 which was the last full trading day prior to the Company going into a trading halt pending release of the announcement of the Schemes.



Source: Bloomberg and BDO analysis

The daily price of Sierra shares from 22 February 2013 to 21 February 2014 has ranged from a low of \$0.11 on 25 June 2013 to a high of \$0.335 on 8 March 2013. On 21 February 2014, Sierra shares closed at \$0.26.



During this period a number of announcements were made to the market. The key announcements are set out below:

Date	Announcement	Closing Share Price Following Announcement		Closing Share Price Three Days After Announcement	
		\$ (movement)		\$ (movement)	
31/01/2014	December 2013 Quarterly Report	0.220	▼ 2.2%	0.220	► 0.0%
5/12/2013	Further Outstanding Drilling Results at the Mabilo Project	0.240	▲ 6.7%	0.225	▼ 6.2%
20/11/2013	Further Excellent Results at Mabilo	0.270	▼ 1.8%	0.245	▼ 9.3%
30/10/2013	September 2013 Quarterly Report	0.290	▼ 4.9%	0.285	▼ 1.7%
28/10/2013	Highest Grade Intercept to Date at Mabilo Project	0.320	▲ 6.7%	0.285	▼ 10.9%
18/10/2013	Annual Report to shareholders	0.260	▼ 1.9%	0.275	▲ 5.8%
14/10/2013	Positive Drill Results Extend Mineralisation at Mabilo	0.190	▲ 2.7%	0.265	▲ 39.5%
27/09/2013	Full Year Statutory Accounts	0.185	▼ 5.1%	0.190	▲ 2.7%
31/07/2013	June 2013 Quarterly Report	0.180	► 0.0%	0.180	► 0.0%
11/07/2013	Mabilo Drilling Program	0.170	▲ 30.8%	0.160	▼ 5.9%
13/05/2013	Joint Venture on Mabilo and Nalesbitan Projects	0.190	▼ 7.3%	0.150	▼ 21.1%
30/04/2013	March 2013 Quarterly Reports	0.200	► 0%	0.170	▼ 15%
18/03/2013	Update on Bunawan and Bahayan Permit Approvals	0.315	▲ 2%	0.300	▼ 5%
14/03/2013	Half Year Accounts	0.315	▲ 2%	0.290	▼ 8%
11/03/2013	Preliminary Metallurgical Test-Work Results for Mabilo	0.320	▼ 3%	0.315	▼ 2%

Source: Bloomberg and BDO analysis

On 5 December 2013, Sierra announced further positive drilling results at its Mabilo project which included the intersection of a high-grade copper supergene enrichment zone. The market responded positively to this announcement with Sierra's share price increasing 6.7% to \$0.240 before closing at \$0.225 three days after the announcement.

On 20 November 2013, Sierra announced further positive drilling results at its Mabilo project and amendments to its Joint Venture agreement with Galeo, including further drilling to be undertaken by Galeo.

On 30 October 2013, Sierra released its September 2013 quarterly report which included an update on exploration activities at the Mabilo project and a net decrease in cash held during the quarter of \$0.82 million, of which \$0.7 million was on exploration. Sierra's share price fell 4.9% to \$0.290 on the day of the announcement and a further 1.7% to \$0.285 in the three days following the announcement.

Two days earlier, on 28 October 2013, Sierra announced that it had found its highest grade intercept yet at the Mabilo project. The drilling hole, after being assayed and graded, included instances of gold, copper, silver and iron. The market responded positively to this announcement with Sierra's share price increasing 6.7% to \$0.320 before closing at \$0.285 three days following the announcement.



On 14 October 2013, Sierra released positive drilling results for Mabilo which also extended its mineralisation. The market responded very positively to this announcement with Sierra's share price increasing 39.5% to \$0.265 in the three days following the announcement.

On 11 July 2013, Sierra announced that it had received further exploration permits which would enable it to commence further exploration at its Mabilo project. The market reacted positively to this announcement with Sierra's share price increasing 30.8% to \$0.170 following the announcement before closing at \$0.160 in the three days following the announcement.

On 13 May 2013, Sierra announced that it had entered into a joint venture with Galeo to explore Sierra's projects and that Galeo could earn up to a 36% interest in the projects down to 200 metres below surface by contributing approximately US\$4.25 million in exploration drilling and management services over the next two years. Sierra's share price fell 7.3% to \$0.190 on the day announcement and a further 21.1% in three days following to \$0.150.

On 30 April 2013, Sierra released its March 2013 Quarterly Cash Flow and Activities Reports which detailed progress on initial metallurgical testing on its Mabilo project and progress on permits for Sierra's other projects. Sierra's share price decreased 15% to \$0.170 in the three days following the announcement.

To provide further analysis of the market prices for a Sierra share, we have also considered the weighted average market price for 10, 30, 60 and 90 day periods to 21 February 2014.

	21 February 2014	10 Days	30 Days	60 Days	90 Days
Closing Price	\$0.260				
Weighted Average		\$0.241	\$0.230	\$0.227	\$0.262

Source: Bloomberg and BDO analysis

The above weighted average prices are prior to the date of the announcement of the Schemes, to avoid the influence of any increase in price of Sierra shares that has occurred since the Schemes were announced.



An analysis of the volume of trading in Sierra shares for the six months to 21 February 2014 is set out below:

	Share price low (\$)	Share price high (\$)	Cumulative Volume traded	As a % of current issued capital
1 day	0.240	0.260	1,685,965	0.14%
10 days	0.215	0.260	5,069,607	2.49%
30 days	0.210	0.260	13,932,510	6.29%
60 days	0.185	0.260	25,784,557	11.07%
90 days	0.185	0.330	68,946,363	26.23%
180 days	0.110	0.330	102,617,188	44.72%

Source: Bloomberg and BDO analysis

This table indicates that Sierra's shares display a high level of liquidity, with 44.72% of the Company's current issued capital being traded in a six month period. For the quoted market price methodology to be reliable there needs to be a 'deep' market in the shares. RG 111.69 indicates that a 'deep' market should reflect a liquid and active market. We consider the following characteristics to be representative of a deep market:

- Regular trading in a company's securities;
- Approximately 1% of a company's securities are traded on a weekly basis;
- The spread of a company's shares must not be so great that a single minority trade can significantly affect the market capitalisation of a company; and
- There are no significant but unexplained movements in share price.

A company's shares should meet all of the above criteria to be considered 'deep', however, failure of a company's securities to exhibit all of the above characteristics does not necessarily mean that the value of its shares cannot be considered relevant.

In the case of Sierra, we consider the market for the Company's securities to be relatively deep. This is based on 44.72% of the Company's current issued capital being traded in the six months prior to the announcement of the Schemes. The volume of Sierra shares traded is higher than 1% of the Company's securities traded on a weekly basis, which is required in order to characterise the market for the Company's securities to be deep.

Our assessment is that a range of values for Sierra shares based on market pricing, after disregarding post announcement pricing, is between \$0.215 and \$0.260.



Control Premium

We have reviewed the control premiums paid by acquirers of general mining companies listed on the ASX. We have summarised our findings below:

Year	Number of Transactions	Average Deal Value (A\$m)	Average Control Premium (%)
2013	13	56.43	55.41
2012	19	135.78	42.67
2011	20	634.68	31.40
2010	23	755.97	45.04
2009	29	86.80	39.23
2008	8	553.76	38.87
2007	25	541.21	28.20
2006	20	70.15	31.11
Median	Median	338.49	39.05
Mean	Mean	354.35	38.99

Source: Bloomberg and BDO analysis

In arriving at an appropriate control premium to apply we note that observed control premiums can vary due to the:

- Nature and magnitude of non-operating assets;
- Nature and magnitude of discretionary expenses;
- Perceived quality of existing management;
- Nature and magnitude of business opportunities not currently being exploited;
- Ability to integrate the acquiree into the acquirer's business;
- Level of pre-announcement speculation of the transaction;
- Level of liquidity in the trade of the acquiree's securities.

The average and median and mean announced control premium paid by acquirers of general mining companies from 2006 to 2013 has been 38.99% and 39.05% respectively. Therefore, we consider an appropriate control premium to be applied to be between 20% and 40%.

In determining what premium for control should be paid by RTG we have taken into account Sierra's current circumstances as well as the interest that Sierra Shareholders will hold in the Proposed Merged Entity if the Schemes are approved. Given the current cash position of Sierra and the difficulties associated with progressing mining projects in the Philippines, we consider the control premium to be paid by a potential acquirer of an explorer in the Philippines to be less than the historical control premiums observed across all ASX listed general mining companies as tabulated above.

With regard to the control premium analysis above, we consider an appropriate control premium to be applied to Sierra's shares is between 20% and 30%.



Quoted market price including control premium

Applying a control premium to Sierra's quoted market share price results in the following quoted market price value including a premium for control:

	Low	Midpoint	High
	\$	\$	\$
Quoted market price value	0.215	0.238	0.260
Control premium	20%	25%	30%
Quoted market price valuation including a premium for control	0.258	0.298	0.338

Therefore, our valuation of a Sierra share based on the quoted market price method and including a premium for control is between \$0.258 and \$0.338, with a midpoint value of \$0.298.

11.3 Assessment of Sierra value prior to the Schemes

The results of the valuations performed are summarised in the table below:

	Low	Preferred	High
	\$	\$	\$
NAV methodology (section 11.1)	0.085	0.143	0.185
QMP methodology including a premium for control (section 11.2)	0.258	0.298	0.338

We note that the value obtained under the NAV methodology is lower than the values obtained under the QMP methodology. The difference between the valuation obtained under the NAV and QMP approaches can be explained by the following:

- Our NAV methodology includes an independent market valuation of Sierra's exploration assets performed by CSA. In valuing these assets CSA has taken into account certain risks involved with developing projects in the Philippines. This may have led to a more conservative valuation of the Company's projects which may not have been reflected under the QMP methodology.
- Our valuation of the Mabilo and Nalesbitan projects excludes the upfront interest of 36% that Galeo has received which can be clawed back after two years if the services under the joint venture have not been performed. The QMP methodology may not fully reflect this arrangement.
- Our analysis of Sierra shares trading on the ASX indicates that over the six month period up until the announcement of the Schemes Sierra shares traded between a high of \$0.33 and a low of \$0.11. There was also a certain level of volatility over the 12 month period prior to the announcement of the Schemes.

We consider that both the NAV methodology and the QMP methodology to be reliable valuation techniques in determining the value of a Sierra share prior to the Schemes. The NAV methodology takes into account



the value of Sierra's mineral assets that it holds in its balance sheet, which we have had valued independently by CSA. We also note that from our analysis of the quoted market price of a Sierra share that 44.72% of the Company's current issued capital has been traded in a six month period up until the date of the announcement, representing a deep level of liquidity in Sierra shares. We have also determined that Sierra shares are widely held with the top four shareholders holding only 17.73%. As a result, we consider that the QMP methodology can also be relied on in determining the value of a Sierra share prior to the Schemes.

In determining the value range of a Sierra share we have relied on our preferred values determined under both the NAV and QMP methods and consider that the value of a Sierra share prior to the Schemes to be between \$0.143 and \$0.298, with a preferred value of \$0.220 being the midpoint of our low and high values.

12. Valuation of Proposed Merged Entity

In valuing a share in the Proposed Merged Entity, we have considered:

- The sum-of-parts method including the following valuation components:
 - The adjusted net asset value of Sierra prior to the Schemes, including the value of mining tenements held;
 - The consideration to be received by RTG upon the completion of the sale of its exploration assets; and
 - The value of other assets and liabilities of RTG.
- A discount for a minority interest in accordance with RG111
- The resulting number of Shares on issue upon completion of the Schemes

12.1 Sum-of-parts method

The value of the Proposed Merged Entity derived from the sum-of-parts method is summarised below:



	Section	Low value \$	Preferred value \$	High value \$
Fair market value of Sierra	11.1	19,851,858	33,211,858	43,131,858
Fair market value of RTG:				
Consideration receivable from sale of Mkushi (US\$)	12.1.1	13,780,000	13,780,000	13,780,000
Consideration receivable from sale of Seghola (US\$)	12.1.2	5,050,000	8,000,000	10,950,000
Other assets and liabilities of RTG (US\$)	12.1.3	11,417,680	11,417,680	11,417,680
Fair market value of RTG (US\$)		30,247,680	33,197,680	36,147,680
Fair market value of RTG \$A (A\$1/US\$0.89)		33,986,157	37,300,764	40,615,371
Total fair market value of Proposed Merged Entity		53,838,015	70,512,622	83,747,229
Discount for minority interest	12.1.4	23%	20%	17%
Total fair market value of Proposed Merged Entity (minority interest basis)		41,455,272	56,410,098	69,510,200
Shares on Issue in Proposed Merged Entity (number)	12.1.5	1,096,893,358	1,096,893,358	1,096,893,358
Value per share (\$)		\$ 0.038	\$ 0.051	\$ 0.063

12.1.1 Consideration receivable from the sale of the Mkushi Copper Project

As discussed in section 6.1, RTG announced that it had entered into an agreement for the sale of its 51% interest in the Mkushi Copper Project to the Company's joint venture partner, Elephant Copper. The consideration for the sale consists of the following:

- The issue of the Consideration Shares (20 million shares at an issue price of US\$0.33 per share);
- The issue of the Convertible Note (principle sum of US\$6.5 million); and
- Repayment of the DHL Payment totalling US\$1,399,064.

Under the terms of the Share Sale Agreement, if Elephant Copper does not undertake an IPO, or if an IPO proceeds at a price less than US\$0.33 per share, Zambian is entitled to be issued additional shares so that the total value of the Consideration Shares is US\$6.6 million. Additionally, if an Alternative Transaction is entered into by Elephant Copper, Elephant Copper will be required to buy all the Consideration Shares from Zambian at a price equal to US\$0.33 per share. Therefore, we consider the fair market value of an Elephant Copper share to be US\$0.33 and the total fair market value of the Consideration Shares to be US\$6.6 million.

The Convertible Note is only convertible at the sole election of Zambian. If not converted prior, upon maturity of the Convertible Note on 31 January 2015, Elephant Copper has agreed to redeem the Convertible Note for the principal sum of US\$6.5 million. Therefore, we consider the fair market value of the Convertible Note to be US\$6.5 million. As this amount will not be repaid until 31 January 2015, we have calculated the net present value of the Convertible Note to be US\$5.91 million.

The DHL Payment totalling US\$1.4 million represents amounts paid by Zambian on behalf of Elephant Copper in relation to the joint venture. As at the date of our Report, this amount is considered a receivable to Zambian however in accordance with accounting standards the Company has provided for the full amount as at 31 December 2013 as the Share Sale Agreement is still subject to completion conditions. The repayment of the DHL Payment is due immediately however, for the purposes of



determining the fair market value we have assumed this will be repaid on the same date as the Convertible Note, being 31 January 2015. Therefore, we have calculated the net present value of the DHL Payment to be US\$1.27 million.

The fair market values determined for the Share Consideration, Convertible Note and the DHL Payment are based on the circumstances of Elephant Copper as at the date of our Report. A risk exists as to the recoverability and timing of these payments should Elephant Copper not proceed with the current transaction with IMMC and subsequent listing on the TSXV.

Therefore the fair market value of the consideration receivable from the sale of the Mkushi Project interest is as follows:

	US\$m
Fair market value of the Share Consideration	6.60
Fair market value of the Convertible Note	5.91
Fair market value of the DHL Payment	1.27
Total	13.78

12.1.2 Consideration receivable from sale of Segilola Gold Project

As discussed in section 6.1, under the Share Sale and Purchase Agreement between the Company and SROL, the consideration to be received by the Company for the sale of its 51% interest in the Segilola Gold Project is as follows:

- Initial Consideration amount of US\$1 million payable on the Completion Date;
- Deferred Consideration amount of US\$5 million payable in 18 months after the Completion Date; and
- The Royalty Consideration amount of 3% of Net Smelter Returns up to a maximum amount of US\$8 million.

The Initial Consideration amount is payable on the Completion Date and therefore we have assumed that this represents its fair market value being US\$1 million. The Deferred Consideration amount of US\$5 million is payable 18 months following the Completion Date. Therefore, we have calculated the net present value of the Deferred Consideration to be US\$4.05 million.

The payment of the Royalty Consideration is dependent on the Segilola Gold Project entering commercial operations. As at the date of our Report, the Segilola Gold Project has not entered commercial operations however the Revised BFS was completed in March 2012. The Revised BFS outlined an updated assessment for the feasibility of development, mining, ore processing, establishment of infrastructure and utilities at the Segilola Gold Project. The Revised BFS also included a revised Resource estimate which was conducted in accordance with Australian Code for Reporting of Exploration Results, Mineral Resources and Mineral Reserves - JORC Code 2004. The completion of the Revised BFS indicates a significant step towards the commercial development of the Segilola Gold Project however a significant risk still remains as to the ability of SROL to obtain the required funding and progress the project into development and therefore into a position where the Royalty Consideration will be received.

The Share Sale and Purchase Agreement also includes a buy-out right, which provides SROL the ability to repurchase the Royalty Consideration. The repurchase price will be calculated as follows:



- (a) US\$8 million minus the aggregate of all amounts paid to RTG by way of royalty prior to the date of the buy-out notice;
- (b) Discounted by 8% per annum. The discount shall be applied on the basis that the amount falls due in equal yearly sums on the six month anniversary of the commencement of commercial operations. If commercial operations have not commenced on the date of the buy-out notice, it shall be deemed to be two years from the date of the Share Sale and Purchase Agreement and royalty payments will be made over a four year period.

Based on the terms above we have calculated the net present value of the Royalty Consideration, should SROL elect to repurchase, to be US\$5.90 million. We consider that this would be the maximum amount that the Company would receive for the Royalty Consideration.

Based on the discussion above we consider the fair market value of the Royalty Consideration to be between nil and US\$5.90 million, with a midpoint value of US\$2.95 million.

Therefore the fair market value of the consideration receivable from the sale of the Segilola Project interest is as follows:

	Low value US\$m	Preferred value US\$m	High value US\$m
Fair market value of the Initial Consideration	1.00	1.00	1.00
Fair market value of the Deferred Consideration	4.05	4.05	4.05
Fair market value of the Royalty Consideration	-	2.95	5.90
Total	5.05	8.00	10.95

12.1.3 Other assets and liabilities of RTG

Based on the financial position of RTG as at 31 December 2013, the net assets of RTG is US\$14.59 million. This includes an investment of US\$1.84 million and a derivative financial asset of US\$1.33 million which both relate to the consideration received for the sale of RTG's interest in the Mkushi Copper Project. As we have valued this consideration in section 12.1.1 we have excluded these balances from our value of RTG's other assets and liabilities.

Therefore the value of RTG's other assets and liabilities are US\$11.42 million. We have been advised that there has not been a significant change in the net assets of RTG since 31 December 2013. We have assumed that the fair market value of the assets and liabilities as at 31 December 2013 are equal to the carrying values as set out in the consolidated statement of financial position in section 6.2.

12.1.4 Minority interest discount

The value of a share of the Proposed Merged Entity derived under the sum-of-parts method is reflective of a controlling interest. This suggests that the acquirer obtains an interest in the company which allows them to have an individual influence in the operations and value of that company. However, if the Schemes are successful, the accepting holders, being the Shareholders and Optionholders, will hold minority interests in the Proposed Merged Entity, meaning that their individual holding will not be considered significant enough to have an individual influence in the operations and value of that company. In order to reflect this and the requirement under RG 111.34, we need to adjust our sum-of-parts value to reflect a minority interest.



A minority interest discount is the inverse of a premium for control. As discussed in section 11.2, we consider an appropriate control premium for Sierra to be in the range of 20% to 30%, giving rise to a minority interest discount in the range of 17% to 23%.

12.1.5 Shares on issue

In determining a valuation per share for the Proposed Merged Entity, we applied the expected total number of shares outstanding following the completion of the Schemes, being 1,096,893,358 as referred to in section 7 of our Report. This is the maximum number of shares that would be on issue in the Proposed Merged Entity if the Share Scheme and Option Scheme are both approved.

12.2 Quoted market price of a Sierra share following the announcement of the Schemes

An alternative valuation methodology to value a share in the Proposed Merged Entity is to assess the quoted market price of a Sierra share following the announcement of the Schemes. This analysis has been undertaken in section 15.3.2.

13. Valuation of Options

13.1 Assessment of Sierra Options prior to the Schemes

13.1.1 Black Scholes option valuation

The terms of the Sierra Options subject to the Option Scheme are as follows:

Item	Sierra Options
Number of Options	31,970,363
Exercise price	\$0.10
Valuation Date	21 February 2014
Expiry date	31 December 2014
Time to expiry	0.86 yrs
Exercise Conditions	No

Valuation Methodology

We have used the Black Scholes option pricing model to calculate the values of the Sierra Options.

Under option valuation theory, no discount is made to the fundamental value derived from the option valuation model for unlisted options over listed shares. Option pricing models assume that the exercise of an option does not affect the value of the underlying asset.

In valuing the Sierra Options, we made the following assumptions regarding the inputs required for our option pricing model.



Value of the Underlying Shares

As this is a control transaction we have used the value of a Sierra share on a control basis (ie incorporating a premium for control) as an input to our valuation of the Sierra Options.

Based on our assessment of a Sierra Share prior to the Schemes in section 11.3, we have used our low, preferred and high values of \$0.143, \$0.220 and \$0.298 per share as the underlying share prices in valuing the low, preferred and high values of a Sierra Option as this reflects the current position of Sierra Optionholders.

Exercise Price of the Options

The exercise price is the price at which the underlying ordinary shares will be issued. The exercise price is \$0.10 for the Sierra Options.

Valuation Date

We have valued the Sierra Options as at 21 February 2014 being the last full trading day before the announcement of the Schemes.

Life of the Options

We have estimated the life of the Sierra Options for the purpose of our valuation. The minimum life of an option is the length of any vesting period. The maximum life is based on the expiry date, which is the remaining term of an option from the valuation date of the options to the expiry date. The term of the Sierra Options is approximately 0.86 years.

There are many factors that determine the rationale for exercising options and therefore, the effective life of those options. Some of these factors include:

There is a limited track record of unlisted options being exercised early. Generally, early exercise occurs:

- If the options are deep in the money as it is profitable for the holder of the option to exercise the options
- If the stock pays a dividend as the opportunity cost of holding the option is high
- If the volatility of the underlying share price is low as the probability of the options becoming deeper in the money is low relative to a highly volatile stock
- When the options are held by junior level employees. Senior employees are more likely to continue their employment with the company and therefore there is no incentive to exercise their options.

For the purpose of this valuation, we have estimated an exercise date as the expiry date giving the effective life for the Sierra Options of 0.86 years, which we have input into the Black Scholes option pricing model.

Expected Volatility of the Share Price

Expected volatility is a measure of the amount by which a price is expected to fluctuate during a period. The measure of volatility used in option pricing models is the annualised standard deviation of the continuously compounded rates of return on the share over a period of time.



Many techniques can be applied in determining volatility, with a summary of the methods we use below:

- The square root of the mean of the squared deviations of closing prices from a sample. This can be calculated using a combination of the opening, high, low, and closing share prices each day the underlying security trades for all days in the sample time period chosen
- The exponential weighted moving average model adopts the closing share price of the Company in a given time period. The model estimates a smoothing constant using the maximum likelihood method, which estimates volatility assuming that volatility is not a constant measure and is predicted to change in the future
- The generalised autoregressive conditional heteroscedasticity model. This model takes into account periods of time where volatility may be higher than normal and/or lower than normal, as well as the tendency for the volatility to run at its long run average level after such periods of abnormality. The model will calculate the rate at which this is likely to occur from the sample of prices thereby enabling estimates of future volatility by time to be made.

The recent volatility of the share price of Sierra was calculated from both one and two years prior to the announcement date of the Schemes, using data extracted from Bloomberg. On this basis, we used a future estimated volatility level of 90% for Sierra in our pricing model.

Risk-Free Rate of Interest

We have used the Australian Government two-year bond rate of 2.76% as at the valuation date as inputs to our option pricing model.

Dividends Expected on the Shares

Sierra is not expected to pay a dividend during the life of the Sierra Options.

Conclusion

We set out below our conclusions as to the value of the Sierra Options:

Sierra Options	Low	Preferred	High
Underlying Security spot price	\$0.143	\$0.220	\$0.298
Exercise price	\$0.10	\$0.10	\$0.10
Valuation Date	21 February 2014		
Expiration date	31 December 2014		
Time to expiry	0.86 years		
Volatility	90% per annum		
Risk free rate	2.76% per annum		
Number of Options	31,970,363	31,970,363	31,970,363
Valuation per Option	\$0.065	\$0.132	\$0.206

Source: BDO Analysis

The value of a Sierra Option is between \$0.065 and \$0.206, with a preferred value of \$0.132.



13.1.2 QMP for Sierra Options

Our analysis of the quoted market price of a Sierra Option is based on the pricing prior to the announcement of the Schemes. This is because the value of a Sierra Option after the announcement may include the effects of any change in value as a result of the Schemes.



Source: Bloomberg and BDO analysis

Information on the Schemes was announced to the market on 24 February 2014. The following chart provides a summary of the option price movements up to 21 February 2014 which was the last full trading day prior to the announcement of the Schemes.

The daily price of Sierra Options over this period has ranged from a low of \$0.045 on 21 May 2013 to a high of \$0.230 on 28 October 2013.

To provide further analysis of the market prices for a Sierra Option, we have also considered the weighted average market price for 10, 30, 60 and 90 day periods to 21 February 2014.

	21 February 2014	10 Days	30 Days	60 Days	90 Days
Closing Price	\$0.125				
Weighted Average		\$0.125	\$0.125	\$0.121	\$0.172

Source: Bloomberg and BDO analysis

The above weighted average prices are prior to the date of the announcement of the Schemes, to avoid the influence of any increase in price of Sierra Options that has occurred since the Schemes were announced.

An analysis of the volume of trading in Sierra Options for the six months to 21 February 2014 is set out below:

Option price low (\$)	Option price high (\$)	Cumulative Volume traded	As a % of current issued options



1 day	0.125	0.125	-	0.00%
10 days	0.125	0.125	-	0.00%
30 days	0.120	0.125	50,000	0.16%
60 days	0.120	0.145	280,000	0.88%
90 days	0.120	0.230	1,487,573	4.65%
180 days	0.047	0.230	3,147,142	9.84%

Source: Bloomberg and BDO analysis

This table indicates that Sierra's Options display a low level of liquidity, with 9.84% of the Company's current issued options being traded in a six month period. For the quoted market price methodology to be reliable there needs to be a 'deep' market in the options. RG 111.69 indicates that a 'deep' market should reflect a liquid and active market. We consider the following characteristics to be representative of a deep market:

- Regular trading in a company's securities;
- Approximately 1% of a company's securities are traded on a weekly basis;
- The spread of a company's shares must not be so great that a single minority trade can significantly affect the market capitalisation of a company; and
- There are no significant but unexplained movements in share price.

A company's securities should meet all of the above criteria to be considered 'deep', however, failure of a company's securities to exhibit all of the above characteristics does not necessarily mean that the value of its securities cannot be considered relevant.

In the case of Sierra, we do not consider the market for the Company's options to be deep. This is based on only 9.84% of the Company's current issued options being traded in the six months prior to the announcement of the Schemes. The volume of Sierra Options traded is lower than 1% of the Company's securities traded on a weekly basis, which would be required in order to characterise the market for the Company's securities to be deep.

Our assessment is that a range of values for Sierra Options based on market pricing, after disregarding post announcement pricing, is between \$0.120 and \$0.145.



The results of the valuations performed are summarised in the table below:

	Low	Preferred	High
	\$	\$	\$
Black Scholes option valuation (section 13.1.1)	0.065	0.132	0.206
QMP valuation (section 13.1.2)	0.120	0.133	0.145

Our QMP valuation supports our valuation of a Sierra Option determined under the Black Scholes option valuation methodology. However, we do not consider the market for the Sierra Options to be deep, and have therefore relied on the Black Scholes option valuation methodology. We have valued a Sierra Option prior to the Schemes between \$0.065 and \$0.206, with a preferred value of \$0.132.

13.2 Assessment of Proposed Merged Entity Options

The terms of the Proposed Merged Entity Options are as follows:

Item	
Number of Options	84,722,746
Exercise price*	C\$0.15
Valuation Date	21 February 2014
Expiry date	21 February 2017
Time to expiry	3 years
Exercise Conditions	No

*Exercise price of the Proposed Merged Entity Options is C\$0.15. We have assumed an exchange rate of C\$1/A\$1.005

Valuation Methodology

We have used the Black Scholes option pricing model to calculate the values of the Proposed Merged Entity Options.

Under option valuation theory, no discount is made to the fundamental value derived from the option valuation model for unlisted options over listed shares. Option pricing models assume that the exercise of an option does not affect the value of the underlying asset.

In valuing the Proposed Merged Entity Options, we made the following assumptions regarding the inputs required for our option pricing model.

Value of the Underlying Shares

Optionholders will be receiving options which, when exercised, will mean they will receive a minority holding in the Proposed Merged Entity.

Based on our assessment of the value of a Proposed Merged Entity share in section 12.1, we have used the low, preferred and high values of a Proposed Merged Entity Share being \$0.038, \$0.051 and \$0.063 per



share as the underlying share prices in valuing the low, preferred and high values of a Proposed Merged Entity Option.

Exercise Price of the Options

The exercise price is the price at which the underlying ordinary shares will be issued. The exercise price is C\$0.15 for the Proposed Merged Entity Options. For the purposes of our Report we have assumed an exchange rate of C\$1/A\$1.005.

Valuation Date

We have valued the Proposed Merged Entity Options as at 21 February 2014 being the last full trading day before the announcement of the Schemes.

Life of the Options

We have estimated the life of the Proposed Merged Entity Options for the purpose of our valuation. The minimum life of an option is the length of any vesting period. The maximum life is based on the expiry date, which is the remaining term of an option from the valuation date of the options to the expiry date. The term of the Proposed Merged Entity Options is approximately 3 years.

There are many factors that determine the rationale for exercising options and therefore, the effective life of those options. Some of these factors include:

There is a limited track record of unlisted options being exercised early. Generally, early exercise occurs:

- If the options are deep in the money as it is profitable for the holder of the option to exercise the options
- If the stock pays a dividend as the opportunity cost of holding the option is high
- If the volatility of the underlying share price is low as the probability of the options becoming deeper in the money is low relative to a highly volatile stock
- When the options are held by junior level employees. Senior employees are more likely to continue their employment with the company and therefore there is no incentive to exercise their options.

For the purpose of this valuation, we have estimated an exercise date as the expiry date giving the effective life for the Proposed Merged Entity Options of 3 years, which we have input into the Black Scholes option pricing model.

Expected Volatility of the Share Price

Expected volatility is a measure of the amount by which a price is expected to fluctuate during a period. The measure of volatility used in option pricing models is the annualised standard deviation of the continuously compounded rates of return on the share over a period of time.

Many techniques can be applied in determining volatility, with a summary of the methods we use below:

- The square root of the mean of the squared deviations of closing prices from a sample. This can be calculated using a combination of the opening, high, low, and closing share prices each day the underlying security trades for all days in the sample time period chosen



- The exponential weighted moving average model adopts the closing share price of the Company in a given time period. The model estimates a smoothing constant using the maximum likelihood method, which estimates volatility assuming that volatility is not a constant measure and is predicted to change in the future
- The generalised autoregressive conditional heteroscedasticity model. This model takes into account periods of time where volatility may be higher than normal and/or lower than normal, as well as the tendency for the volatility to run at its long run average level after such periods of abnormality. The model will calculate the rate at which this is likely to occur from the sample of prices thereby enabling estimates of future volatility by time to be made.

The volatility of the share price of both RTG and Sierra was reviewed to determine an appropriate volatility that could be used as a proxy for the Proposed Merged Entity. We obtained the recent volatility of the share price of RTG from listing date to the announcement date of the Schemes, using data extracted from Bloomberg. From our analysis of the Proposed Merged Entity, we consider that the volatility would be more representative of Sierra as the Proposed Merged Entity will retain the exploration assets previously held by Sierra. On this basis, we used a future estimated volatility level of 90% for the Proposed Merged Entity in our pricing model.

Risk-Free Rate of Interest

As the Proposed Merged Entity will initially be listed on the TSX we have used the Canadian Government three-year bond rate of 1.20% as at the valuation date as inputs to our option pricing model.

Dividends Expected on the Shares

The Proposed Merged Entity is not expected to pay a dividend during the life of the Proposed Merged Entity Options.

Conclusion

We set out below our conclusions as to the value of the Proposed Merged Entity Options:

Proposed Merged Entity Options	Low	Preferred	High
Underlying Security spot price	\$0.038	\$0.051	\$0.063
Exercise price	C\$0.15	C\$0.15	C\$0.15
Valuation Date	21 February 2014		
Expiration date	21 February 2017		
Time to expiry	3 years		
Volatility	90% per annum		
Risk free rate	1.20% per annum		
Number of Options	84,722,746	84,722,746	84,722,746
Valuation per Option	\$0.010	\$0.017	\$0.024

Source: BDO Analysis

The value of a Proposed Merged Entity Option is between \$0.010 and \$0.024, with a preferred value of \$0.017.

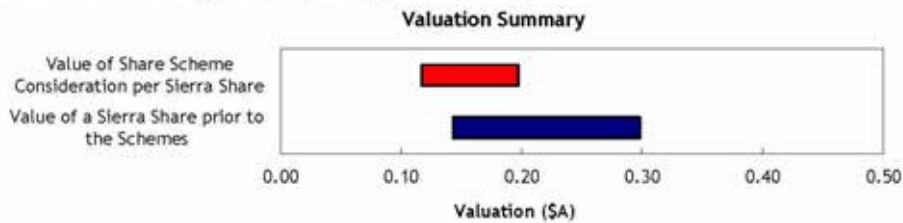


14. Are the Schemes fair?

The preferred value of the Share Scheme Consideration for each Sierra Share on a minority interest basis is less than the preferred value of a Sierra Share prior to the implementation of the Schemes on a control basis, as shown below:

	Ref	Low	Preferred	High
		\$	\$	\$
Value of 3 Proposed Merged Entity Shares on a minority basis	12.1	\$ 0.114	\$ 0.153	\$ 0.189
Value of 1/3 rd of a Proposed Merged Entity Option	13.2	\$ 0.003	\$ 0.006	\$ 0.008
Value of Share Scheme Consideration per Sierra Share		\$ 0.117	\$ 0.159	\$ 0.197
Value of a Sierra Share on a control basis	11.3	\$ 0.143	\$ 0.220	\$ 0.298

The above valuation ranges are graphically presented below:

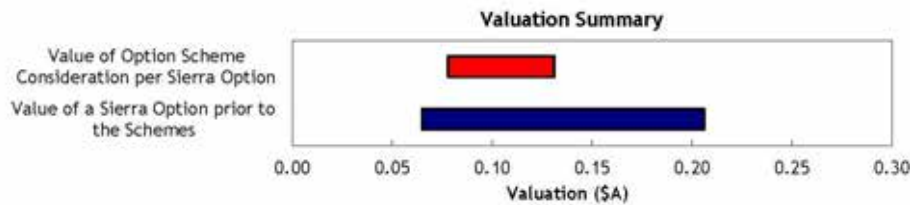


The preferred value of the Option Scheme Consideration for each Sierra Option on a minority interest basis is less than the preferred value of a Sierra Option prior to the implementation of the Schemes on a control basis, as shown below:

	Ref	Low	Preferred	High
		\$	\$	\$
Value of 2 Proposed Merged Entity Shares on a minority basis	12.1	\$ 0.076	\$ 0.102	\$ 0.126
Value of 2/9 th of a Proposed Merged Entity Option	13.2	\$ 0.002	\$ 0.004	\$ 0.005
Value of Option Scheme Consideration per Sierra Option		\$ 0.078	\$ 0.106	\$ 0.131
Value of a Sierra Option on a control basis	13.1	\$ 0.065	\$ 0.132	\$ 0.206



The above valuation ranges are graphically presented below:



The above pricing indicates that, based on preferred values, in the absence of any other relevant information and a superior offer, the Schemes are not fair to Shareholders and Optionholders.

15. Are the Schemes reasonable?

15.1 Advantages of approving the Schemes

The implementation of the Schemes is expected to bring a number of benefits to Shareholders and Optionholders as well as to the Proposed Merged Entity as a combined group. We set out the key advantages below.

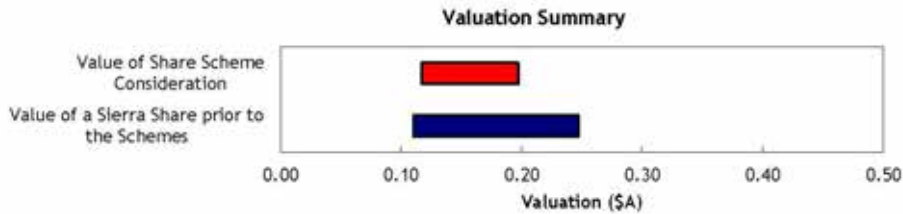
15.1.1 On a minority interest basis and NAV basis the value of the Share Scheme Consideration and the value of a Sierra Share are similar

In assessing the fairness of the Schemes in section 14, RG 111.31 stipulates that in a control transaction a comparison should be made between the value of the target entity's securities prior to the transaction on a controlling basis and the value of the target entity's securities following the transaction allowing for a minority discount. It is relevant for Shareholders to appreciate that as Shareholders they hold a minority interest in Sierra prior to the Schemes and they will continue to retain a minority interest following the implementation of the Schemes. Here, we have also provided a comparison of the value of Share Scheme Consideration for each Sierra Share on a minority interest basis to the value of a Sierra Share prior to the implementation of the Schemes also on a minority interest basis. Our minority interest valuation of a Sierra Share prior to the Schemes has been calculated by applying the minority interest discount of between 17% and 23% to our value of a Sierra share being between \$0.143 and \$0.298, with a preferred value of \$0.220.

This comparison is outlined in the table below:

	Low	Preferred	High
	\$	\$	\$
Value of 3 Proposed Merged Entity Shares on a minority basis	\$ 0.114	\$ 0.153	\$ 0.189
Value of 1/3 rd of an RTG Option	\$ 0.003	\$ 0.006	\$ 0.008
Value of Share Scheme Consideration per Sierra Share	\$ 0.117	\$ 0.159	\$ 0.197
Value of a Sierra Share on a minority basis	\$ 0.110	\$ 0.176	\$ 0.247

The above valuation ranges are graphically presented below:



The analysis above indicates that the range of values of the Share Scheme Consideration for each Sierra Share on a minority interest basis is similar to the values of a Sierra Share prior to the implementation of the Schemes on a minority interest basis. Had we performed our assessment of the Share Scheme on this basis we would have been able to conclude that the Share Scheme is fair.

In our valuation of a Sierra Share prior to the Schemes we relied on a combination of the NAV methodology and the QMP methodology however for our valuation of the Proposed Merged Entity we have relied only on the NAV methodology. Our valuation of shares in the Proposed Merged Entity therefore only incorporated the values of Sierra's exploration assets as determined by CSA. Here, we have also provided a comparison of the value of Share Scheme Consideration for each Sierra Share on a minority interest basis to the value of a Sierra Share prior to the implementation of the Schemes on a control basis, as required by RG111.31, under only the NAV methodology.

	Low	Preferred	High
	\$	\$	\$
Value of 3 Proposed Merged Entity Shares on a minority basis	\$ 0.114	\$ 0.153	\$ 0.189
Value of 1/3 rd of an RTG Option	\$ 0.003	\$ 0.006	\$ 0.008
Value of Share Scheme Consideration per Sierra Share	\$ 0.117	\$ 0.159	\$ 0.197
Value of a Sierra Option on a control basis under NAV	\$ 0.085	\$ 0.143	\$ 0.185



The above valuation ranges are graphically presented below:



The analysis above indicates that the preferred value of the Share Scheme Consideration for each Sierra Share on a minority interest basis is higher than the values of a Sierra Share prior to the implementation of the Schemes on a control basis under the NAV methodology. So were we to assess fairness on the above basis our opinion would have been that the Share Scheme was fair.

15.1.2 There is an overlap in the valuation ranges in our fairness assessment of the Share Scheme and the Option Scheme

The valuation ranges in our fairness assessment of both the Share Scheme and Option Scheme overlap and therefore in some scenarios the Share Scheme and Option Scheme may be considered fair.

15.1.3 Creation of a combined group with a stronger position

The implementation of the Schemes will bring about a combined group with a stronger financial position with a combined:

- Cash of over A\$14 million (prior to transaction costs) and no debt as at 31 December 2013;
- Net asset position of over A\$20 million as at 31 December 2013; and
- Market capitalisation based on TSX closing price of RTG on 21 February 2014 of approximately A\$100 million.

The strong cash position will enable the Proposed Merged Entity to be well financed through the next phase of exploration and resource definition work. It will also provide the Proposed Merged Entity with the ability to pursue future growth opportunities when they arise. Of the total cash in the Proposed Merged Entity, approximately A\$12 million is contributed by RTG.

A stronger financial position, increased market capitalisation and a listing on both the TSX and the proposed listing on the ASX is expected to give the Proposed Merged Entity increased media coverage, a greater ability to obtain debt and equity finance, including an increased level of investment interest in the financial markets and possibly an access to a wider range of investors.

The creation of a combined group with a stronger position will also benefit Optionholders when they exercise their RTG Options. The stronger position provides greater upside potential for Optionholders in the future.



15.1.4 Increased strength of management with broader expertise

The RTG management and technical team have a track record in the acquisition, exploration, financing and development of mining project, particularly in the Philippines. This has been demonstrated by the role that the RTG executive and management team undertook at CGA when it acquired the Masbate Gold Project, located in the Philippines, in March 2007. Within two years of its acquisition, CGA had successfully developed and commissioned the Masbate Gold Project which achieved its first gold pour in May 2009. The Masbate Gold project has become the largest operating gold project in the Philippines. At the end of 2012, CGA and B2Gold entered into a merger implementation agreement to combine the two companies, which was successfully completed in early 2013 at a total value of US\$1.1 billion.

B2Gold remain a major shareholder in both RTG and Sierra. As at the date of our Report, B2Gold holds an interest in 18.22% of the share capital of RTG and 7.44% of the share capital of Sierra. B2Gold is a company listed on the TSX and is a Vancouver based gold producer with operating mines in Nicaragua and the Philippines and a strong portfolio of development and exploration assets in Nicaragua, Colombia, Namibia and Uruguay.

The RTG management and technical team are expected to strengthen Sierra's capabilities in exploration and development activities with RTG's track record in the development of new gold projects, particularly in the Philippines, expected to add significant value to the Company's current projects.

The directors of Sierra believe that a good management team is of critical importance to manage projects in a country like the Philippines. In the opinion of the directors of Sierra, RTG's management and technical teams are the right management group to extract the best value from Sierra's projects.

15.1.5 Proposed Merged Entity to be listed on ASX and TSX

RTG is currently listed on the TSX while Sierra is listed on the ASX, however, if the Schemes are approved, Sierra will request to be removed from the ASX. It is the intention that the Proposed Merged Entity will retain its listing on the TSX and apply for listing on the ASX.

An advantage to Shareholders in approving the Schemes is that the Proposed Merged Entity will be dual listed on the TSX and ASX. This would provide the Proposed Merged Entity with direct and full access to the capital market in both Canada and Australia which could lead to the Company's prospects in seeking equity capital being improved.

A listing on the TSX would increase the attractiveness of the Proposed Merged Entity to an equity market which has a strong interest in mining projects across the world and which has provided equity for junior mining companies with projects in developing countries.

This increased potential to access capital is an advantage to Securityholders and at worst could be considered neutral in its effect.

15.1.6 Major shareholder intends to support the Schemes

B2Gold remains a major shareholder in both RTG and Sierra. As at the date of our Report, B2Gold holds an interest in 18.22% of the share capital of RTG and 7.44% of the share capital of Sierra. B2Gold has advised both companies that it supports the Schemes.

On 24 February 2014, the Sierra Directors unanimously recommended that Sierra Shareholders vote in favour of the Schemes in the absence of a superior proposal and subject to an Independent Expert concluding that the Schemes are in the best interests of Sierra Shareholders. The Directors intend to vote



the Sierra shares they respectively control in favour of the Schemes. In aggregate, the Sierra Directors control approximately 15.9% of the diluted capital of Sierra.

15.1.7 No selling costs

Sierra Securityholders will not be required to pay brokerage or stamp duty on the disposal of their Sierra Shares or Options as a result of the Schemes.

15.2 Disadvantages of approving the Schemes

15.2.1 Securityholders' interests will be diluted

If the Schemes are approved, Shareholders will hold 70.23% of the Proposed Merged Entity whilst RTG shareholders will hold 29.77% of the Proposed Merged Entity. If only the Share Scheme is approved the shareholding interests of Shareholders and RTG shareholders changes to 68.39% and 31.61% respectively.

15.2.2 Sierra will have to share benefits of its assets with RTG

If the Schemes are approved Securityholders will hold a diluted interest in the merged entity's assets and will have to share any development or exploration upside in its assets portfolio with the current shareholders of RTG.

As at the date of our Report, RTG's only exploration assets are under binding sale agreements. Therefore, the only exploration assets to be held by the Proposed Merged Entity are those to be contributed by Sierra.

15.2.3 If the Share Scheme is approved but the Option Scheme is not, RTG intends to compulsorily acquire Sierra Options

If the Option Scheme does not become effective, but the Share Scheme becomes effective, RTG will become entitled to and currently intends to compulsorily acquire outstanding Sierra Options under Part 6A.2 of the Act for a cash amount only. Therefore if Optionholders do not approve the Option Scheme, yet the Share Scheme becomes effective, their Sierra Options will be compulsorily acquired.

15.3 Other considerations

15.3.1 Alternative proposal or alternative funding options

We are unaware of any alternative proposal that might offer the Shareholders and Optionholders of Sierra a premium over the values ascribed to that resulting from the Schemes.

If the Schemes are approved, the Company will have cash of over \$14 million (prior to transaction costs) and no debt as at 31 December 2013. Sierra contributes approximately \$1.96 million to this balance. If the Schemes are not approved, it is likely that Sierra will have to undertake some form of capital raising to continue operations. It is likely that any capital raising required to be undertaken will be done at a discount to the Sierra's share price which will dilute Shareholders' interests.

15.3.2 Movement in Sierra's share price following announcement of the Schemes

We have analysed movements in Sierra's share price since the Schemes were announced. A graph of Sierra's share price leading up to and following the announcement is set out below.



Source: Bloomberg and BDO analysis

In determining the value range of a Sierra share prior to the Schemes we have relied on our preferred values determined under both the NAV and QMP methods and concluded that the value of a Sierra share prior to the Schemes to be between \$0.143 and \$0.298, with a preferred value of \$0.220.

As shown above, following the announcement of the Schemes, Sierra's share price increased from a weighted average of \$0.23 over the past month to \$0.277 as at the close of 10 March 2014, an increase of 20.43% and has remained higher than its closing price on 21 February 2014 of \$0.26, the day prior to the announcement of the Schemes. There has been no other price sensitive information released to the market following the announcement of the Schemes. We also note that there has been a significant volume of Sierra shares traded following the announcement of the Schemes, with approximately 12% of Sierra's current issued capital being traded during the period. This indicates a fairly liquid and active market for Sierra shares.

Trading following the announcement of a transaction can indicate the market's value of a share if the transaction is successful. In the case of Sierra, it can reflect the value of the Share Scheme Consideration receivable for a Sierra share under the Schemes. RTG shares are considered tightly held and trading of RTG shares on TSX is not considered deep. Therefore, it may be possible that shareholders are unable to purchase RTG shares on the TSX and are therefore purchasing Sierra shares on the assumption that the Schemes will proceed.

The VWAP of a Sierra share following the announcement of the Schemes is \$0.269 and this value could be seen to represent the market's value of the Share Scheme Consideration. This is higher than our preferred value of a Sierra share prior to the Schemes.

However, we consider our analysis undertaken in section 12.1 to be the most appropriate methodology to value a Proposed Merged Entity Share and therefore the Share Scheme Consideration.



15.3.3 Consequences of not approving the Schemes

Potential decline in the liquidity of a Sierra share

Due to the increased size and the expected activities of the Proposed Merged Entity, the shares of the Proposed Merged Entity are likely to be more liquid than the shares of Sierra without the implementation of the Schemes. As such, if the Schemes do not proceed, then Securityholders are likely to experience a decrease in the marketability of their shares.

Potential decline in share price

As shown in section 15.3.2 above, following the announcement of the Schemes on 24 February 2014, Sierra's share price increased from a weighted average of \$0.23 over the past month to \$0.277 as at the close of 10 March 2014, an increase of 20.43%. There has also been a significant number of Sierra shares traded following the announcement with approximately 12% of Sierra's current issued share capital being traded in the days following the announcement up to the date of our Report. This indicates that the Schemes have been well received by the market. Given this above analysis, it is possible that if the Schemes are not approved, then Sierra's share price may decline back to pre-announcement levels.

15.3.4 Change in jurisdiction

If the Schemes are approved, Shareholders will become shareholders in RTG. Shareholders will be exposed to differences between applicable corporations and securities laws. Sierra is incorporated in Australia and RTG is incorporated in the BVI. Following the implementation of the Schemes, the rights of Shareholders who receive new RTG shares will be governed by BVI law (in particular, BVI Business Companies Act and RTG's memorandum and articles of incorporation).

RTG, as a company incorporated in the BVI, will not be subject to all of the provisions of the Corporations Act to which Sierra is currently subject to, which Shareholders are familiar. Shareholders may not be familiar with the BVI provisions to which RTG will be subject. A summary of differences of the rights of Shareholders between holdings shares in a company incorporated under the Corporations Act and the BVI Business Companies Act is set out in section 8 of the Scheme Booklet.

15.3.5 Comparable shareholder protection and regulations

BVI and Australian takeovers laws are different. Under the Corporations Act a shareholder with a 20% shareholding triggers the requirement for a takeover bid and the benchmark for compulsory acquisition is 90%. Under BVI law there are no restrictions on a person acquiring interests in the voting shares of a BVI company; regardless of the voting power those shares confer on their holder. A summary of differences of shareholder protection under the Corporations Act and BVI company law is set out in section 8 of the Scheme Booklet.

15.3.6 Taxation implications

Shareholders and Optionholders are directed to section 11 of the Scheme Booklet for a more detailed explanation of the tax implications of the Schemes for Shareholders and Optionholders. We emphasise that the tax circumstances of each shareholder and optionholder can differ significantly and individual shareholders and optionholders are advised to obtain their own specific advice.



15.3.7 Shareholders' investment profile will change

The Proposed Merged Entity may be subject to a number of risks that Sierra is not currently exposed to. Therefore, Shareholders' investment profile of their investment will change. This may include differences between the operational profile, capital structure, size, share liquidity and geographic exposure between Sierra prior to the implementation of the Schemes and the Proposed Merged Entity. This is unlikely to be significant as the only projects that will be held in the Proposed Merged Entity will be those that are currently held by Sierra.

16. Conclusion

Share Scheme

We have considered the terms of the Schemes as outlined in the body of this report and have concluded that, in the absence of a superior offer, the Share Scheme is not fair but reasonable to Shareholders. Overall, we believe that there are sufficient reasons for Shareholders to approve the Share Scheme in the absence of any higher offer and we therefore conclude that the Share Scheme is in the best interest of Shareholders.

We consider that the Share Scheme is reasonable and in the best interests of Shareholders due to the significant advantages that the Share Scheme will bring to the Proposed Merged Entity and therefore to Shareholders. These advantages include the creation of a combined group with a stronger financial position and an experienced management and technical team with a track record in the development of new gold projects, particularly in the Philippines.

Option Scheme

We have also concluded that, in the absence of a superior offer, the Option Scheme is not fair but reasonable to Optionholders. Overall, we believe that there are sufficient reasons for Optionholders to approve the Option Scheme in the absence of any higher offer and we therefore conclude that the Option Scheme is in the best interest of Optionholders.

We consider that the Option Scheme is reasonable and in the best interests of Optionholders due to the significant advantages that the Option Scheme will bring to the Proposed Merged Entity and therefore to Optionholders.

17. Sources of information

This report has been based on the following information:

- Draft Scheme Booklet on or about the date of this report;
- Signed Scheme Implementation Agreement between RTG and Sierra;
- Audited financial statements of Sierra for the years ended 30 June 2013 and 30 June 2012;
- Reviewed financial statements of Sierra for the half-year ended 31 December 2013;
- Audited financial statements of RTG for the years ended 30 June 2013 and 30 June 2012;
- Audited financial statements of RTG for the half-year ended 31 December 2013;
- Independent Valuation Report of Sierra's mineral assets performed by CSA Global Pty Ltd;
- Share Sale Agreement for Seringa Mining Ltd between Zambian Mining Ltd and Elephant Copper Ltd;
- Sale and Purchase Agreement between Ratel Group Limited and Segilola Resources Operating Limited;



- Assignment of Shareholder Debt Agreement between Segilola Gold Limited, CGX Ltd, Ratel Group Limited and Segilola Resources Operating Limited;
- Revised Bankable Feasibility Study Segilola Gold Project March 2012;
- Unsecured Convertible Note Deed between Elephant Copper Ltd and Zambian Mining Ltd;
- Share Certificate for Elephant Copper Limited dated 22 October 2013;
- Share registry information for Sierra and RTG;
- Information in the public domain for Sierra and RTG;
- Discussions with Directors and Management of Sierra; and
- Discussions with Directors and Management of RTG.

18. Independence

BDO Corporate Finance (WA) Pty Ltd is entitled to receive a fee of \$36,000 (excluding GST and reimbursement of out of pocket expenses). The fee is not contingent on the conclusion, content or future use of this Report. Except for this fee, BDO Corporate Finance (WA) Pty Ltd has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this report.

BDO Corporate Finance (WA) Pty Ltd has been indemnified by Sierra in respect of any claim arising from BDO Corporate Finance (WA) Pty Ltd's reliance on information provided by the Sierra, including the non provision of material information, in relation to the preparation of this report.

Prior to accepting this engagement BDO Corporate Finance (WA) Pty Ltd has considered its independence with respect to Sierra and RTG and any of their respective associates with reference to ASIC Regulatory Guide 112 "Independence of Experts". In BDO Corporate Finance (WA) Pty Ltd's opinion it is independent of Sierra and RTG and their respective associates.

The provision of our services is not considered a threat to our independence as auditors of RTG under Professional Statement APES 110 - Professional Independence. The services provided have no material impact on the financial report of RTG.

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

BDO is the brand name for the BDO International network and for each of the BDO Member firms.

BDO (Australia) Ltd, an Australian company limited by guarantee, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of Independent Member Firms. BDO in Australia, is a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International).

19. Qualifications

BDO Corporate Finance (WA) Pty Ltd has extensive experience in the provision of corporate finance advice, particularly in respect of takeovers, mergers and acquisitions.

BDO Corporate Finance (WA) Pty Ltd holds an Australian Financial Services Licence issued by the Australian Securities and Investment Commission for giving expert reports pursuant to the Listing rules of the ASX and the Corporations Act.



The persons specifically involved in preparing and reviewing this report were Sherif Andrawes and Adam Myers of BDO Corporate Finance (WA) Pty Ltd. They have significant experience in the preparation of independent expert reports, valuations and mergers and acquisitions advice across a wide range of industries in Australia and were supported by other BDO staff.

Sherif Andrawes is a Fellow of the Institute of Chartered Accountants in England & Wales and a Member of the Institute of Chartered Accountants in Australia. He has over twenty five years experience working in the audit and corporate finance fields with BDO and its predecessor firms in London and Perth. He has been responsible for over 200 public company independent expert's reports under the Corporations Act or ASX Listing Rules. These experts' reports cover a wide range of industries in Australia with a focus on companies in the natural resources sector. Sherif Andrawes is the Chairman of BDO in Western Australia, Corporate Finance Practice Group Leader of BDO in Western Australia and the Natural Resources Leader for BDO in Australia.

Adam Myers is a member of the Australian Institute of Chartered Accountants. Adam's career spans 15 years in the Audit and Assurance and Corporate Finance areas. Adam has considerable experience in the preparation of independent expert reports and valuations in general for companies in a wide number of industry sectors.

20. Disclaimers and consents

This report has been prepared at the request of Sierra for inclusion in the Scheme Booklet which will be sent to all Sierra Shareholders. Sierra engaged BDO Corporate Finance (WA) Pty Ltd to prepare an independent expert's report to consider the proposal for RTG to acquire all the issued shares and options in Sierra by way of two schemes of arrangement.

BDO Corporate Finance (WA) Pty Ltd hereby consents to this report accompanying the above Scheme Booklet. Apart from such use, neither the whole nor any part of this report, nor any reference thereto may be included in or with, or attached to any document, circular resolution, statement or letter without the prior written consent of BDO Corporate Finance (WA) Pty Ltd.

BDO Corporate Finance (WA) Pty Ltd takes no responsibility for the contents of the Scheme Booklet other than this report.

We have no reason to believe that any of the information or explanations supplied to us are false or that material information has been withheld. It is not the role of BDO Corporate Finance (WA) Pty Ltd acting as an independent expert to perform any due diligence procedures on behalf of the Company. The Directors of the Company are responsible for conducting appropriate due diligence in relation to RTG. BDO Corporate Finance (WA) Pty Ltd provides no warranty as to the adequacy, effectiveness or completeness of the due diligence process.

The opinion of BDO Corporate Finance (WA) Pty Ltd is based on the market, economic and other conditions prevailing at the date of this report. Such conditions can change significantly over short periods of time.

With respect to taxation implications it is recommended that individual Shareholders and Optionholders obtain their own taxation advice, in respect of the Schemes, tailored to their own particular circumstances. Furthermore, the advice provided in this report does not constitute legal or taxation advice to the Shareholders and Optionholders of Sierra, or any other party.

BDO Corporate Finance (WA) Pty Ltd has also considered and relied upon independent valuations for mineral assets held by Sierra.



The valuer engaged for the mineral asset valuation, CSA Global Pty Ltd, possess the appropriate qualifications and experience in the industry to make such assessments. The approaches adopted and the assumptions made in arriving at their valuations are considered appropriate for this report. We have received consent from the valuer for the use of their valuation report in the preparation of this report and to append a copy of their report to this report.

The statements and opinions included in this report are given in good faith and in the belief that they are not false, misleading or incomplete.

The terms of this engagement are such that BDO Corporate Finance (WA) Pty Ltd has no obligation to update this report for events occurring subsequent to the date of this report.

Yours faithfully

BDO CORPORATE FINANCE (WA) PTY LTD



Sherif Andrawes
Director



Adam Myers
Director



Appendix 1 - Glossary of Terms

Reference	Definition
The Act	The Corporations Act 2001 (Cth)
APES 225	Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services'
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
B2Gold	B2Gold Inc
BDO	BDO Corporate Finance (WA) Pty Ltd
BVI	British Virgin Islands
CDI	CHESS Depository Interest
CGA	CGA Mining Limited
The Company	Sierra Mining Limited
CSA	CSA Global Pty Limited
DCF	Discounted Future Cash Flows
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
Elephant Copper	Elephant Copper Ltd
FME	Future Maintainable Earnings
Galeo	Galeo Equipment and Mining Company Inc
IMMC	International Millennium Mining Corp
IPO	Initial Public Offering
Mt Labo	Mt Labo Exploration and Development Corporation
NAV	Net Asset Value



Optionholders	Optionholders of Sierra not associated with RTG
Option Scheme Consideration	Two RTG Shares (in the form of RTG CDIs) for every one Sierra Option plus two RTG Options (in the form of RTG Option CDIs) for every nine Sierra Options held by a Sierra Optionholder
Our Report	This Independent Expert's Report prepared by BDO
Proposed Merged Entity	The combined entity of Sierra and RTG following the implementation of the Schemes
RBA	Reserve Bank of Australia
Revised BFS	Revised Bankable Feasibility Study for Seglola Gold Project dated March 2012
RG 60	Schemes of arrangement (September 2011)
RG 111	Content of expert reports (March 2011)
RG 112	Independence of experts (March 2011)
RTG	RTG Mining Inc
Schemes	The Share Scheme and the Option Scheme
Section 411	Section 411 of the Corporations Act 2001 (Cth)
Securityholders	The Sierra Shareholders and Optionholders not associated with RTG
Shareholders	Shareholders of Sierra not associated with RTG
Share Scheme Consideration	Three RTG Shares (in the form of RTG CDIs) for every one Sierra Share held plus one RTG Option (in the form of a RTG CDI) for every three Sierra Shares held by a Sierra Shareholder
Sierra	Sierra Mining Limited
Sierra Option	31,970,363 ASX listed Sierra options with an exercise price of \$0.10 exercisable on or before 31 December 2014
SROL	Seglola Resources Operating Limited
TSX	Toronto Stock Exchange
TSXV	TSX Venture Exchange
Valmin Code	Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports 2005
VWAP	Volume Weighted Average Price



Valuation Engagement

An Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.

Zambian

Zambian Mining Limited



Appendix 2 - Valuation Methodologies

Methodologies commonly used for valuing assets and businesses are as follows:

1 *Net asset value ("NAV")*

Asset based methods estimate the market value of an entity'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
- Net assets on a going concern method

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to entity holders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the entity is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the entity may not be contemplated, these methods in their strictest form may not be appropriate. The net assets on a going concern method estimates the market values of the net assets of an entity but does not take into account any realisation costs.

Net assets on a going concern basis are usually appropriate where the majority of assets consist of cash, passive investments or projects with a limited life. All assets and liabilities of the entity are valued at market value under this alternative and this combined market value forms the basis for the entity's valuation.

Often the FME and DCF methodologies are used in valuing assets forming part of the overall Net assets on a going concern basis. This is particularly so for exploration and mining companies where investments are in finite life producing assets or prospective exploration areas.

These asset based methods ignore the possibility that the entity's value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill. Asset based methods are appropriate when an entity is not making an adequate return on its assets, a significant proportion of the entity's assets are liquid or for asset holding companies.

2 *Quoted Market Price Basis ("QMP")*

A valuation approach that can be used in conjunction with (or as a replacement for) other valuation methods is the quoted market price of listed securities. Where there is a ready market for securities such as the ASX, through which shares are traded, recent prices at which shares are bought and sold can be taken as the market value per share. Such market value includes all factors and influences that impact upon the ASX. The use of ASX pricing is more relevant where a security displays regular high volume trading, creating a "deep" market in that security.

3 *Capitalisation of future maintainable earnings ("FME")*

This method places a value on the business by estimating the likely FME, capitalised at an appropriate rate which reflects business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach relies on the availability and analysis of comparable market data.



The FME approach is the most commonly applied valuation technique and is particularly applicable to profitable businesses with relatively steady growth histories and forecasts, regular capital expenditure requirements and non-finite lives.

The FME used in the valuation can be based on net profit after tax or alternatives to this such as earnings before interest and tax ("EBIT") or earnings before interest, tax, depreciation and amortisation ("EBITDA"). The capitalisation rate or "earnings multiple" is adjusted to reflect which base is being used for FME.

4 Discounted future cash flows ("DCF")

The DCF methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows, discounted to their present value at an appropriate discount rate (often called the weighted average cost of capital). This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks.

Considerable judgement is required to estimate the future cash flows which must be able to be reliably estimated for a sufficiently long period to make this valuation methodology appropriate.

A terminal value for the asset or business is calculated at the end of the future cash flow period and this is also discounted to its present value using the appropriate discount rate.

DCF valuations are particularly applicable to businesses with limited lives, experiencing growth, that are in a start up phase, or experience irregular cash flows.

5 Market Based Assessment

The market based approach seeks to arrive at a value for a business by reference to comparable transactions involving the sale of similar businesses. This is based on the premise that companies with similar characteristics, such as operating in similar industries, command similar values. In performing this analysis it is important to acknowledge the differences between the comparable companies being analysed and the company that is being valued and then to reflect these differences in the valuation.



Appendix 3 - CSA Report



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Date: 7th April 2014
Report No: R128.2014

Independent Technical Assessment and Valuation

SIERRA MINING LIMITED

Valuation of Philippine Mineral Assets

Philippines

By

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Jeff Elliott
Managing Director



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Executive Summary

CSA Global Pty Ltd ("CSA") was commissioned by BDO Corporate Finance (WA) Pty Ltd ("BDO") to prepare a technical project review and an independent technical valuation of the Philippine Mineral Assets of Sierra Mining Limited ("Sierra" or "The Company").

This review and valuation report ("Report") was written for inclusion in an Independent Expert's Report ("IER") to be prepared by BDO. The IER is for a Scheme Booklet that will address a proposed transaction under which all of the issued shares and options in Sierra will be acquired by RTG Mining Inc. ("RTG"), a company listed on the main board of the Toronto Stock Exchange ("TSX"), by way of two Schemes of Arrangement, a Share Scheme and an Option Scheme.

Sierra holds granted tenements and applications in the Philippines located in Camarines Norte in the south of Luzon Island, and in the eastern part of Mindanao (Figure 1). In summary these comprise:

- **Mabilo** is in the Paracale district of the Pacific Cordillera arc belt of the Philippines archipelago in Camarines Norte, Luzon. The Paracale district has a long history of gold and iron mining. Mabilo is a new 2012 discovery of copper-gold-silver mineralised magnetite skarn made by drill testing magnetic anomalies beneath recent volcanic cover. The project has the potential to produce both magnetite iron ore and copper, gold and silver. Exploration is still at an early stage and the potential for further discoveries is considered good; both in expanding the zones already tested as well as in testing new skarn targets. Potential for porphyry and epithermal mineralisation also exists.

CSA has estimated an Exploration Target for the project of 12–28Mt of unoxidised primary material with grades in the ranges of 45–55% Fe, 1.2–1.8% Cu, 1.5–2.0 g/t Au, and 6–9 g/t Ag (as well as 0.9–1.1Mt of oxidised material with grades in the ranges of 35–45% Fe, 0.5–0.6% Cu, 1.8–2.5 g/t Au, and 4–5 g/t Ag).

Note that the potential quantity and grade for these approximations are conceptual in nature, that there has been insufficient exploration to estimate a Mineral Resource and that it is uncertain whether further exploration will result in the estimation of a Mineral Resource.

- **Nalesbitan** is a gold (silver-copper) deposit in Camarines Norte, Luzon, with porphyry Cu-Au exploration potential. Located 15 km west of Mabilo. High sulphidation epithermal gold±silver and associated copper mineralisation outcrops as silicified hydrothermal breccia zones with an inner zone of veining and silicification, surrounded by intense alteration. The mineralisation forms a prominent ridge at Nalesbitan Hill within a large fault zone. The principal lode is a 1300 m-long altered and mineralised body that ranges from 145 m wide in the middle to as little as 12 m wide at its northwestern and southeastern extremities. Additional prospects remain poorly explored.

An Inferred Mineral Resource estimate of 5.0 Mt at 1.05 g/t Au and 4 g/t Ag has been reported for the Nalesbitan Hill area.

- **Bunawan** is a low sulphidation gold±silver target in Agusan Del Sur, Mindanao, close to the operating Co-O mine and associated with multiple veins hosted by a similar diatreme breccia. The tenement areas cover multiple known gold occurrences with significant artisanal mining activity, especially in the Red Mountain to Mahunoc district



around the Mahunoc diatreme. The target at Mahunoc can be compared with the Co-O system, where mineralisation is demonstrated over a strike of 2 km and to a depth of over 1000 m.

- **Bahayan** comprises exploration properties in Compostela Valley in Mindanao with potential for low-sulphidation and carbonate-replacement gold deposits. Only a smaller northern portion of the tenements have been explored thus far. Significant epithermal gold mineralisation has been identified at surface on this block; although known veins are small-scale, the geology, structure, and geochemical data warrant further evaluation to determine if potential for economic gold systems exists. The southern block abuts the Diwalwal area to the south, within 6 km of the Diwalwal deposit, which is a very significant area of artisanal mining that is associated with an ENE-trending structural and vein zone.
- **Mawab** is located at the northern edge of the Masara Mineral District, Mindanao and is adjacent to historically operated gold and copper-gold mines including Hijo, Maco, RCO (gold), and Amacan (copper-gold porphyry). The RCO gold deposit is approximately 1 km east of the permit boundary. Little work has been completed as yet by Sierra but reconnaissance rock-chip sampling has returned some highly anomalous results and significant silica-pyrite alteration has been identified in the southeast. Past stream sediment sampling has identified a number of anomalies that remain unexplained and warrant further work.
- **Taguibo** is located in the southern part of the Masara Mineral District in Davao Oriental, Mindanao. Major splays of the important Philippines Fault System runs through and around the tenements. Historical reconnaissance work defined geochemical anomalism in the far east of the block that has been the focus of all subsequent work, including substantial drilling by Sierra. This has targeted significant surface anomalism and mineralisation, characterised by polymetallic veins with associated extensive argillic alteration and zones of silicification. Porphyry Cu-Au targets (with limited drilling completed) and epithermal potential (demonstrated by artisanal mining) are the features of the project.

CSA completed site inspections to the Mabilo, Nalesbitan and Bunawan Projects in December 2013 and January 2014. Subsequent to the site visits, CSA completed a review of the technical aspects of the projects, including previous work, geology, planned exploration and prospectivity, to inform the valuation. CSA considers that, the site visits reasonably covered all significant areas for the purpose of this Report.

It is the professional opinion of CSA that further exploration work is warranted for all projects. Whilst there has been significant work completed thus far at several of the projects, further work is required to improve the geological understanding, to generate new exploration targets, to fully test identified targets and assess new targets, to enable the estimation or improvement of Mineral Resources estimates and to consider the commercial viability of the Mineral Assets.

The Mineral Assets held by Sierra range from Exploration Areas through to Advanced Exploration areas. CSA has quantified an Exploration Target for Mabilo to assist in valuing the property. The Exploration Target is summarised in Table 7, and fully described in the body of the Report. An Inferred Mineral Resource for the Nalesbitan Hill deposit has been released by Sierra.

The tenement status and ownership structure of the Sierra projects is complex and is addressed fully in the Independent Expert's Report ("IER") being prepared by BDO. CSA is



satisfied that Sierra has a reasonable basis for their beneficial ownership of the assets. CSA has completed our valuation of the assets on a 100% basis. The Sierra interests are discussed in the BDO report.

CSA concludes that Sierra's tenement portfolio presents exposure to an attractive range of grassroots to advanced exploration plays. Further exploration and evaluation work is warranted on all of the projects.

In determining the Fair Market Value of Sierra's projects, CSA considered several valuation methods including a Yardstick Market Approach for transaction involving Mineral Resources and the Net In-Situ Value (Rule-of-Thumb) methods for valuing Sierra's projects with advanced enough to allow the quantification of Exploration Targets, and, an area-based Comparable Transaction and Geoscientific Factor approach to value early stage exploration assets, as detailed in the preceding sections.

The Sierra projects cover a range of mineralisation styles, target types and deposits both in terms of maturity and deposit type/commodity. For this reason, and based on our assessment, we have selected Market Value ranges and Preferred Values after considering the ranges of values from each approach and also other factors such as tenement status, sovereign risk and the general market sentiment.

CSA's preferred valuations for 100% of each project are provided in Table 1.

Table 1: Summary of Preferred Technical Valuations (100% basis)

Project	Fair Market Valuation		
	Low	High	Preferred
	AUD \$M		
Mabilo	19	47	36
Nalesbitan	2	6	4
Mindanao Exploration projects	3	10	6
Totals	24	63	46

Note: The valuations have been compiled to an appropriate level of precision and minor rounding errors may occur.

There is significant range in the values derived for Sierra's projects. CSA has considered this range and concludes that it provides a reasonable representation of possible valuation outcomes for the projects, given the uncertainties inherent in valuing early-stage exploration and pre-development projects.

It is stressed that the valuation is an opinion as to likely values, not absolute values, which can only be tested by going to the market.

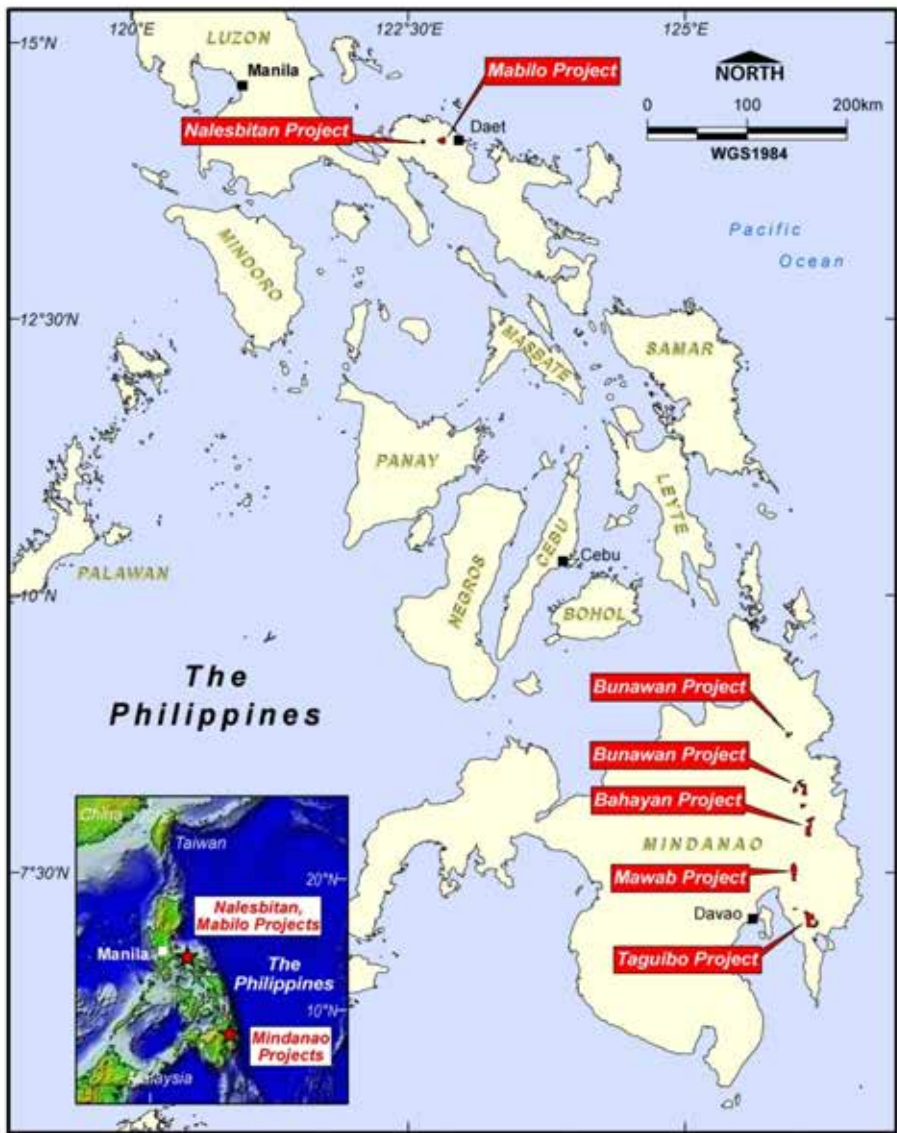


Figure 1: Location of Sierra's Philippine projects



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1 Introduction

1.1 Context, Scope and Terms of Reference

Sierra Mining Limited ("Sierra" or "the Company"; ASX: SRM) is a public company listed on the Australian Securities Exchange ("ASX") which has Mineral Assets in the Republic of the Philippines ("Philippines") that are prospective for iron ore, gold, silver and copper mineralisation.

Sierra is planning a transaction under which all of the issued shares and options in Sierra will be acquired by RTG Mining Inc. ("RTG"), a company listed on the main board of the Toronto Stock Exchange ("TSX"), by way of two Schemes of Arrangement, a Share Scheme and an Option Scheme.

The Company has engaged BDO Corporate Finance (WA) Pty Ltd ("BDO") to prepare an Independent Expert's Report ("IER") for inclusion within a Scheme Booklet to be sent to shareholders of Sierra. BDO has in turn commissioned CSA Global Pty Ltd ("CSA") to prepare an Independent Technical Assessment and Market Valuation of the Mineral Assets (on a 100% ownership basis) for inclusion in the IER. The review and valuation report, or a summary of it, is to be appended to the IER, and as such, will become a public document.

Sierra holds interests in six exploration projects covering an area of over 365 km² in two of the main gold provinces of the Philippines, the Paracale gold district located in eastern Luzon and the prolific eastern Mindanao mineral belt which is located in southern Philippines. The projects are:

- Mabilo (Paracale);
- Nalesbitan (Paracale);
- Bunawan (Mindanao);
- Bahayan (Mindanao);
- Mawab (Mindanao); and
- Taguibo (Mindanao).

Each major project area is discussed in the report and tenement details are provided in Appendix 1 and summarised in the relevant sections below.

A brief overview of the projects is provided in Sections 5 to 7 below. The Independent Valuation of Sierra's projects is provided in Section 8.

1.2 Compliance with the VALMIN Code 2005

This valuation has been prepared in accordance with the VALMIN Code 2005, which is binding upon Members of the Australasian Institute of Mining and Metallurgy ("AusIMM") and the Australian Institute of Geoscientists ("AIG").

The author has taken due note of the rules and guidelines issued by such bodies as the Australian Securities and Investments Commission ("ASIC") and the ASX, including ASIC Regulatory Guide 111 – Content of Expert Reports and ASIC Regulatory Guide 112 – Independence of Experts.



1.3 Author of the Report – Qualifications, Experience

This Report has been prepared by CSA Global Pty Ltd, a privately-owned consulting company that has been operating from Perth, Western Australia for over 30 years.

CSA provides multi-disciplinary services to clients in the global resources industry. CSA services include project generation, exploration, resource estimations, project evaluation, development studies, operations assistance and corporate advice, such as valuations and independent technical documentation. CSA has worked for major mining houses and junior resource companies globally. CSA has been involved in the preparation of independent reports for Canadian, Australian, United States and United Kingdom listed companies.

The principal author of this report is CSA's Principal Geologist Mr Graham Jeffress, BSc. (Hons) *Applied Geology*. Graham has more than 25 years' experience in exploration, project evaluation and mining on gold, base metals, uranium and iron ore projects within Australia and internationally. He is a Member and a Registered Professional Geoscientist (Exploration) with the AIG and has completed numerous Independent Geologist Reports, Competent Person Reports and Independent Valuation Reports.

Mr Jeffress have the relevant qualifications, experience, competence and independence to be considered an "Expert" under the definitions provided in the VALMIN Code 2005 and a "Competent Person" as defined in the JORC Code 2012.

Peer review of this report has been undertaken by CSA's Managing Director Mr Jeff Elliott, BSc. (Geology). Jeff is a geologist with over 20 years' in exploration and mining providing high-level advice to clients on geo-corporate strategy, listing and compliance issues, exploration/evaluation programme design and implementation. He is a Member of the AIG and a Fellow of the AusIMM and has been involved in numerous consulting assignments during his more than 15 years with CSA, including the completion of many Expert Reports.

1.4 Independence

CSA is an independent geological consultancy. This Report is prepared in return for professional fees based upon agreed commercial rates and the payment of these fees is in no way contingent on the results of this report. The fee for the preparation of this report is approximately \$30,000.

Neither CSA, nor the authors of this report, has or has had previously, any material interest in Sierra, RTG or the Mineral Assets in which either Sierra or RTG has an interest. No member or employee of CSA is, or is intended to be, a director, officer or other direct employee of Sierra or RTG.

In 2006, CSA prepared a Competent Person's Report ("CPR") that was included in the initial public offering prospectus of Sierra. The CPR addressed projects no longer held by Sierra as well as the Mindanao properties currently retained by Sierra. The author of that report no longer works for CSA but continues to consult to Sierra. Jeff Elliott was the peer reviewer of the CPR.

In 2013, CSA was retained by RTG to assist them in reviewing a number of exploration projects in various countries. As part of that work CSA Director and Principal Geologist Dr Neal Reynolds visited and appraised the geology of Sierra's Mabilo, Nalesbitan and Bunawan Projects.



CSA's relationship with Sierra and RTG has solely been one of professional association between client and independent consultant. There is no formal agreement between CSA and Sierra for CSA to conduct further work for Sierra. CSA has completed a number jobs for RTG providing high-level reviews of acquisition opportunities; there is no contract for or promise of any future work for RTG.

1.5 Principal Sources of Information

This Report has been based upon information available up to and including 26th February 2014 ("Valuation Date"). The information was provided to CSA by Sierra (including reports commissioned by RTG and passed on by Sierra) or has been sourced from the public domain, and includes both published and unpublished technical reports prepared by consultants, and other data relevant to the projects.

CSA has endeavoured, by making all reasonable enquiries, to confirm the authenticity and completeness of the technical data upon which this report is based. Sierra and BDO were provided a final draft of this Report and requested to identify any material errors or omissions prior to its lodgement.

CSA Director and Principal Geologist Dr Neal Reynolds completed site inspections of the Mabilo Project in December 2013 and of the Nalesbitan and Bunawan Projects in February 2014 (on behalf of RTG). As part of the site visits Dr Reynolds completed a review of the technical aspects of the projects, including previous work, geology, planned exploration and prospectivity, to inform the valuation. CSA considers that the site visits completed by Dr Reynolds reasonably covered all significant areas for the purpose of this Report.

A number of the smaller projects in Mindanao were not visited as they are at the early stages of exploration and evaluation. CSA considered that sufficient current information was available to allow an informed appraisal to be made of these projects without a site inspection.

CSA reviewed the status of all tenements using information provided by Sierra, RTG and the Philippines Mines and Geosciences Bureau's official web-based tenement registers (*Department of Environment & Natural Resources | Mines & Geosciences Bureau | Minerals Industry Information | Mining Tenements | Approved Mining Permits and Contracts* <http://www.mgb.gov.ph/lptt.aspx>) on 22nd February 2014. Further information was gained via discussions Dr Reynolds held with the legal firm undertaking due diligence reviews for RTG in Manila during his most recent site inspections. Additional discussion of the tenements is provided in a solicitor's report (Cruz Marcelo and Tenefrancia, 2014) to the board of Sierra which forms part of the Scheme Booklet.

Sierra's tenements are granted or in different stages of application and appeal. Based on CSA's enquiries to Sierra and the solicitor's reports (provided by Sierra and RTG) all tenements appear to be in good standing or (despite certain legal complexities) are likely to be beneficially retained by Sierra.

All granted tenements are reported by Sierra to have met or exceeded their expenditure commitments and to be on track to do so again in this current year; similarly rents for each tenement have been paid in full for the current tenement terms. CSA makes no other assessment or assertion as to the legal title of tenements and is not qualified to do so.



This report may contain statements attributable to third parties. These statements are made in, or based on statements made in previous geological reports that are publicly available from either readily available technical publications, government departments, the ASX or SEDAR. The authors of these previous reports have not consented to the statements' use in this Report, and these statements are included in accordance with ASIC Class Order (CO 07/428) Consent to quote: *Citing trading data and geological reports in disclosure documents and PDS.*

The statements and opinions contained in this report are given in good faith and in the belief that they are not false or misleading.

1.6 Declarations

This report has been prepared by CSA at the request of, and for the sole benefit of BDO. Its purpose is to provide an Independent Technical Assessment and Valuation of Sierra's projects in the Philippines. The Report is to be included in its entirety or in summary form within an IER to be prepared by BDO in connection with a Scheme Booklet. It is not intended to serve any purpose beyond that stated and should not be relied upon for any other purpose.

CSA has consented to the inclusion of the Report within the IER and Scheme Booklet in the form and context in which it is to appear. Neither the whole nor any part of the Report, nor any reference to it, may be included in or with, or attached to any other documents, circular, resolution, letter or statement without the prior written consent of CSA as to the form and context in which it is to appear.

This Report has been compiled based on information available up to and including the date of this Report. The statements and opinions are based on the reference date of 26th February 2104 and could alter over time depending on exploration results, mineral prices and other relevant market factors.

The information in this Report that relates to exploration results at Philippine projects is based upon information compiled by Mr Graham Jeffress, who is a full time employee of CSA. Mr Jeffress has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Persons as defined in the JORC Code 2012. Mr Jeffress consents to the inclusion in the Report of the matters based on his information in the form and context in which it appears.



2 The Philippines

The Philippines comprises an archipelago of more than 7,000 islands located on the western margin of the Pacific Ocean within the “rim of fire”. It extends for over 1800 km north to south and 600 km east to west encompassing a total land area in excess of 300,000 km².

The country is seismically active with over twenty active volcanoes and a number of geothermal fields increasingly utilised for power generation. The tropical climate is hot and humid all year round with an average annual temperature of 25°C and an average rainfall of approximately 3,000 mm. These features combine to produce areas of rugged topography with a thick cover of primary and secondary growth rainforests.

The Philippines was ruled by the Spanish for almost 400 years to 1898 and then by the United States of America for half a century. Western culture has had a powerful influence that is reflected in many aspects of Philippine life and society. The Philippines is a democracy with religious freedom guaranteed by the constitution and a “western” legal system encompassing concepts on contracts, property rights, obligations and judicial processes. There are three branches of government; the executive (with the president elected by popular vote for a single six year term), the legislative (bicameral congress comprising elected senators and representatives) and the judicial (appointed by the president).

Tagalog is the national language but English is also an official language and is widely spoken, being the medium of communication in business, government, education and the media. There is a high rate of tertiary education and the literacy rate is 86%. Approximately 90% of the 82 million population is Christian. Between 5% and 10% of the population are Muslim, most of who live in parts of Mindanao, Palawan, and the Sulu Archipelago.

The country has a long mining heritage and an exploration industry that is relatively advanced by world standards. There is a well-educated professional workforce of geologists and mining engineers, experienced miners and established mining industry support services such as analytical laboratories, drilling and helicopter companies. Cheap unskilled labour complements the trained workforce.

The Philippines has the second largest population and fifth largest economy in Southeast Asia. It is a party to the ASEAN-Australia-New Zealand Free Trade Agreement (see austrade.gov.au/AANZFTA for details). The International Monetary Fund expects the economy to grow at 4.8% in 2013, driven by strong population growth and popular efforts to reduce corruption.



3 The Philippine Mining Industry

3.1 Background

The Philippines has had a long history of mining and at various times has ranked among the world's top ten producers in gold, copper, chromite, and nickel.

In the 1970's the Philippines was the world's fourth largest exporter of minerals, with 45 operating mines and copper production peaking at over 300,000 tonnes per annum. Since that time the mining industry has declined due to the effects of low international metal prices, natural disasters and most significantly due to political instability with attendant legal uncertainty, low levels of foreign investment and labour problems. Most large-scale mines closed and there was little significant investment in mining. By the year 2000 an estimated 400,000 people were still employed in mining but 75% of them were engaged in small-scale mining and panning activities, chiefly in artisanal gold workings.

Following the peaceful overthrow of the Marcos dictatorship in 1986 a new constitution was adopted in 1987 and a new Mining Act was passed in 1995 ("Mining Act"). Implementing rules and regulations were established by the Department of the Environment and Natural Resources ("DENR").

3.2 Mining Law¹

In the Philippines, mining activities are governed by the Philippine Constitution of 1987, including the:

- Department of the Environment and Natural Resources Administrative Order (DAO) No. 2010-21 (The Mining Act IRR);
- Philippine Mining Act 1995 and its implementing rules and regulations; and
- Executive Order No. 79 (Mining Policy) and its implementing rules and regulations, DAO No. 2012-07, as amended by DAO No. 2012-07-A (the Mining Policy IRR).

The key government agency which administers and regulates the country's mineral resources is the Department of the Environment and Natural Resources ("DENR") through the Mines and Geosciences Bureau ("MGB").

The Mining Act and subsequent implementing rules issued by the DENR are the basis for mining and exploration in the Philippines. The Mining Act provides for a variety of tenements:

- Exploration Permit ("EP");
- Mineral Agreement ("MA");
- Financial or Technical Assistance Agreement ("FTAA");
- Mineral Processing Permit ("MPP"); and
- Small-scale mining activities may be conducted under a quarry permit, sand and gravel permit, gratuitous permit, gemstone gathering permit or a Small-Scale Mining Permit ("SSMP").

¹ Discussion of Mining Law based on Freehills (2012), SyCip (2006) and Reynolds (2013)



Mineral tenements are only granted to “Qualified Persons”. A legally registered foreign-owned corporation is deemed a Qualified Person with respect to an EP, FTAA or MPP. Mineral Agreements are available only to Philippine citizens or corporations with at least 60% Philippine shareholding.

Exploration can be undertaken under an EP, MA or an FTAA. Mining can only be undertaken under a Mineral Production-Sharing Agreement (see 3.2.2 below) or an FTAA.

In addition to the relevant tenure approval, a mining company must also comply with requirements including those relating to:

- the environment;
- the rights of indigenous communities;
- contributions to funds for community development; and
- the development of mining technology and geosciences, and local government consents.

3.2.1 Exploration Permit (EP)

An Exploration Permit grants the exclusive right to explore for all minerals in a specified area and to eventually enter into a MA or FTAA. An EP can be 100% foreign-owned and the expenditure commitment is in accordance with the work programme submitted by the applicant (rather than a statutory amount).

An EP has a term of two years, is renewable for further two year periods but cannot exceed a total term of six years (for metallic minerals exploration). The maximum area allowed for a corporation is 16,200 ha in any one province or 32,400 ha in the entire country. Mandatory area relinquishments of 25% after 2 years and 10% per year thereafter are applied.

3.2.2 Mineral Agreement (MA)

A Mineral Agreement is a contract between the government and a contractor, involving either a Mineral Production-Sharing Agreement (“MPSA”), a Co-Production Agreement (“CPA”) or a Joint Venture Agreement (“JVA”). The most common form of MA is a MPSA and the application phase is called an APSA.

Mineral Agreements grant the contractor an exclusive right to conduct mining operations and to extract all mineral resources found in the contract area. They are limited to Filipino corporations with a minimum of 60% Filipino ownership and a maximum of 40% foreign ownership. Mineral Agreements have a term not exceeding 25 years and may be renewable for another term not exceeding 25 years under the same terms and conditions.

The MPSA grants the contractor the exclusive right to conduct mining operations within, but not title over, a contract area in consideration for a share in the production that takes the form of an excise tax on mineral products. The contractor provides finance, technology, management and expertise.

The maximum allowable area which can be held by a corporation under an MPSA is 8,100 ha in any one province or 16,200 ha in the entire country. The agreement provides for mandatory relinquishment such that the maximum final area shall not exceed 5,000 ha for metallic minerals.



3.2.3 Financial or Technical Assistance Agreement (FTAA)

A FTAA is an agreement which allows 100% foreign ownership of large-scale projects for exploration, development and mining of metallic minerals. An FTAA requires a minimum authorised capital of four million dollars (USD\$4m) and a capital investment of fifty million dollars (USD\$50m) for infrastructure and development in the contract area.

The maximum area allowed is 81,000 ha and the maximum term is 25 years which can be renewed for another 25 years. Mandatory area relinquishments of 25% after two years and 10% per year thereafter are applied. A maximum final area of 5,000 ha for each mining area is allowed and no further relinquishments are required.

The following are the phase of operations of an FTAA:

- **Exploration** - up to two years from date of FTAA execution, extendible for another two years;
- **Pre-feasibility study** - if warranted - up to two years from expiration of the exploration period;
- **Feasibility study** - up to two years from the expiration of the exploration/ pre-feasibility study period or from declaration of mining project feasibility; and
- **Development, construction and utilization** - remaining years of FTAA.

3.2.4 Mineral Processing Permit (MPP)

A Mineral Processing Permit allows the milling, beneficiation, leaching, smelting, cyanidation, calcination or upgrading of ores, minerals, rocks, mill tailings, mine waste and/or other metallurgical by-products or by similar means to convert the same into marketable products.

The term of a MPP is for a period of five years from date of issuance and renewable for similar periods but must not to exceed a total term of twenty-five (25) years.

3.2.5 Small Scale Mining Permit (SSMP)

An SSMP is granted by the provincial Mining Regulatory board and has a term of 2 years and can be renewed for additional 2 year periods.

The SSMP is designed for artisanal mining relying on significant manual labour and little use of large-scale mining equipment. The maximum permit area is 20 ha per contractor and the maximum production is 100,000 tpa.

3.2.6 Approval Process

The approval process can be considered to consist of three stages:

- i. **Stage 1** is the initial application with supporting documentation including a work programme and associated environmental protection programme. Once the application and payment has been accepted and the area "cleared" with various administrative bodies, the applicant has priority over any subsequent applicant in that area.
- ii. **Stage 2** requires publication and notification of the application and resolution of any adverse claims or appeals filed. The applicant must obtain approval or endorsement from any two Local Government Units in the area under application



and a National Commission on Indigenous People (“NCIP”) certificate. The NCIP Certificate of Compliance is essentially approval from the local indigenous people who must be notified of the application and an agreement (including a minimum 1% gross royalty on production) negotiated. Agreed expenses for community development programs undertaken prior to production can be credited to or charged against the royalty.

- iii. **Stage 3** involves final evaluation by the MGB after all Stage 2 documentation has been submitted.

Since January 2011, the DENR has imposed a suspension of acceptance of all types of mining applications until it has processed all pending mining applications. The Mining Policy extends that moratorium on the acceptance and processing of applications for Mineral Agreements until the Philippine legislature approves a new revenue-sharing arrangement for mineral applications.

4 Geology of the Philippines

4.1 Regional Geology

The Philippine archipelago is situated within a complex zone between converging Eurasian-Sundaland and Philippine Sea Plates. The geology comprises a complex sequence of juxtaposed and superimposed island arcs formed by multiple episodes of subduction, arc-magmatism, ocean basin closure, collision, ophiolite accretion and lateral translation of terranes through regional strike-slip faulting.

The archipelago is currently bounded by opposed active subduction zones to both the east and west. To the west, oceanic crust is being subducted along the Manila, Negros, Sulu, and Cotabato trenches (Figure 2), initiated since the Miocene (Yumul et al, 2008). Collision zones with leading parts of the Eurasian Plate margin (Sundaland) separate these trenches (Pubellier et al, 1993).

Westward subduction of the Philippine Sea Plate at the East Luzon and Philippine trenches is believed to have begun in the late Miocene to Early Pliocene (Lallemand et al, 1998). The present day Pacific Cordillera volcanic arc is related to this subduction includes a number of active stratovolcanoes including Mount Labo adjacent to Paracale and Mount Mayon (the most active volcano in the Philippines). Pre-Pliocene magmatism within the arc is probably related to the older phase of eastward subduction. Paracale is located in the northern part of the arc.

The 1,500 km-long sinistral strike-slip Philippine Fault System transects the archipelago and is currently propagating to both the north and south. It is considered to have formed at the same time as initiation of the westward subduction zones in Mindanao to accommodate stresses created by the oblique subduction and the opposed subduction zones (Quebral et al, 1996). However, in northern Luzon where it forms a complex array of anastomosing faults, it may have initiated in the Mid Miocene.

The Philippine Fault System appears to be a pure sinistral strike-slip fault in the middle section of the archipelago but has distinct compressional and extensional aspects in the highly mineralised areas of east Mindanao and northern Luzon.

4.2 Regional Metallogeny

Gold mineralisation in the Philippines occurs predominantly within deposits of porphyry copper-gold and epithermal gold (-silver) style.

The bulk of porphyry and epithermal copper and gold mineralisation in the magmatic arcs of Southeast Asia occurred during the same short time periods related to tectonic 'plate re-organisation' events in response to major collision events.

In the Philippines, the Late Miocene-Pliocene collision between the Philippine mobile belt and continental crustal blocks from Eurasia led to stalling of eastward subduction in some parts of the arc and the initiation of westward-dipping subduction to the east of the mobile belt. This immediately preceded the major Pliocene mineralisation event.



The main Pliocene porphyry copper and epithermal gold districts of the archipelago lie close to the Philippine Fault System, associated with secondary structures including major splays, parallel faults and, east-southeast- to east-striking tension zones (Quebral, 1996).

Deposits tend to be clustered in discrete highly mineralised districts such as Bagio and Mankayan in Luzon and Surigao and Masara in East Mindanao. Gold mineralisation in the major districts is spatially and temporally related to shallow intrusions and volcanic centres (commonly with associated diatremes), mainly of Pliocene age in calc-alkaline to alkaline andesitic arcs.

High-sulphidation epithermal mineralisation has a close spatial and genetic relationship with porphyry copper deposits (Hedenquist et al, 1998). Skarn gold and copper-gold deposits and carbonate-replacement gold deposits are also commonly associated with porphyry systems.

The majority of epithermal gold deposits in the Philippines are classified as low-sulphidation type. In the Philippines, the majority of known low-sulphidation deposits are also spatially associated with porphyry districts if not directly associated with individual porphyry copper-gold systems.

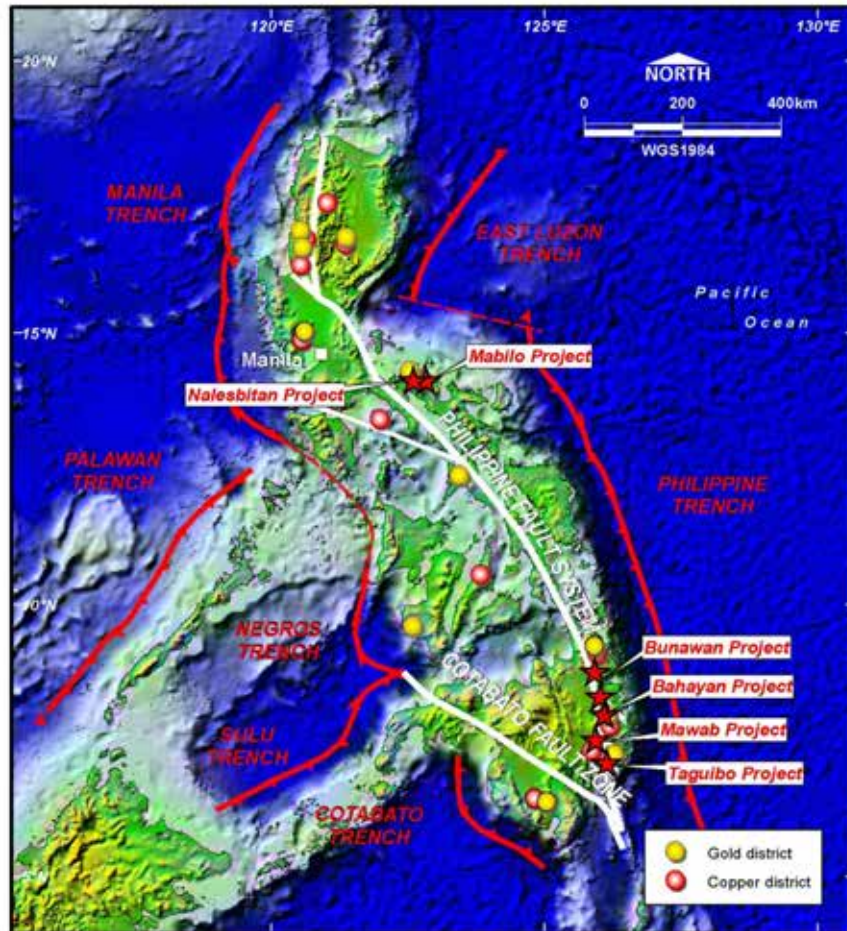


Figure 2: Philippines Archipelago – Major structural features with gold and copper districts, amended from Garwin et al. (2005).



5 Mabilo Project

The Mabilo Project comprises a granted Exploration Permit and an Exploration Permit Application located 10 km south of the historical 'Iron Belt' of the Paracale Mining District. Paracale has a long history of producing gold and magnetite iron ore.

Sierra obtained the Mabilo Project as part of the transaction involving the Nalesbitan Project (see below). The tenement covered a small operation mining magnetite skarn mineralisation. Sierra identified a number of magnetic anomalies interpreted to be additional magnetite skarns from a ground magnetic survey conducted by a previous explorer.

In 2012, Sierra conducted a drilling training programme to test these magnetic anomalies. Drilling at three of the five targets intersected significant magnetite skarn mineralisation containing high grade copper, gold and silver values. Results from preliminary metallurgical test-work were positive; with excellent initial recoveries achieved for both copper and magnetite (no work has yet been completed for precious metals).

5.1 Property Location, Access and Infrastructure

Mabilo is located in the Camarines Norte province in the Bicol region of Luzon Island, about 200 km east-southeast of the capital, Manila (Figure 3).

The property can be accessed by a 6 hour (330 km) journey via the Pan-Philippine Highway to Labo, then by 9 km of sealed road and 3 km of partly surfaced road to the project site. Alternatively a one hour domestic flight can be taken from Manila to Naga, followed by a two hour drive north to Daet, the capital of Camarines Norte. Sierra maintains its project office and core handling and storage facility at Daet. The Mabilo deposit is about 30 km west of Daet.

Camarines Norte is located in the northwest of the Philippine archipelago and experiences a tropical climate. The area is within the typhoon belt of the Philippines and is at risk, especially from June to October. Excepting this risk, it is possible to work on the Mabilo Project throughout the year.

The terrain in the Mabilo Project area is low lying to slightly undulating. It is transected by several north-flowing streams incised (up to 20 m) into soft Quaternary tuffs.

The Mabilo Project is in a rural area and is mostly covered by coconut palm plantations with areas of pineapple cultivation (Photograph 1). Regenerating rainforest grow along the larger watercourses and on the steeply incised slopes.

Road infrastructure is reasonably well developed in the surrounding area. The international Port of Jose Panganiban is 35 km northwest of Daet and a 66 kVA main grid line is within 10 km of the project.



Figure 3: Location of the Mabilo and Nalesbitan Projects

5.2 Description of the Mineral Assets

The Mabilo Project comprises Exploration Permit EP-014-2013-V and Exploration Permit Application EXPA-000188-V with a total area of 3,318 ha (33.2km²), see Figure 3 and Figure 4. Both licences are held by Sierra subsidiary Mount Labo Exploration and Development Corporation (“Mt Labo”) in which Sierra has a 64% direct and indirect interest.

Table 2: Mabilo Tenements

Licence Name	Area (ha)	Grant Date	Comment
Exploration Permit EP-014-2013-V	497.7	Jul-13	Granted for 2 years, option to renew for a further 4 years
Exploration Permit Application EXPA-000188-V	2820.5	Application	Pending application

Mt Labo originally entered into a Joint Venture Agreement with Galeo Equipment and Mining Company Inc. (“Galeo”) whereby Galeo could earn up to a 36% interest in the Mabilo and Nalesbitan Projects (to 200 m below the surface) by contributing USD\$4.25m of exploration drilling (9,000m DDH) and management services over a two year period.



Photograph 1: A clearing close to the creek in the main Mabilo Prospect area.

As of December 31 2013, Galeo had earned a 6.7% interest in Mabilo (Sierra ASX releases). Subsequent renegotiation of the JVA via a Memorandum of Understanding has extended Galeo's rights to depths beyond 200 m if they complete an additional 5,000m diamond core drilling. Under the revised terms of the JVA Galeo will receive its 36% interest up front, with a claw-back provision for non-performance. The amendment to the JVA is subject to shareholder approval. A second Memorandum of Understanding has also been signed whereby Galeo can earn an additional 6% in the joint venture by mining the initial 1.5 Mt of waste at Mabilo or Nalesbitan, taking the total interest Galeo can earn in the joint venture to 42%. The second Memorandum of Understanding is subject to a number of conditions precedent, including Sierra shareholder approval.

Artisanal mining activity has taken place at Venida within the EP-014-2013-V where a local consortium completed small-scale mining of magnetite skarn mineralisation. CSA understands that the mining operation has ceased and that the SSMP has expired.

5.2.1 Land Access

Exploration Permits provide the right to explore for sub-surface minerals, the surface rights remain with the landowners and access rights need to be obtained from the landowners by negotiation. Some land-owners have blocked access for drilling in the past but access to all areas for recent drilling has been granted following negotiation and agreed pre-paid compensation for preparation of drill pads.

The Joint Venture partners have embarked on a programme of land purchases in the tenement areas with agreements so far to acquire 8 out of 36 identified priority lots



(representing 22% of the land identified as priority lots by area), with plans to complete the purchase of the remaining plantations.

Sierra report that there are no native title or indigenous ancestral claims at Mabilo (Sierra, 2013a).

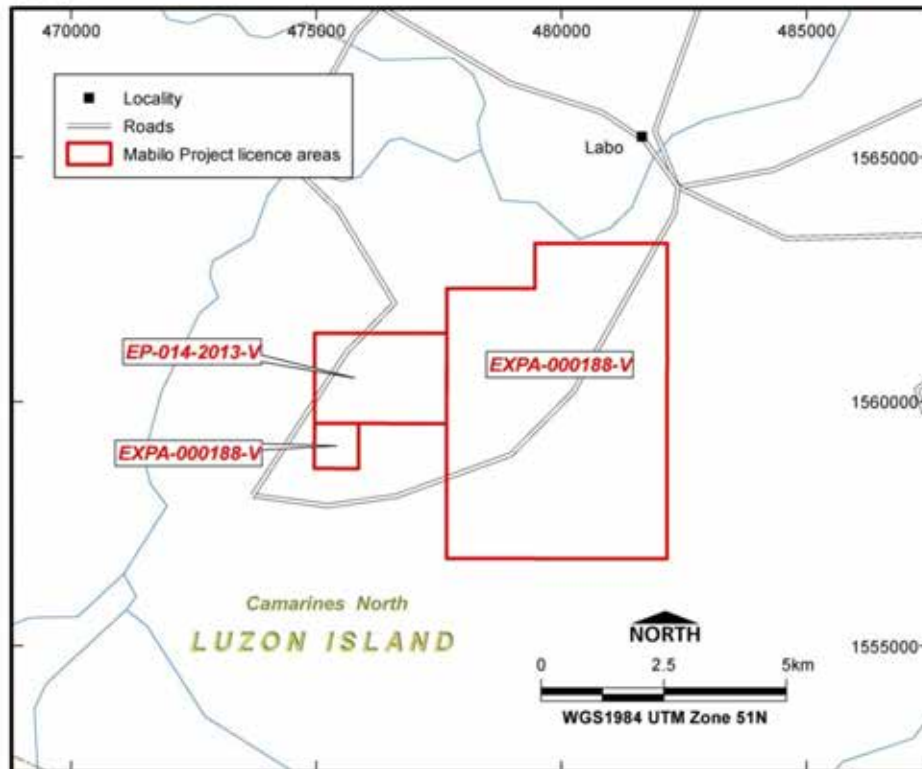


Figure 4: Map showing the Mabilo Exploration Tenements

5.2.2 Royalties

There is a Royalty of 1% of net mining revenue payable by Mt Labo to Mining Consultants Limited on any mining production from EP-014-2013-V under the terms of the Mabilo Royalty Agreement. There is also a state excise tax, paid as 2% of the actual market value of the gross output.

5.3 Project Details

5.3.1 Regional Geology

The Mabilo Project lies within the Paracale District with a basement of obducted Cretaceous ultramafic (ophiolitic) rocks and Palaeogene andesitic volcanics and marine sediments (Garwin et al., 2005; Pena, 2008). This basement is overlain by Eocene sediments of the Tumbaga (formerly Universal Formation) and Bosignon Formations – which host the 'Iron



Belt' mineralisation; comprising shallow near shore sediments including marls and limestones. In turn the Tumbaga and Bosignon Formations are conformably overlain by the Oligocene Larap Volcanics.

Subduction related magmatism has generated a series of intrusive events that invade the district. The early to middle Miocene Paracale Granodiorite intrudes the Cretaceous ultramafic basement and hosts numerous gold occurrences. The late Miocene Tamisan Diorite (also referred to as the Tabas Diorite) (Figure 5) comprises a suite of multiple intrusions emplaced in the sedimentary belt, primarily within the Tumbaga Formation. Pliocene dacitic porphyries are also noted in various company reports and intrude the Tumbaga and Bosignon Formations and the Larap Volcanics.

The stratigraphy is cut by a series of northwest-trending thrust faults probably related to pre-Late Miocene collisional events and play an important role in controlling mineralisation.

All of the aforementioned units are covered by southeast-thickening lahar and tuff deposits of the Pleistocene to Recent Labo Volcanic Complex.

Mineralisation

The Paracale Mining District is one of the largest historical gold producing regions in the Philippines, with gold production dating to the 12th century, predominantly from narrow quartz-sulphide veins. Gold was mainly worked from veins in the margins of the Paracale Granodiorite to the northeast of Mabilo.

The sedimentary belt to the southwest of the granodiorite is termed the base metal or 'iron belt' and includes a number of historical iron mines based on magnetite skarns (Figure 5). Most of these are small (and none of these historical deposits are in Sierra's tenements), however, the Larap mine is estimated to have produced approximately 20 Mt of iron ore from seven different magnetite bodies between 1918 and 1975. In 1971 the mine was estimated to host around 50 Mt of 26% Fe mineralisation (Sajona, 2013). The mineralisation is anomalous in copper, gold, and molybdenum as well as uranium and cobalt (Frost, 1965), although none of these were produced as commercial by-products. UNDP (1987) reported that in the Bessemer Pit at Larap a magnetite skarn overlies a sulphide-rich skarn and quoted mineralisation in the order of 20 Mt at grades around 0.4 g/t Au, 0.1% Mo and 0.3 g/t Ag, with minor uranium, tungsten and bismuth. Sub-economic porphyry copper mineralisation is also reported in the belt at Matanlang (UNDP, 1992).

Mabilo lies south of the main Paracale 'iron belt', though in a similar geological setting, namely Universal Formation intruded by diorites, and includes similar magnetite skarns that have been worked historically on a small scale.

Four magnetite skarn occurrences have been worked historically in the Mabilo area, three of which are to the north of the Mabilo Project, and one within the project tenements. Two small artisanal mining operations, Binit and B1 are located about 2 km north of the Mabilo licence adjacent to an outcropping diorite intrusion (Figure 7).

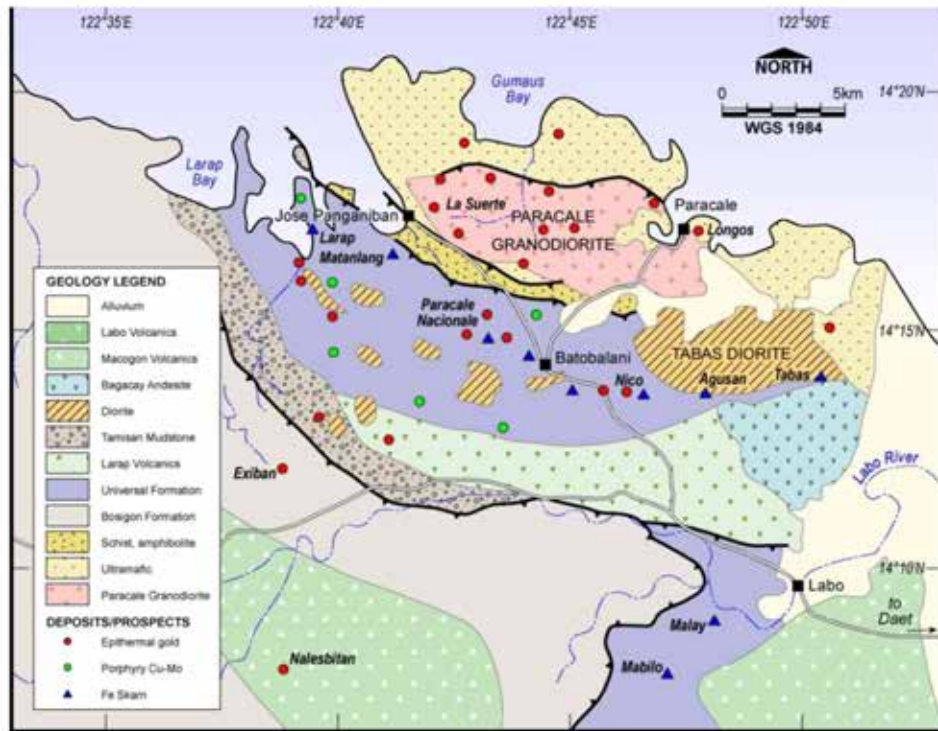


Figure 5: Summary geology and mineral occurrences in the Paracale district.

5.3.2 Local Geology

Quaternary lahar and tuff deposits of the Labo Volcanics cover the southern and eastern two-thirds of the Mabilo exploration licence, thickening southward from Venida. As a result of the poor exposure, younger volcanic cover, and limited drilling, the geology of the older rocks in the licence area is not well understood.

Available data indicate that Tumbaga Formation sediments underlying the young volcanic unconformity are cut by a quartz diorite intrusion. The Tumbaga Formation sediments include variably calcareous siltstones, minor sandstone, clean limestone and silty limestone.

A quartz diorite intrusion has been drilled under cover at the Mabilo prospect. This is probably equivalent to the diorite intrusion mapped immediately north of the licence and interpreted as belonging to the late Miocene Tamisan Diorite suite. The texture and irregular mapped outcrop and drilled extent are suggestive of a roof zone of a mid-level intrusion (Figure 7).

At the Mabilo prospect, the sedimentary lithologies are hornfelsed and metasomatically altered in the contact zone of the intrusion (Photograph 2).



5.3.3 Mabilo Area Mineralisation

The Mabilo Project hosts mineralisation of copper-gold-magnetite skarn type. Skarn describes a rock dominated by calc-silicate or calcium-magnesium silicate minerals formed by metasomatic replacement of carbonate-bearing rocks rich in calcium and magnesium. Skarn forms as a result of interaction of carbonate-bearing host rock with hydrothermal fluids derived from an igneous intrusion (Figure 6).

Skarns can host a wide variety of metallic deposits, including iron, gold, copper, molybdenum, tungsten, tin, zinc, and lead. The metal endowment of deposit relates to the chemistry and magmatic evolution of the intrusion, and to a lesser extent the nature of the host rocks.

Copper-gold-magnetite skarn deposits are a relatively common type of skarn deposit, typically associated with mid-level intermediate calc-alkaline intrusions cutting carbonate rocks in magmatic arcs. Copper-gold-magnetite skarn deposits are commonly associated with mineralised copper-gold porphyry systems; the largest example is the Ertsberg and other skarn deposits associated with the Grasberg porphyry deposit in the Papua province of Indonesia. However skarn deposits may also be associated with porphyries that do not host economic porphyry-style mineralisation and with deeper level intrusions.

Skarn copper-gold-magnetite mineralisation is considered to be the primary target at Mabilo. While the occurrence of copper-gold-magnetite skarn may suggest some potential for porphyry copper-gold mineralisation, no indication of this type of mineralisation has been encountered and no porphyritic intrusions have been identified. There may also be potential for epithermal gold mineralisation, but this is also a secondary target; pyrite-quartz overprint of the known skarn is of epithermal style, but is not known to be gold-mineralised.

A number of magnetite skarn occurrences are known within the Tumbaga Formation north of the Mabilo block and north of the Labo Volcanic cover, including Binit, B1 and Mayaman. These are located close to the contact of mapped diorite intrusions. Binit and B1 are current artisanal mining operations adjacent to the outcropping diorite intrusive; Binit is the more substantial and was mined prior to World War 2.

Binit is developed in weathered argillic-altered siltstone with abundant hematite veins and malachite staining. Garnet skarn rocks and wollastonite have been reported (JICA, 2002) but the mineralisation that is currently being mined by artisanal miners is hosted by quartz veins and hematite-filled fault zones.

The B1 mine is developed in strong hematite and manganese altered breccia near the diorite margin. Samples from both are reported to be anomalous in Au, Cu, Ag, As, Fe and Mn (Sierra, pers. comm.).

The Venida artisanal mine is within the Mabilo block. Magnetite mineralisation with significant associated copper-gold-silver occurs in a garnet-magnetite skarn zone. The garnet-magnetite zone grades through garnet skarn to wollastonite skarn developed in hornfelsed andesite, both of which are anomalous in copper and gold.

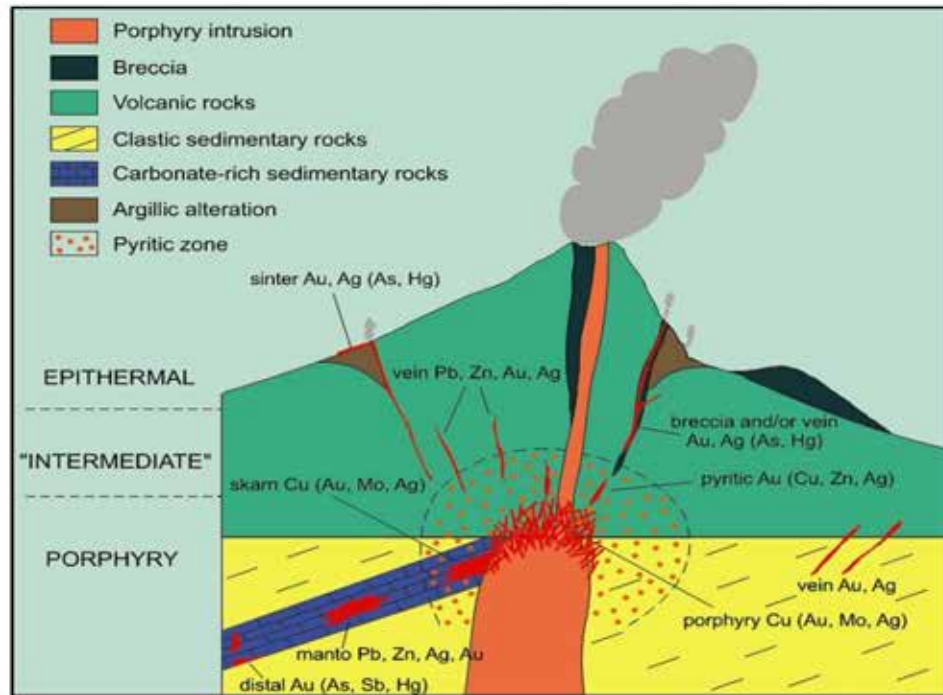


Figure 6: Cartoon representation of deposit types formed around intrusive/volcanic centres in an arc setting. Note that although copper-gold skarns commonly form peripherally to mineralise porphyry centres, not all copper-gold skarns form with this association.

Sierra's 2012 Mabilo discovery was made 500 m south of Venida under cover of the Labo volcanics. Drilling targeting magnetic anomalies intersected thick magnetite skarn with associated copper and gold mineralisation in what are now termed the 'North Body' and the 'South Body'. The North Body has now been tested by four drill holes and, 300 m to the south, the 'South Body' has been tested by sixteen drill holes, most of which have encountered similar magnetite skarn mineralisation.

The North and South Bodies have been defined and targeted by magnetic modelling. Where not eroded, the drilled mineralised zone is estimated to have a true thickness between 40 m and 90 m and dips west to southwest at 20–40°. Both bodies are open along strike and down dip, i.e. their full extent has not been tested and defined by drilling. Although the magnetic models show limited strike extent, the direct correlation between magnetite and copper-gold mineralisation may be variable. Magnetic modelling of the North Body and the northern part of the South Body (South A Body) indicate they are flat-lying but drilling currently suggests a shallow westerly dip.

Primary hypogene mineralisation typically comprises massive magnetite intergrown with minor retrograde-altered calc-silicate minerals (mainly garnet), chalcopyrite and late interstitial calcite (Photograph 3). Bornite occurs as a supergene phase, however some bornite may be hypogene. Covellite and/or digenite occur with chalcocite at base of hematite skarn.

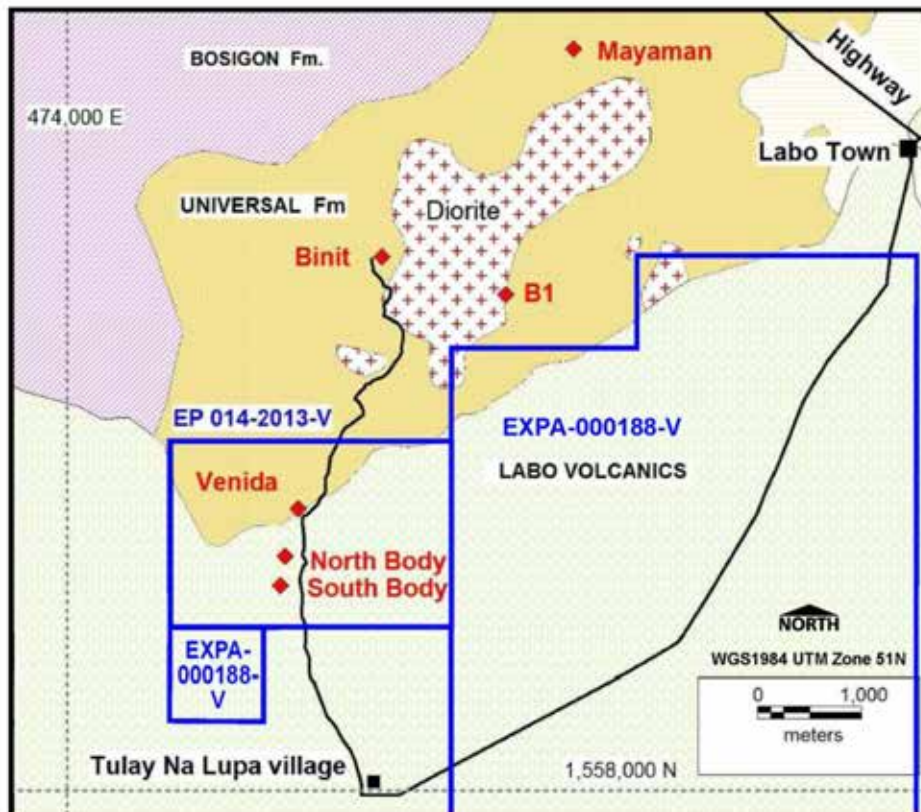


Figure 7: Local geology and magnetite skarn occurrences (red diamonds) in the Mabilo licence area.

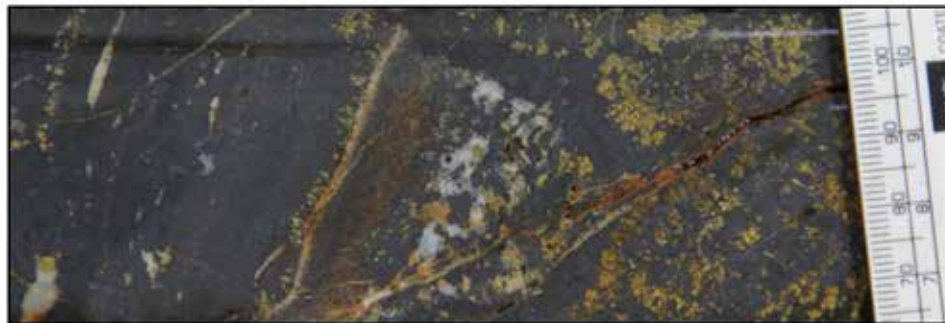
Copper and gold grades are closely correlated and commonly reach 5% Cu and 5 g/t Au in hypogene mineralisation. Average grades are about 1.7 % Cu and 1.9 g/t Au with 7 g/t Ag and 40% Fe. There is no independent mineralogical or metallurgical evidence, but the copper-gold correlation suggests that gold occurs within chalcopyrite.

The copper-gold grade of magnetite skarn is variable and there are indications of zonation in time and space, with probably early barren magnetite, strongly mineralised magnetite showing equilibrium textures with chalcopyrite, and later barren magnetite. Massive barren magnetite skarn intersections imply that that magnetic anomalies may not all reflect copper-gold mineralisation.

The magnetite skarn is hosted by variably calcareous hornfelsed sediments in the contact zone of a quartz-diorite intrusion. The quartz diorite has been intersected in two drill holes at Mabilo. Alteration within the quartz diorite is not intense, but hornblende is partly altered to chlorite and feldspar shows retrogressive alteration.



Photograph 2: White marble after sandy limestone in contact with massive magnetite skarn with calc-silicate interbeds. MDH-03, 113 m.



Photograph 3: Crudely banded massive magnetite skarn with remnant calc-silicate band on left. High-grade magnetite-chalcopyrite mineralisation on right cuts earlier banded magnetite-chalcopyrite-calc-silicate with interstitial calcite in centre. MDH-016, 139.5 m.

Clastic sediments have been metamorphosed to biotite hornfels and the calcareous and dolomitic siltstone and mudstone have been metamorphosed to calc-silicate or magnesian silicate hornfels. White crystalline marble has been intersected in two drill holes.

The limestone/marble and calc-silicate hornfels are overprinted by metasomatic skarn and variable mineralisation. All prograde alteration and mineralisation has been overprinted by intense retrograde alteration. Mineralised magnetite skarn probably preferentially replaced a cleaner limestone or marble horizon within the sedimentary sequence. However a better understanding of structure and stratigraphy is required to fully determine controls to mineralisation.

The magnetite skarn is widely and locally intensely overprinted by quartz-pyrite-arsenopyrite veining and brecciation. In Mabilo drill hole MDH-13, a thick zone of silicified breccia with

pyrite and arsenopyrite underlies the skarn and includes clasts with colloform epithermal textures and leached vuggy silica alteration, suggestive of an acid-leaching high-sulphidation alteration style. This suggests telescoping of a higher-level high-sulphidation alteration system onto the skarn. It is not known whether the sulphidic overprint carries any gold mineralisation, but analytical results suggest that if gold is present the grades are low.

The upper part of the skarn and host rock sequence is strongly oxidised with associated supergene alteration of the mineralisation (Photograph 4). This weathering is interpreted to underlie and pre-date the Labo volcanic unconformity. The oxidised zone may be 20 to 30 m thick, but the oxidation front is not sharp and weathered zones may occur significantly beneath this front.

The magnetite skarn is generally less oxidised than its host rocks and appears, where massive, to have acted as a resistive body to weathering. Oxidation and supergene alteration of skarn mineralisation includes replacement of magnetite by hematite, replacement of chalcopyrite by bornite, covellite and chalcocite, including high-grade supergene-enriched zones of sooty chalcocite. Small amounts of native copper are widely distributed in the supergene zone with minor malachite. Localised supergene enrichment of copper occurs as high-grade chalcocite at the base of the oxidised zone.



Photograph 4: Oxidised hematitic mineralisation after massive magnetite skarn with intervals of deeply weathered calc-silicate hornfels or skarn. 63 mm HQ core, MDH-01.

5.3.4 Historical Exploration

Since the early 1960's, the Mabilo Property area has been explored for copper, gold and iron:

- **1963-1965** – Venida, which lies within the Mabilo licence, was exploited by local artisanal miners under the management of Mr Marcus Pimental. Miners mined for iron boulders on a small scale, with estimated production of 3,000 tonnes (Fernandez, 1965).



- **1965** – The Bureau of Mines conducted geological and magnetic surveys around Venida and defined an anomaly west of the old pit (Fernandez, 1965).
- **1970's** –The area was prospected for iron by Mitsui Mining and Industrial Corporation (Samonte, 1975), but no records are available for this work.
- **1985** – GFAL initially visited the area and collected two rock samples. These two samples returned gold assay values of 2 g/t and 6 g/t confirming the presence of gold. Gold Fields Philippines Corporation (“GFPC”) then continued its claims of the area (Delfin and Tauli, 1990).
- **1987-1995** – Between 1987 and 1988 GFPC registered six claims in the area. GFPC conducted geochemical surveys, pitting and trenching, and a ground magnetic survey centred on the Venida pit (Delfin and Tauli, 1990). GFPC subsequently drilled 10 diamond drill holes (totalling 892.75 m) at Venida pit and reported a historical resource estimate.
- **2007** – Eldore conducted an extensive ground magnetic survey in the area, which identified significant anomalism interpreted to represent magnetite. Seven targets were identified but not drilled.
- **2012** – Venida has recently been mined on a small scale by local artisanal syndicates. CSA understands that this was within a small-scale mining licence issued by the provincial governor within the APSA area. Mining has now ceased and the open pit is estimated to be 150 m by 100 m in extent and up to 40 m deep. The direct-shipping ore was allegedly mined for its content of iron, copper, and gold but no production records are available. CSA has been told that the small-scale mining licence has now expired.

5.3.5 Recent Exploration Activity

Sierra acquired Eldore and changed its name to Mt Labo Exploration and Development Corporation in November 2011, and commenced a drill programme in 2012.

5.3.5.1 Geophysics

Sierra used models based on the historical Eldore magnetic data as the primary tool for drill targeting and this has resulted in the successful intersection of the North and South Bodies. New ground magnetic data was acquired and processed and magnetic models based on both the ground magnetic data and magnetic properties of drill core from Sierra’s initial drilling programme interpreted to guide further drilling (Maude, 2012). Results of this work are shown in Figure 8 and Figure 9.

Drilling to date suggests that the models provide a good representation of magnetite mineralisation in the North and South bodies. Drilling of the NE Anomaly has been inadequate to determine its source, while initial drilling of the SE Anomaly intersected magnetite skarn mineralisation, at the time of CSA’s site inspection in February 2014. Details of the drill programme and its results are described in the next section.

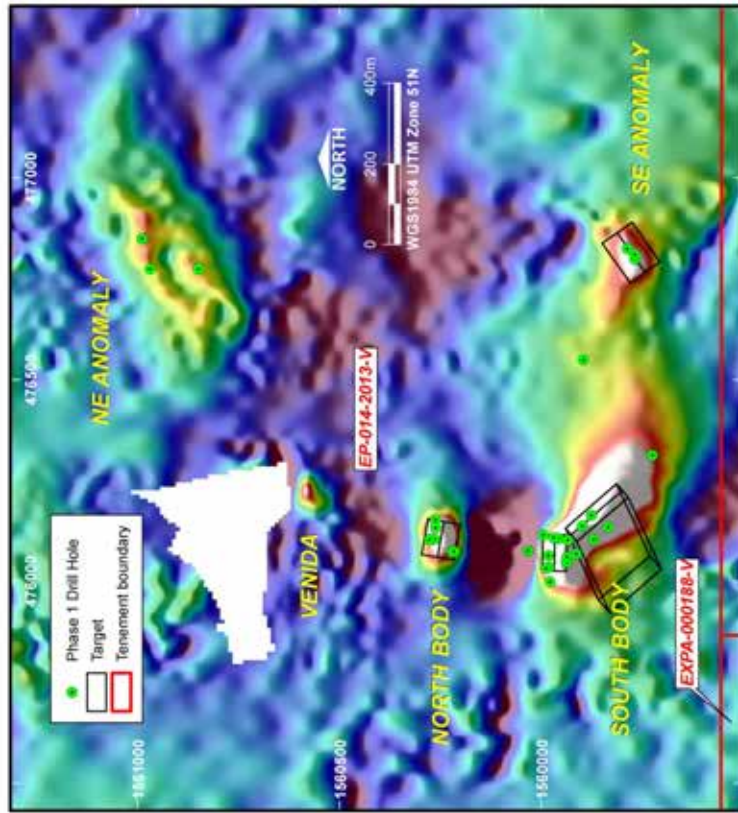


Figure 8: Regional RTP magnetic image of the Mabilo deposit showing the magnetic models and drilling.

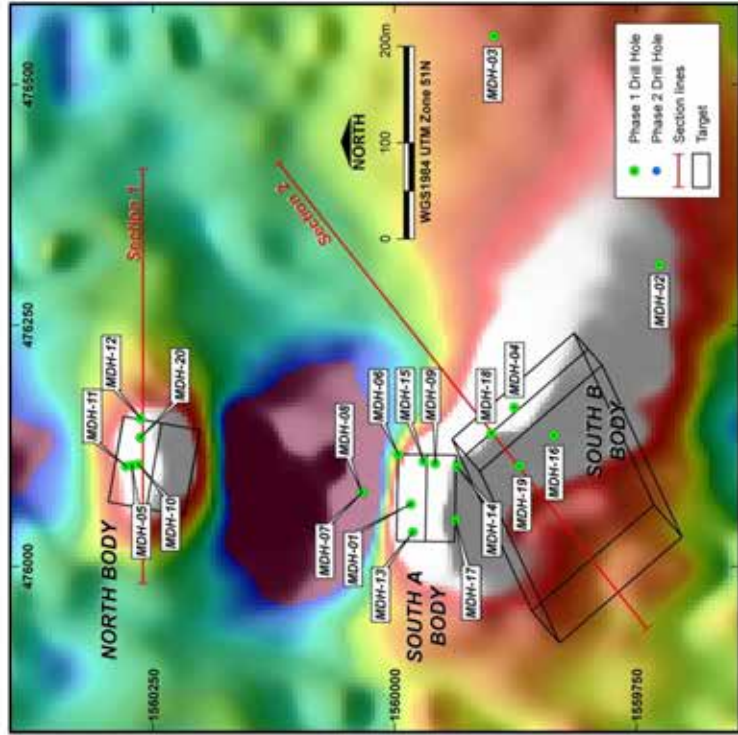


Figure 9: Local RTP magnetic image of the Mabilo deposit showing the magnetic models and drilling.



5.3.5.2 Drilling

All drilling at the Mabilo Project has been conducted by Sierra and has comprised two phases, with the second phase currently ongoing (Table 3). Both phases have exclusively used diamond core drilling.

The first phase was completed from September 2012 to December 2012 and comprised 12 holes (MDH-01 to MDH-12) for 1,660 m of mainly PQ and HQ triple tube diamond drilling. The second phase of drilling commenced in July 2013 and was ongoing at the time of the site visit in December 2013 and subsequently. Drilling has been conducted by Galeo as part of their JVA requirements to earn equity in the property.

Eight holes for 996 m of PQ, HQ and NQ triple tube diamond core had been drilled by three different rigs at the time of the site visit (MDH-13 to -20). All the Mabilo drill holes are listed in Table 3, and shown in Figure 9.

Table 3: Mabilo Drill Locations, Orientations and Depths

Hole	East	North	RL	Dip	Azimuth	Depth (m)
MDH-01	476065	1559983	107	-90	-	145.4
MDH-02	476313	1559726	127	-90	-	161.1
MDH-03	476550	1559897	122	-90	-	124.6
MDH-04	476165	1559876	120	-90	-	181.9
MDH-05	476105	1560272	105	-90	-	129.8
MDH-06	476116	1559996	107	-90	-	102.8
MDH-07	476077	1560033	106	-50	180	136.1
MDH-08	476077	1560034	106	-90	-	113.4
MDH-09	476107	1559958	108	-50	270	143.7
MDH-10	476106	1560265	106	-60	180	123.4
MDH-11	476104	1560278	105	-60	360	170
MDH-12	476154	1560263	108	-60	270	127.8
MDH-13	476036	1559981	108	-90	-	135.2
MDH-14	476103	1559935	109	-90	-	76.5
MDH-15	476109	1559970	108	-90	-	91.2
MDH-16	476136	1559835	121	-90	-	184.2
MDH-17	476048	1559937	108	-90	-	164.2
MDH-18	476138	1559900	119	-90	-	103.8
MDH-19	476104	1559871	120	-90	-	170.6
MDH-20	476134	1560263	111	-90	-	95.7
MDH-21	476,034	1,560,980	107	-60	240	66.4 abd
MDH-22	476,804	1,559,765	115	-90	-	78.2 abd
MDH-23	476,810	1,559,769	115	-90	-	174.6
MDH-24	476,775	1,560,970	107	-90	-	66.1
MDH-25	476,766	1,560,934	103	60	160	42.6
MDH-26	476,835	1,560,998	106	-90	-	50.05

Co-ordinates are on a UTM Grid; WGS84 (51N); abd = abandoned

Drilling at Mabilo has targeted anomalies modelled from ground magnetic data. Most drill holes have intersected magnetite skarn and significant intersections have been returned in 19 of the 20 drill holes completed up to the time of the site visit in December 2013 (Table 4). Mineralised intersections wider than 20 m were encountered in 16 of these holes. Subsequently to the CSA visit another six holes were completed, including MDH-23, which intersected 61.7 cumulative metres of magnetic skarn and ended in mineralisation due to mechanical problems with the drill rig.

Note that as most drill holes have been vertical while the skarn dips moderately to the southwest to west, true thicknesses of mineralisation are less than the drilled intersections.

The dip of the North Body is uncertain, the magnetic model is flat, but drilling suggests a shallow dip to the west (Figure 10). The magnetic model for the northern part of the South Body (South A) is also flat, but drilling suggests a shallow southwest dip. The main part of the South Body dips at about 30–40° based on the magnetic model and drilling (Figure 11). This suggests that, where not cut by the Labo Volcanic unconformity, true widths of the skarn zone are between 50 m and 100 m.

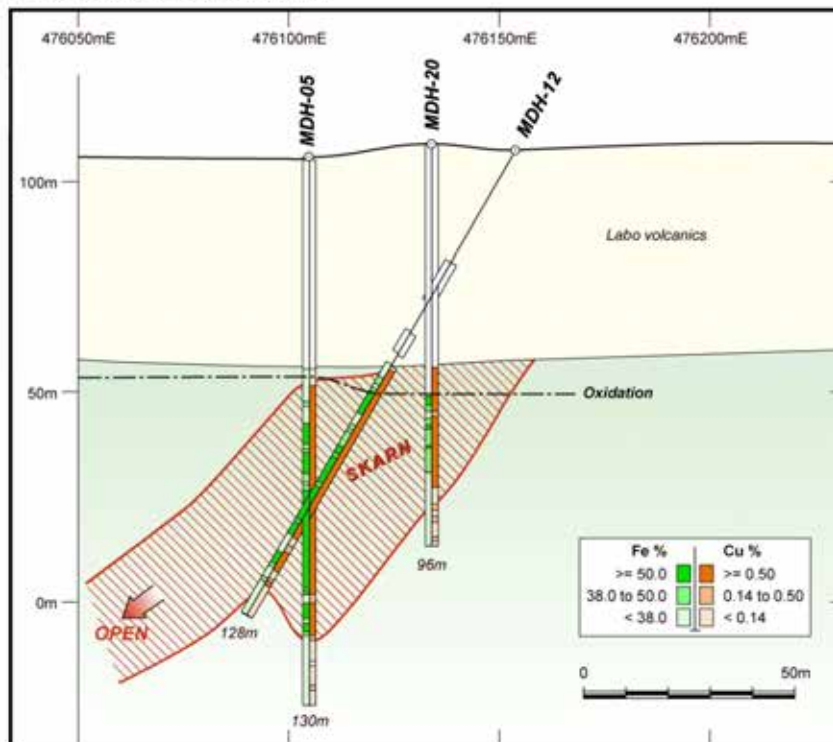


Figure 10: Cross section through north body (location displayed in Figure 9).

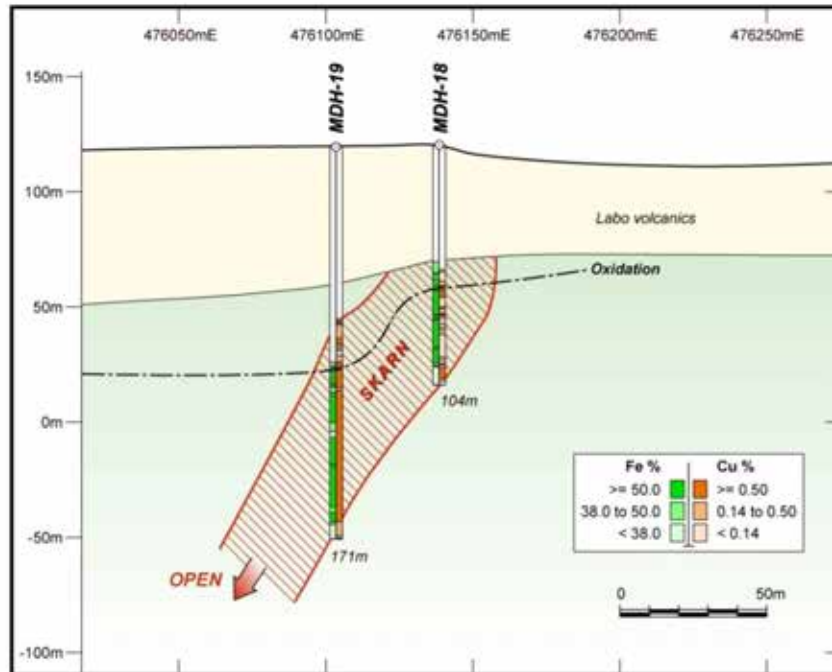


Figure 11: Cross section through south body (location displayed in Figure 9).

Table 4: Significant drill-hole intersections

Hole	Intersection (m)	From (m)	To (m)	Cu (%)	Au (g/t)	Fe (%)
MDH-01	94.0	26.0	120.0	2.2	1.6	36.6
including	11.0	41.0	52.0	10.1	2.1	45.7
MDH-02	14.0	138.0	152.0	0.2	0.5	5.3
MDH-04	28.0	63.0	91.0	0.2	0.4	42.7
MDH-04	25.0	140.0	165.0	0.5	0.2	6.1
MDH-05	63.0	51.0	114.0	2.7	2.6	48.2
including	5.0	53.0	58.0	7.2	6.0	21.5
MDH-06	9.0	44.0	53.0	0.3	0.3	8.8
MDH-06	19.0	58.0	77.0	0.2	0.1	3.8
MDH-07	97.0	39.0	136.0	2.2	2.3	50.3
including	6.0	63.0	69.0	10.3	2.5	52.3
MDH-08	6.0	91.0	97.0	0.2	0.2	4.2
MDH-09	87.0	34.0	121.0	1.7	2.9	43.4
including	3.0	40.0	43.0	0.2	11.0	57.4
including	4.0	65.0	69.0	12.7	2.9	42.8
MDH-10	64.4	59.0	123.4	2.3	2.2	45.0
MDH-11	110.0	60.0	170.0	0.8	0.7	21.5
MDH-12	59.0	60.0	119.0	2.4	2.3	43.8



Hole	Intersection (m)	From (m)	To (m)	Cu (%)	Au (g/t)	Fe (%)
MDH-13	99.1	36.1	135.2	2.2	3.0	37.6
including	3.8	47.2	51.0	0.8	11.9	60.7
including	3.0	63.0	66.0	6.1	6.3	50.0
MDH-14	10.6	30.8	41.4	0.1	1.2	55.7
MDH-14	34.1	42.2	76.3	0.7	0.9	52.2
MDH-15	7.1	38.7	45.8	0.1	0.6	8.8
MDH-15	23.1	60.0	83.1	0.2	0.1	3.7
MDH-16	74.7	103.0	177.7	2.3	3.9	48.9
including	26.9	107.1	134.0	4.9	7.9	49.5
MDH-17	115.1	45.2	160.3	1.2	1.2	33.8
MDH-18	51.8	50.2	102.0	0.7	1.2	51.8
including	2.5	60.0	62.5	0.4	15.6	51.9
MDH-19	95.7	74.9	170.6	1.2	1.5	43.4
MDH-20	28.6	53.1	81.7	10.5	4.1	36.5
including	5.8	53.1	58.9	36.1	6.2	18.8
including	3.9	68.0	71.9	13.1	12.7	46.5

Using a cut-off of 0.14% Cu or 0.5 ppm Au or 38% Fe. Internal waste is taken as less than 5 m. Note that as most drill holes have been vertical while the skarn dips moderately to the southwest to west, true thicknesses of mineralisation are less than the drilled intersections.

The first five holes drilled a Mabilo were based on the old magnetic modelling and two failed to intersect significant mineralisation. Subsequent drilling based on the revised models has intersected magnetite mineralisation mostly with significant copper and gold grades. Drilling has now tested the two strongest magnetic anomalies and associated magnetic bodies modelled by SGC, the North Body and South Body and intersected magnetite mineralisation at the SE Anomaly.

The North Body has been tested by five drill holes over an area of about 200 by 100 m, four of which intersected magnetite mineralisation consistent with the magnetic model. The fifth hole, MDH-11 intersected a substantial width of lower grade brecciated magnetite-hematite skarn mineralisation to the north of the magnetic model and returned an intersection of 110 m at 0.7 g/t Au and 0.8% Cu, including 45 m at 0.98 g/t Au and 1.13% Cu, from 60 m down-hole. This suggests that mineralisation may be more extensive than indicated by the magnetic model which has been largely tested by drilling. Potential exists for down dip extension on the western edge and the potential for low-grade mineralisation to the north towards Venida (supported by MDH-11) and to the south towards the South Body is substantial.

The South Body has been tested by 16 holes over an area of about 250 by 100 m. This drilling has tested the upper part of the body which dips to the southwest at about 30° to 40°. The South Body mineralisation remains open to the north (towards the North Body), southeast towards the Southeast Anomaly, and down-dip to the west and southwest.

5.3.5.3 Preliminary Metallurgical Testing

Sierra (ASX release 11th March 2013) has submitted three samples of copper and gold bearing magnetite skarn mineralisation for metallurgical testing. The results from the



preliminary test-work were positive, with excellent initial recoveries achieved for both copper and magnetite. No work has yet been completed for precious metals.

The test-work, conducted by TBM Mining Met Services Inc. in Manila, was limited to the primary skarn mineralisation and undertaken to confirm that the copper could be recovered by flotation and the magnetite by magnetic separation. The three samples represent a range of Cu and Fe values consistent with and representative of the variation recorded in the magnetite skarn mineralisation. The results indicate high copper recoveries and high-grade concentrates can be expected from flotation.

Two separate sub-samples were split from each of the metallurgical samples and the sub-samples were prepared, tested at various magnetic intensities and analysed separately. The samples had not been subjected to prior flotation test-work. Davis tube test-work was conducted on all six sub-samples. A portable standard magnetic block separator was also used to test the magnetite recovery.

Davis tube test work showed increasing recovery with increasing magnetic intensity; recoveries at 2,500 gauss were moderate, however a high quality concentrate was produced as shown in the Table 5 below.

Table 5: DTR Results

Sample	Test	Intensity Gauss	Recovery % Fe	Grade % Fe
A	1	2,500	36.13	62.67
A	2	2,500	36.39	58.95
B	1	2,500	32.29	66.67
B	2	2,500	28.67	64.53
C	1	2,500	31.86	65.55
C	2	2,500	29.63	62.98

Increasing the magnetic intensity (to 3,000 gauss) using the portable standard magnetic block significantly increased recovery with only a relatively minor decrease in grade. The results are summarised below.

Table 6: Magnetic recovery results with portable standard magnetic block

Sample	Test	Intensity Gauss	Recovery % Fe	Grade % Fe
A	2	3,000	61.09	52.71
B	2	3,000	70.33	62.25
C	2	3,000	85.93	56.1

TBM Mining Met Services concluded that *“the test-work demonstrated that the three samples responded well to magnetic concentration. At higher magnetic intensity (3000 Gauss), the yield increased significantly. Concentrate grade of 62 to 66% Fe can easily be achieved with the appropriate employment of magnetic intensity levels. This range of concentrate grades of iron is of premium quality marketable grade”*.



5.3.6 Mineral Resources and Exploration Target

5.3.6.1 Historical Resource Estimates

GFPC reported a historical resource at the Venida pit (Delfin and Tauli, 1990). Recent undocumented small-scale mining activities at Venida will have depleted this mineralisation by an uncertain amount. This mineralisation is not considered in this valuation.

5.3.6.2 Production from the Mabilo Project

Approximately 3,000 tonnes of iron ore of unknown grade is reported to have been mined at Venida between 1963 and 1965 (Fernandez, 1965). Magnetite has been mined intermittently by small scale miners since and, more recently, in a more systematic way. CSA understands that a direct-shipping ore was mined for its content of iron, copper, and gold. No production records are available.

5.3.6.3 Exploration Target

At this stage Sierra have yet to complete sufficient work to estimate Mineral Resources for the skarn deposits at Mabilo. To assist with the valuation process, CSA undertook a review of the available data and quantified an Exploration Target for the project.

CSA was provided with collar, geological, assay and topographic information for the drilling completed by February 2014 at Mabilo. CSA was also provided with the geophysical models and 3D inversions of the Mabilo magnetic anomalies completed by SGC in 2013 (Maude 2013).

Using 3D mining software packages (Micromine and Datamine) CSA completed an interactive interpretation of the drilling data and the geophysics. As well as mineralised zones, CSA interpreted the approximate surface representing the base of oxidised material based on changes in grades and logged observations. The interpreted mineralised zones were extrapolated to recognise the depth extent of the geophysical iterations as well as honouring the volumes constrained by drilling.

Actual density data from Mabilo (determined using a wax-coated, Archimedes method) was used to derive densities based on iron contents using a linear regression.

Mineral inventories were estimated for the different modelled bodies following statistical analysis of the data (that identified appropriate top-cuts for Au, Ag and Cu) using an inverse distance-squared approach on block models filling the modelled mineralised domains at Mabilo.

Based on this work target ranges for the oxidised domain and the underlying primary zone were quantified; these approximations are listed below in Table 7.

Note that the potential quantity and grade for these approximations are conceptual in nature, that there has been insufficient exploration to estimate a Mineral Resource and that it is uncertain whether further exploration will result in the estimation of a Mineral Resource.

The interpretations and conclusions reached by CSA in determining the Exploration Target are based on current geological theory and the best evidence available to CSA at the time of writing. It is the nature of all scientific conclusions that they are founded on an assessment of probabilities and, however high these probabilities might be, they make no claim for



absolute certainty. Any economic decisions that might be taken on the basis of this Exploration Target will therefore carry an element of risk.

Table 7: Mabilo Exploration Target²

		Tonnes (Mt)	Fe %	Cu %	Au g/t	Ag g/t
Oxide	Lower	0.9	35%	0.5	1.8	4
	Upper	1.1	45%	0.6	2.5	5
Primary	Lower	12	45%	1.2	1.5	6
	Upper	28	55%	1.8	2.0	9

Sierra propose to continue exploring the Mabilo Project deposits with resource definition drilling and additional geophysics over the next 12 months.

5.3.7 Exploration Potential

The Mabilo Project is a new (2012) discovery of copper-gold-silver mineralised magnetite skarn made by drill testing magnetic anomalies under younger Labo Volcanic cover; work is still at an early stage.

Reynolds (2014) concluded that:

- Strong magnetic anomalies represent massive magnetite skarn. 3D magnetic models have provided a good indication of the presence and approximate geometry of magnetic skarn bodies, however almost no drilling has been completed outside the models so it is possible that magnetite is more extensive than the models indicate. The 3D magnetic models have only been partly drill tested at this stage. In particular, the South Body model extends more than 200 m down-dip of current drilling.
- Variable Cu-Au grade of magnetite skarn probably reflects zonation in time and space, with probable early barren magnetite, strongly mineralised magnetite in equilibrium textures with chalcopyrite, and later barren magnetite.
- It appears that the Mabilo skarn is inherently higher grade than the skarns that have been historically mined and drilled in the Paracale district. However it is not clear how well the other skarns have been tested below the weathered zone which may have depleted copper and gold grades.
- The Mabilo skarn is also partly oxidised in its upper part, with generally reduced copper grades. Minor high-grade supergene copper at the oxidation interface occurs as sooty chalcocite. Native copper is present in the oxidised zone and copper recoveries may be reduced.
- The magnetite skarn is widely and locally intensely overprinted by pyrite-arsenopyrite veining and brecciation, often vuggy and colloform. This suggests high level telescoping

² The information in this report that relates to an Exploration Target is based on information compiled by Dmitry Pertel, Grant Louw and Neal Reynolds, who are all Members of the Australian Institute of Geoscientists. They are all employed by CSA Global Pty Ltd, independent resource industry consultants. They each have sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Persons as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Dr Reynolds consents to the inclusion in this report of the Exploration Target based on his information in the form and context in which it appears. All parties have consented to the inclusion of their work for the purposes of this report.



of a high-sulphidation alteration style with potential for gold zones not associated with magnetite.

Reynolds (2013) concluded that the magnetic models and results to date suggest good potential for significant extensions to currently outlined mineralisation. The magnetic models have proved a good guide so far, but are unlikely to be precise; so mineralisation may have greater continuity than modelling indicates, with the highs and lows reflecting variable magnetic response. Drilling the Northeast anomaly encountered diorite and no skarn, but this large target has not been fully tested.

Confirmation that the Southeast anomaly represents mineralised magnetite skarn has provided upside potential.

The interpretation of multiple skarn bodies rimming a causative Tamisan-suite diorite is the simplest interpretation of current observations and would suggest limited potential for mineralised porphyry systems. However the high-sulphidation epithermal-style overprint at Mabilo does suggest proximity to a volatile-rich high-level intrusion and indicates that mineralised porphyry potential requires further assessment.

6 Nalesbitan Project

The Nalesbitan high-sulphidation epithermal gold deposit occurs within Pliocene volcanics about 25 km to the south of Paracale ‘iron belt’ and 15 km west of Mabilo. This is a different geological domain from Mabilo, but it is possible that Mabilo and Nalesbitan are related to the same magmatic event.

Nalesbitan has a long history of exploration by various operators. Underground mining by a Filipino-American company occurred in the period 1938-1941 with completion of 1700 m of adits. At the end of WWII, artisanal miners occupied the workings and their activities continue to the present.

Gold Fields Philippines Corporation (“GFPC”), a subsidiary of Renison Goldfields Corporation (“RGC”) through Gold Fields Asia, commenced exploration in 1977 and commissioned an open cut mining and heap leach operation in 1990. The mine suffered from low grades and poor recoveries and was closed after six months.

Subsequently, GFPC changed hands and was renamed Eldore Mining Corporation (“Eldore”). Ownership changed a number of times before Eldore was acquired by Sierra and renamed Mt Labo Exploration and Development Corporation (“Mt Labo”).

6.1 Property Location, Access and Infrastructure

Nalesbitan is located on Luzon Island in the Municipality of Labo, Camarines Norte province (Figure 1). It is centred at approximately 14°6’N, 122°38’E. It is accessed by the Maharlika Highway from Manila (311 km) and then an unsealed road (12 km).

The turn-off to the unsealed road is about 34 km from Sierra’s office and core-yard in Daet. Poor road conditions mean that this amounts to a 2–3 hour drive from Daet, with a river crossing that is not passable in the wet season.

6.2 Description of the Mineral Assets

Sierra’s interest in Nalesbitan is held through Mt Labo, under the same ownership structure and subject to the same joint venture with Galeo, and a royalty agreement with the same terms and conditions, as described in the Mabilo section above. Additional information on the tenements is provided in Table 7 and the tenement boundaries are illustrated in Figure 3 and Figure 12.

Table 8: Nalesbitan Tenements

Name	Permit Number	Area (ha)	Status
Nalesbitan MLC	MLC MRD 459	498	Granted 2 October 1987
Nalesbitan APSA	APSA-V-0002	663	Not Granted, Appealing

At the time of the Sierra due diligence prior to acquisition of its interest in Mt Labo, Nalesbitan consisted of one granted Mining Lease Contract (“MLC”), covering six contiguous Mineral Claims, and one MPSA application (termed an APSA) covering an additional eight contiguous Mineral Claims.



Photograph 5: Aerial view of Nalesbitan Hill from the southeast, the Singko workings are on the lower slopes in the right foreground.

Enquiries by CSA have revealed that the Mineral Claim, MLC MRD-459, expired on 2 October 2012. However, Mt Labo had filed an application for extension prior to the expiry and the extension is being processed. Furthermore, APSA-002-V, filed by GFPC (now Mt Labo) on 8 July 1991, was denied by the MGB Region Office V in 2011 on the ground that Mt Labo failed to complete the required publication, posting and radio announcement within one year from the date of acceptance of APSA-002-V. A Motion for Reconsideration by Mt Labo was denied and an appeal has been submitted.

CSA understands that there are multiple grounds and routes for appeal. Sierra contend that there was an entitlement to renew the MLC for a further 25 years under the terms of the MLC, however, as MLC's are no longer issued, this will be reissued as an MPSA. Sierra is not aware of any impediments to this occurring. APSA 002 is subject to appeal, and whilst Sierra believes that there are strong grounds for the appeal to be upheld, this has yet to be determined. On this basis CSA conclude that it is appropriate to undertake a valuation on the Nalesbitan Project, given that the core area around Nalesbitan Hill is at low risk of not converting to a valid tenement.

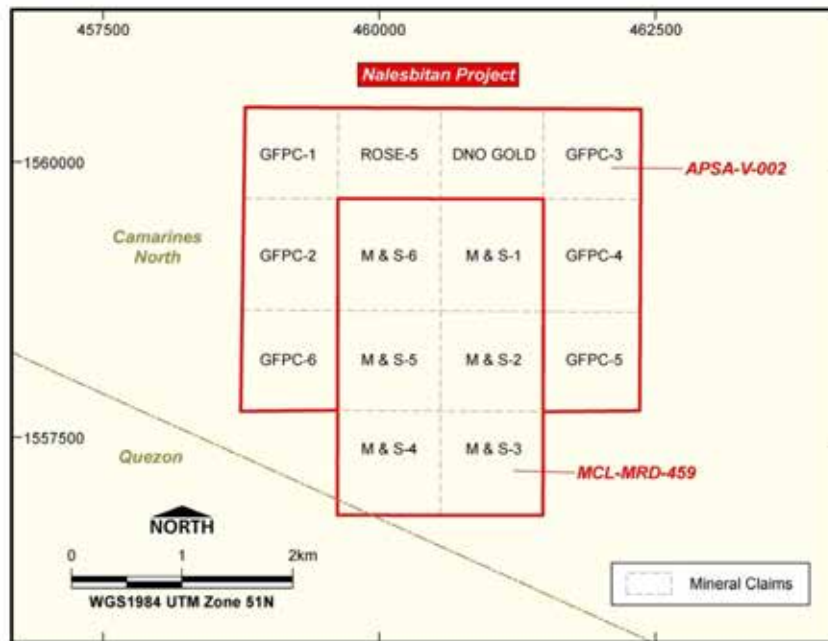


Figure 12. Nalesbitan Mining Claims and Mining Lease Contract areas

6.3 Project Details

6.3.1 Regional Geology

Mineralisation at Nalesbitan is hosted in Pliocene volcanic and sedimentary units of the Macogon Formation that overlie late Cretaceous sediments and basaltic volcanics (Figure 5). The Pliocene units are overlain by andesite flows and pyroclastic that have recently been erupted from Mt Labo, a Quaternary volcano 20 km to the southeast of Nalesbitan.

The Nalesbitan deposit is located between two regional scale west northwest-trending strike-slip faults, the Bosignon Fault to the north of the project and the Dumagmang Fault to the south. These faults broadly parallel the Philippine trench to the northeast and the Philippine Fault to the southwest, located where the sinistral Philippines Fault undergoes a pronounced dilational bend.

6.3.2 Local Geology

Previous mapping by RGC and Sillitoe et al. (1990) identified four stratigraphic units. The oldest of these comprises fine-grained sediments with local limestone units. These are reported to be overlain by and transitional to a dacitic fragmental rocks that are interpreted to be a lahar deposit. Amygdaloidal basalt flows overlie the dacite, which in turn are interpreted to be overlain by a sequence of andesite volcanic rocks that comprise lower flow units and upper stratified lapilli tuffs beds. These latter andesite units host the mineralisation at Nalesbitan Hill.



Terry Leach, in various reports (Leach, 1999, 2005) recognised that the basalt flows in fact post-dated mineralisation, and are co-magmatic with volcanic plugs in the vicinity. The andesitic volcanics were interpreted to be the oldest sequence with most intense alteration, occurring in a synclinal or domal structure at Nalesbitan Hill. The dacitic breccias and porphyries were interpreted as forming part of a diatreme complex, largely covered by younger volcanics, that predate mineralisation based on extensive low-temperature argillic alteration and pyrite. This scenario was considered similar to many similar mineral systems in the Philippines, and the scenario and scale of the diatreme were considered directly comparable to high-sulphidation Lepanto epithermal system, which hosts over 115t of gold (Hedenquist et al. 1998).

High-sulphidation epithermal gold and associated copper mineralisation outcrops as a prominent ridge at Nalesbitan Hill within a west northwest-trending fault zone interpreted to be a dilational link fault or jog between two northwest-trending sinistral faults of the Philippine Fault System.

Mineralisation occurs in silicified hydrothermal breccia zones with an inner zone of veining and silicification surrounded by intense argillic alteration grading outwards into propylitic alteration in andesite and tuffs. The steeply west-dipping mineralised structures occur over widths of up to 600 m and along strike for at least 1,900 m. The principal lode coincides with the Nalesbitan ridge and is a 1,300 m-long altered and mineralised body that ranges from 145 m wide in the middle to as little as 12 m wide at its northwestern and southeastern extremities. In cross section, as indicated by drilling, the silica zones and the more intense argillic alteration 'flare out' at the surface but are reduced to narrow quartz veins approximately 150–200 m below the surface. Drilling indicates that the mineralisation narrows rapidly in depth, defining an upward-flaring system.

The geometry of mapped mineralisation zones on Nalesbitan Hill is compatible with formation within a sinistral shear system. Small scale sinistral shear zones were noted in the field. Structure is clearly a critical control on localisation of mineralisation, although the intensity of mineralisation and alteration has largely obliterated individual structures.

The Millsite-Singko mineralised zone is located approximately 250 m to the east of Nalesbitan Hill. This has been interpreted to lie in a distinct structural trend to the north of the Nalesbitan trend, but may represent an en-echelon array of mineralisation within the same structural zone. Mineralisation is of similar style to Nalesbitan Hill, but silicification is less intense and extensive than on Nalesbitan Hill. The resulting easier mining conditions may explain why it has become an important focus for small-scale mining activity.

The mineralogy and zonation of mineralisation and alteration at Nalesbitan and Singko is typical of a high-sulphidation epithermal system. Strongest mineralisation is associated with vuggy silicified breccia with abundant pyrite and hypogene copper and arsenic-bearing minerals including tennantite, bornite, enargite, and luzonite. Secondary copper minerals include covellite and chalcocite.

Oxidation depth is variable and irregular, but sulphides occur extensively near surface. This is likely to be reflected in gold that is at least partly refractory to cyanide leaching, which was probably an important cause for the failure of the GFPC heap leach operation.

The Bagong Dose prospect is located approximately 600 m south of Nalesbitan Hill and is also the site of extensive artisanal mining operations. Mineralisation at Bagong Dose shows



low sulphidation epithermal characteristics with banded chalcedonic veining and locally bonanza gold grades. Copper and arsenic are absent.

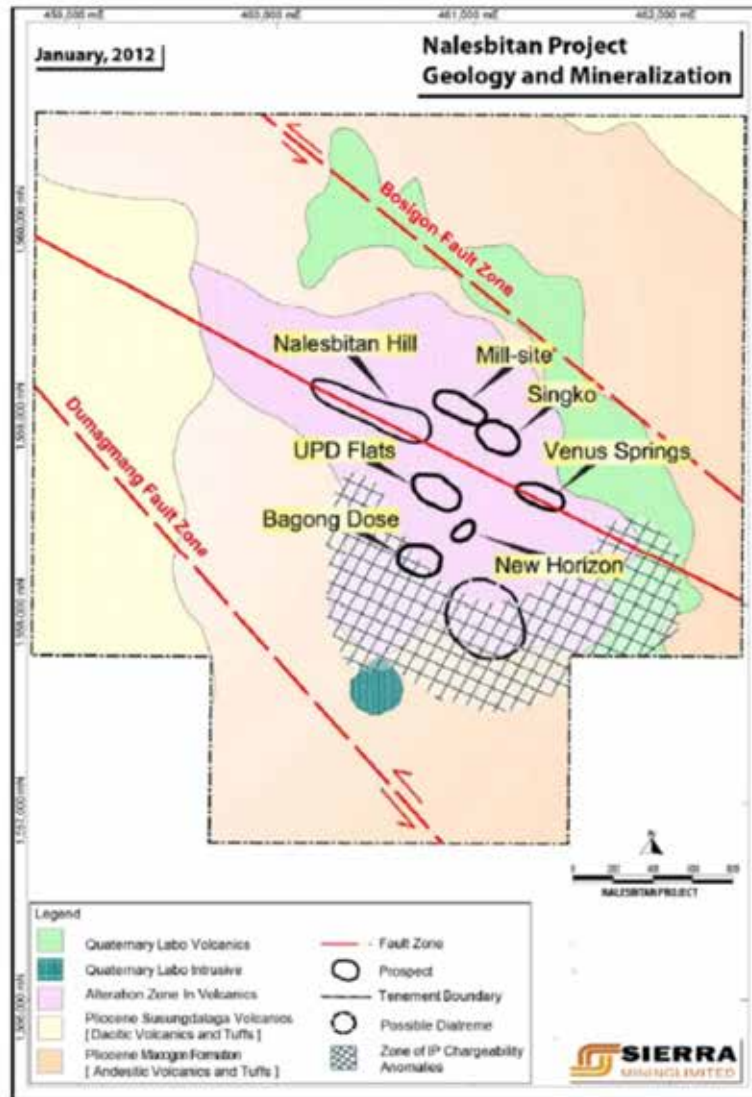
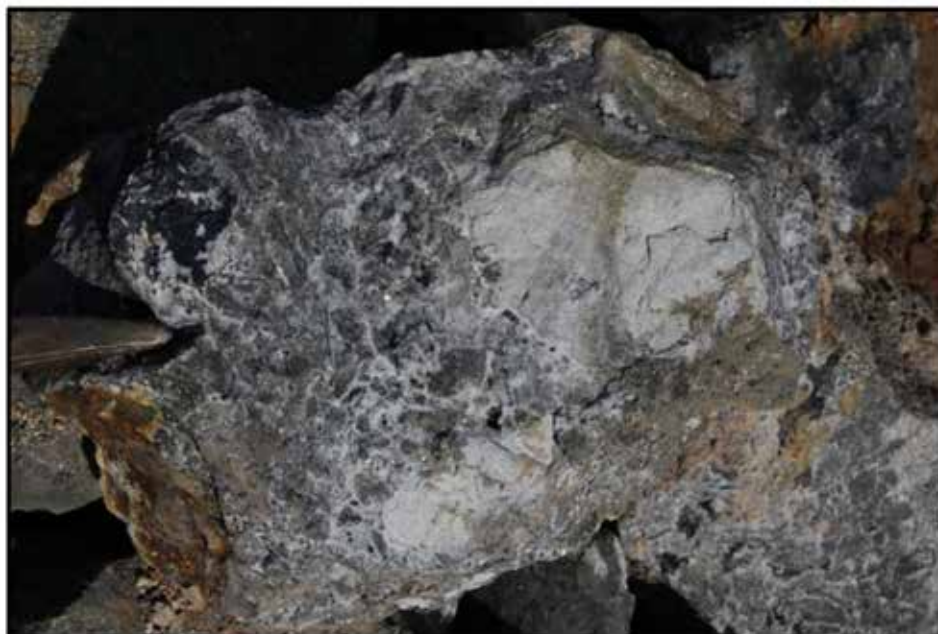


Figure 13: Summary geology, mineralisation and prospects at Nalesbitan

Other prospects with encouraging results include:

- Venus Springs Prospect; located on the Nalesbitan Hill Fault zone along strike to the southeast of the Nalesbitan Hill mineralization and covers a zone of hydrothermal brecciation and a possible pebble dyke. Rock chip samples with assays over 1 g/t Au have been collected in the area.
- The New Horizon Prospect is an area of silicified breccias and argillic alteration exposed in Nalesbitan Creek to the northeast of Bagong Dose. Trench sampling along the creek banks returned wide intervals of anomalous gold. Subsequent reconnaissance drilling returned a number of mineralised intersections.
- UPD Flats Prospect is a loosely defined area located between the Nalesbitan high sulphidation and Bagong Dose - New Horizon area. It covers a drainage along the base of the Nalesbitan Hill and is within a large gold-in-soil anomaly at the base of Nalesbitan Hill. Only five reconnaissance drill holes can be considered to have tested the zone, four of which have produced encouraging results.



Photograph 6: Nalesbitan silica-pyrite breccia with hypogene tennantite and enargite and secondary covellite and chalcocite.

6.3.3 Historical Exploration

A substantial amount of exploration has occurred at Nalesbitan over many years, though mainly by GFPC in the 1980's with more limited subsequent exploration by Triarx Gold Corporation (1995–1996), Sagacity Partners (1998–2000) and Eldore (2005–2007). Modern exploration programmes at Nalesbitan have included:



- Soiling sampling - four phases on 25 to 50 m-spaced grids collected over 2800 samples, with varying multi-elements suites analysed;
- Geophysics - ground magnetics, electromagnetics (SIROTEM Mk3) and frequency domain and time domain induced polarisation surveys;
- Drilling -
 - A total of 255 diamond core, reverse circulation percussion and combined DDH/RCP holes have been drilled in addition to 146 shallow vertical RAB holes.
 - The GFPC holes, the Triarx holes and the majority of the Eldore and Boxer holes were drilled at Nalesbitan Hill (as shown in Figure 14).
 - Limited drilling has been completed at Singko because of difficult access. Limited drilling has also been completed on the Bagong Dose low-sulphidation vein system, which is a relatively recent discovery.
 - Drill data are available for most holes, with the exception of the percussion holes and five large diameter diamond drill holes drilled in 1978. However, CSA understand that all drill core has been lost. Gatehouse and Hutton (2012) reviewed the 2005 to 2007 drilling programme and data and concluded that work had been completed to an acceptable industry standard. Gatehouse and Hutton (2012) also compared the results of the 2005-07 drilling with the historical GFPC drilling, for which no QAQC data were available, and concluded that the GFPC data were of adequate quality to be included in a resource estimation under the guidelines of the JORC Code. CSA have accepted this conclusion.

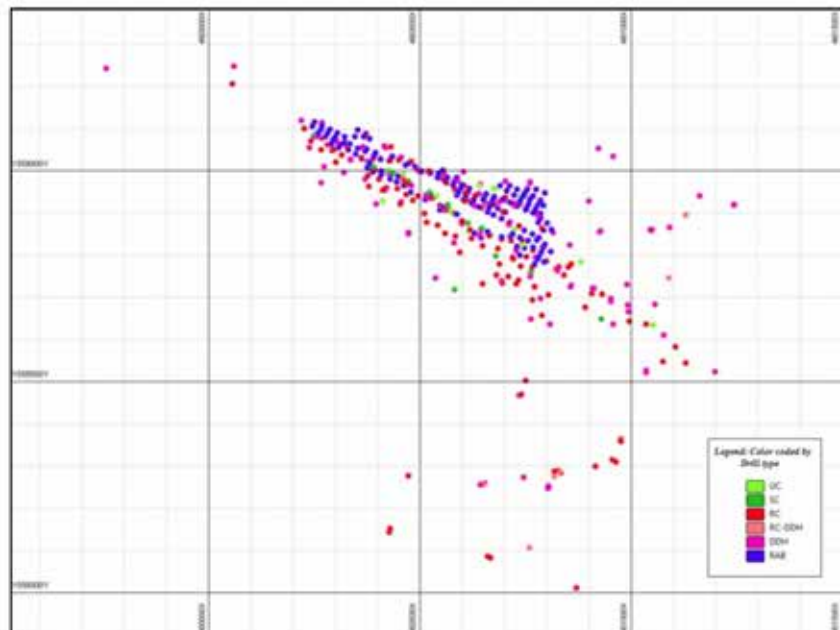


Figure 14: Location of drill collars on the Nalesbitan Project. (Figure from Spiers, 2012)



6.3.4 Recent Exploration Activity

Sierra has conducted no work since acquiring the project.

6.3.5 Mineral Resources

Sierra in an ASX announcement on 3rd November 2011, released an Exploration Target for Nalesbitan Hill. On the basis of a review and assessment of historical data (predominantly drilling) and modelling, Sierra outlined an Exploration Target for Nalesbitan Hill ranging from **5–10 Mt at grades ranging from 0.9–1.1g/t Au**. This “Exploration Target” is not a Mineral Resource. The potential quantity and grade is conceptual in nature and there has been insufficient exploration to define a Mineral Resource. It is uncertain if further exploration will result in the determination of a Mineral Resource.

The Exploration Target was based on 124 diamond core (13,405 m) and 141 RC percussion holes (7,988 m). Quality control measures have varied over time with different phases of exploration but Sierra concluded that sufficient quality control data had been collected by the previous operators and analysed by their independent consultants to conclude that the data from all phases of exploration is essentially reliable. These quality control data include twinning of six holes and RC sample duplicates, pulp duplicates, umpire assaying and internal and external standards collected from drilling by the previous operators.

Independent consultants were contracted by Sierra to complete a Mineral Resource estimate using historical and recent exploration data (Spiers, 2012). This improved on the Exploration Target and indicated a modest total endowment of 170,000 oz Au from a Mineral Resource of 5.0 Mt with a grade of 1.1 g/t Au and 4.0 g/t Ag using a 0.5 g/t Au cut-off grade. The estimate was reported under JORC reporting criteria³ (Table 9, Spiers, 2012) and announced to the ASX on 21st March 2012.

Table 9: Nalesbitan Hill Resource Estimate at a 0.5 g/t Au cut-off

Category	Mt	Au g/t	Au koz	Ag g/t	Ag koz
Inferred	5.0	1.1	170	4	650

The Mineral Resource estimate completed by Spiers (2012) for Sierra was based on a single domain MIK model. A resource estimation derived from a geological model that is more tightly constrained by geology could potentially deliver a resource with a higher grade, but lower tonnes. However the contained gold would not be expected to significantly change regardless of the modelling approach.

The amount of depletion by historical mining and by current artisanal mining cannot be quantified and may have removed a significant component of the near surface high grade material.

Further drilling has been proposed for Nalesbitan Hill, but primarily to better define the distribution of higher grade lodes as well as for metallurgical and engineering purposes. The resource is reasonably well drill constrained at depth and along strike.

³ Source: Sierra Mining Limited, ASX Release, 2012, “Nalesbitan Hill – Mineral Resource Estimate”, 21 March 2012; this information was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.



6.3.6 Exploration Potential

Nalesbitan represents a large high-sulphidation mineralising system with an intense alteration halo, as documented by several past workers. The deposit was drilled and briefly mined by GFPC in 1990, and relatively limited subsequent drilling has been completed by Eldore and partners. A recent review by Reynolds (2014) reached a number of conclusions on the exploration potential of the project.

CSA conclude that there is good potential to discover additional mineralisation with more detailed drilling in the Singko/Millsite area, where past drilling has been limited. This mineralisation was discovered during GFPC earthworks and was quickly overrun by artisanal miners and never explored systematically.

There are also peripheral targets on the southwest flank of Nalesbitan Hill from Dose – Venus Junction southwest to UPD Flats. There is significant artisanal mining at Dose but drilling is very limited. UPD Flats was interpreted to be a possible shallow flat-lying zone of strata-bound silicification and mineralisation extending SW from Nalesbitan Hill. One of the three holes drilled here intersected gold mineralisation, silicification and argillic alteration.

Brecciation and mineralisation is reported in the Venus Springs area which is along strike to the southeast from Nalesbitan and Singko and overlies the postulated porphyry intrusive (Leach, 2005).

The Bagong Dose/New Horizon low sulphidation epithermal breccias and veins may also have potential for discovery of additional mineralisation. If bonanza grades are present, significant shoots can have a very small footprint and structural and alteration understanding is essential for targeting. Reconnaissance drilling has been very limited, about 16 holes scattered rather irregularly over the area, and the orientation of veins is poorly understood. Drilling has recorded significant intercepts of Au-Ag mineralisation but continuity between intercepts has not been demonstrated and the geology is not well understood. If the veining trends west northwest as reported, this area would include a number of separate vein targets.

High-sulphidation epithermal mineralisation commonly has a close spatial and genetic relationship with porphyry copper deposits (Hedenquist et al., 1998). A porphyry copper system at some depth below or adjacent to the Nalesbitan high sulphidation epithermal system has been proposed by previous workers (Sillitoe et al., 1990, Teluk, 2005 and Leach, 2005).

Sillitoe et al. (1990) interpreted the mineralisation to represent the base of a “Nansatsu style” deposit in which mineralisation forms mushroom or tabular ore bodies where a feeder fault (providing access for fluids and minerals) cross-cuts permeable pyroclastic horizons confined by less permeable andesitic volcanics.

Subsequently discovery of high sulphidation Au-Cu mineralisation in sheeted veins and breccias at Singko/Millsite and of low-sulphidation Au-Ag mineralisation at Bagong Dose indicated a much more extensive and complex hydrothermal system. Various theories have been proposed to explain observed features and support different versions of porphyry models using analogies with Far South East and Tampkan (Leach, 1999 and Teluk 2005). The question remains open and further exploration is warranted.

7 Mindanao Projects

The eastern part of Mindanao is a highly mineralised terrane with many porphyry copper and epithermal gold-silver deposits, including significant deposits at Boyongan in the Suriago area, and Co-O, Diwalwal and King-king in the Masara area see Figure 15 and Figure 16.

Sierra holds tenements covering 329 km² in eastern Mindanao covering a range of geological settings and exploration stages ranging from grass roots through to advanced exploration projects (Figure 15).



Figure 15: Location of Sierra projects in eastern Mindanao

7.1 Regional Geology

East Mindanao comprises an approximate 400 km strike length section of the Pacific Cordillera Arc, bounded to the west by the Philippine Fault System and the Davao-Agusan Basin. The Pacific Cordillera arc comprises Cretaceous ophiolite basement and Late Cretaceous to Palaeogene volcanic rocks overlain by a thick sequence of Upper Oligocene to Early-Mid Miocene clastics and limestone which in turn are unconformably overlain by Pliocene sediments and limestone.

The majority of diorite and andesite porphyry intrusions in east Mindanao are Miocene in age but discrete areas of Late Pliocene to Quaternary andesitic volcanics and porphyritic stocks are recognised in both the Surigao and Masara areas. The Pliocene igneous intrusions have a close spatial and genetic association with mineralisation.

All the projects are in areas where the dominant regional control on mineralisation is the arc parallel transcurrent Philippine Fault System structure. Copper and/or gold mineralisation is widespread within and immediately east of the fault system and strike-slip movement has provided dilational structural settings for the localisation of mineralisation. Significant areas of mineralisation are typically located within northwest-trending splay faults or link structures between segments of the Philippine Fault System; a setting recognised in most of Sierra's projects (Figure 16).

Another element that correlates with areas of mineralisation is topographic highs. The main historical mining production in eastern Mindanao has come from the Surigao and Masara areas, which are located in uplifted massifs at the north and south ends of the arc. The degree of uplift is indicated by the presence of Pliocene limestone at 1,000–2,000m ASL elevation in both massifs.

The less uplifted central section of the arc (the Bunawan district, where most of the Sierra projects are located), is characterized by higher crustal levels and epithermal vein gold mineralisation such as the Co-O and Diwalwal deposits. Epithermal veins at Co-O and Diwalwal are vertically extensive suggesting less erosion.

The only large-scale mining operation in the Bunawan district is the Co-O mine operated by Medusa Mining Ltd ("Medusa") which has produced approximately 500,000 oz of gold and has Indicated and Inferred Mineral Resources of 9.9 Mt at 9.9 g/t Au for 2.2 Moz (source: Medusa website). At Bananghilig, 40 km to the north of Bunawan, Medusa has outlined low sulphidation epithermal mineralisation hosted by veins, stockworks and breccias within a diatreme breccia complex; the combined Inferred and Indicated Mineral Resource is reported by Medusa as 24.5 Mt at 1.4 g/t for 1.1 Moz.

The Diwalwal artisanal mining area, located approximately 50 km to the south of Bunawan was the site of a large gold rush in the early 1980s and mechanised underground mining by well organised and financed syndicates of "artisanal miners" is still continuing. Production to date is unknown but is variously estimated at between 3–7 Moz (McLean 2014, pers. comm.). Low-sulphidation epithermal gold mineralisation occurs in two extensive sub-parallel, roughly east-west branching and anastomosing vein sets hosted by a volcanic-volcaniclastic sequence of Oligocene to Mid-Miocene age. The veins are described as pyritic, vuggy, crustiform, colloform and brecciated quartz-carbonate veins containing slivers of chloritised volcanic host rock with associated zinc, lead and copper sulphides and fine (micron-size) gold. Individual veins are reported to be 3–15 m wide and average 2.5 m width.

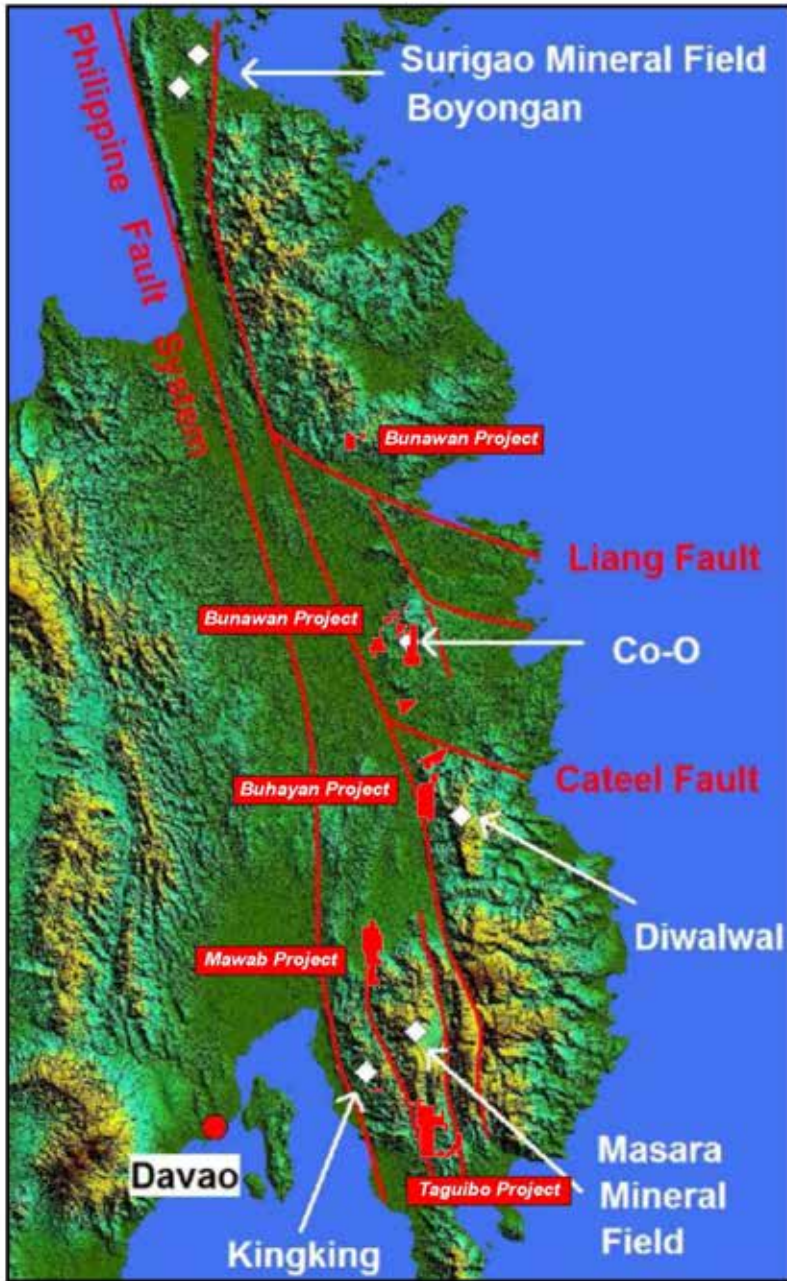


Figure 16: Eastern Mindanao (digital terrain model) showing main faults with important deposits and mineral fields plus Sierra tenements



Sierra's projects are all situated within a magmatic arc environment and so are characterised as porphyry-related. The intrusive porphyries generally occur as apophyses to more substantial source magmatic bodies at greater depth, overlain by intrusion-related epithermal veins. These veins are characterised (in the terminology of Corbett and Leach, 1998, Figure 2) as initial quartz-sulphide gold + copper grading to more base metal rich veins, which may include carbonate-base metal gold mineralisation, and evolve to later stage epithermal quartz gold-silver style.

Quartz-sulphide style mineralisation comprises Au-bearing pyrite typically within fault-hosted veins. It is common for supergene enrichment in near surficial settings to occur, with Au concentrated at the surface, base of oxidation and down fault zones.

By contrast the later stage epithermal quartz gold-silver mineralisation is characterised by high fineness free gold which commonly attains bonanza gold grades.

7.2 Bunawan Project

The Bunawan Project comprises tenements around surrounding Medusa's Co-O Mine (a high-grade epithermal gold deposit). Work by Sierra has identified the Mahunoc Diatreme Complex, which has a very similar geological setting to Co-O, together with two of the largest artisanal workings in the area. The following précis is extracted from McLean (2013c).

7.2.1 Location

The Bunawan Project comprises two tenements located approximately 190 km north-northeast of Davao adjacent to the Davao-Surigao Highway. A small parcel of tenement is located some 50 km further north; this small 14.5 km² block is located immediately south of Ocean Gold's Manhulayan Copper-Gold Project.

The Bunawan permit applications are located in the foothills of the Diwata Ranges. The main tenement application blocks cover areas of moderate to steep terrain on the western side of the Pacific Cordillera near the town of Bunawan. Vegetation is thick and includes both primary rain forest and secondary growth forest. It is an active logging area and access is difficult away from the roads and tracks.

Access is by the main Davao-Surigao Highway along a valley to the immediate west of the ranges and tenement blocks, and then by a number of roads which vary from good quality all weather gravel roads to poorly maintained logging tracks.

The area has been extensively logged and is covered with thick secondary vegetation and soil covered slopes. There is little agricultural activity apart from subsistence gardens around villages associated with the more significant artisanal mining operations. Outcrop is mainly restricted to exposures in creeks and road cuttings.

7.2.2 Description of the Mineral Assets

The Bunawan Project comprises two pending tenements applications with a total area of 6,566 ha as listed in Table 10 below. Sierra's interest in the Bunawan Project is through its subsidiary, Bunawan Mining Corporation ("BMC"), the beneficial ownership of which is discussed in the IER. Additional information on the tenements is provided below and in Appendix 1, and the tenement boundaries are illustrated on Figure 17.



Table 10: Bunawan Project Tenements

Name	Permit Number	Area (ha)	Status
Bunawan APSA	APSA-003-XIII	5,832	application
Bunawan EXPA	EXPA-037-XIII	3046	application

Parts of APSA-003 (along with many other applications in the area) lie within a timber concession held by PICOP Resources Inc. who has objected to the applications. A similar objection against an application by Medusa Mining was ruled in favour of Medusa by the Supreme Court and was the basis for the award of an MPSA in favour of Medusa covering the Co-o Mine. PICOP is now in receivership. BMC is advanced in its legal process against PICOP.

Some blocks of APSA-003 are also the subject of option agreements with previous claim holders. Sierra understands that all claims over blocks within APSA-003 have been settled or expired.

Application APSA-003 covers the land on which Medusa's Co-O processing plant is located. The owner of the Co-O plant at the time of application objected to the application but the objection was dismissed by the MGB XIII Panel of Arbitrators in May 1999. Notwithstanding the order by Panel of Arbitrators in 1999, MGB Region XIII has stated that the case remains pending before the Panel of Arbitrators.

7.2.3 Geology and Mineralisation Potential

The Bunawan Project is within a north northwest-trending mineralized corridor of artisanal workings and prospects bound by the north northwest-trending Philippine and Borabo faults and the west northwest-trending Liang and Cateel splay faults. All are considered to be elements of the left lateral Philippine Fault System, developed in response to the oblique subduction of the Pacific Plate beneath the Pacific Cordillera.

Artisanal vein mineralisation is predominantly hosted by northeast and east-west trending structures and veins consistent with tensional features developed within the same stress field as the major faults.

The tenements are in a highly mineralised area underlain by a thick sequence of andesitic volcanics. There are numerous artisanal workings, both surface and underground throughout the area as well as a number of small-scale treatment plants. The main production in the area is from the nearby Co-O mine owned by Medusa who have consolidated much of the area (over 550 km²). BMC and Indophil Resources NL are the next largest tenement holders in the area.

Mineralisation at Co-O occurs in near vertical east-west and northwest-striking low sulphidation epithermal quartz veins within the andesitic volcanics. Ore grades average 20–25 g/t Au but reach 1,000 g/t Au in places.

The main exploration target for the BMC tenements is low sulphidation epithermal quartz veins similar to those seen at Co-O and in the bonanza grade veins at Diwalwal.

The Mahunoc diatreme complex is the most significantly mineralised and prospective area in the Bunawan district, outside of the Co-O mine (McLean, 2013c). Gold mineralisation within the diatreme occurs in narrow high-grade veins, wider vein zones and in a hydrothermal breccia. There are a number of artisanal workings located adjacent to the diatreme margins.



The presence of the Mahunoc diatreme complex and its localisation on a prominent east northeast structure, evident in magnetic data, are considered very positive indicators for economic gold potential. The Red Mountain artisanal mining area in the northwest of the diatreme is outside the Sierra tenement block, however the magnetic and geochemical data as well as artisanal mining activity suggest that the southeast contact of the diatreme may be the optimal target in the prospect area. The potential cannot be determined without drilling, which will also improve geological understanding.

The target at Mahunoc can be compared with the Co-O system, where mineralisation is demonstrated over a strike of 2 km and to a depth of over 1,000 m. The mineral resource at Co-O is hosted in multiple east to east northeast-trending veins, occurring with a 1,500 m section of this strike and to depths of 750 m. The veins include massive, colloform, and breccia phases, with high gold grades associated with colloform veining. Veins contain pyrite with minor sphalerite, chalcopyrite, and galena. Veining occurs within an extensive envelope of argillic alteration that narrows in depth. Veins are poorly developed in the diatreme breccia, but are present under the upward flaring breccia complex.

The anomalous zone defined by soil and rock-chip data on the southeast side of the Mahunoc diatreme is of similar scale to Co-O, and mineralisation is of similar style. However most to the known mineralisation in the Mahunoc trend is hosted in diatreme breccia; the irregular and narrow vein zones probably reflect the unfavourable host rock. The broad mineralised zone in argillic-altered diorite in drilling at Red Mountain, with 3 g/t Au over 25 m reported, suggests that more substantial mineralised zones have formed in favourable host rocks. Diorite and andesite along the Mahunoc trend, including underneath the upward flaring diatreme, is considered a high potential target for economic gold mineralisation.

Sierra considers the Masabong artisanal mining zone to be the most prospective zone outside of the Mahunoc diatreme. The distribution of workings indicates a northeast-trending zone of multiple veining which is consistent with the orientation of mineralisation at Red Mountain and Mahunoc, the two most substantial artisanal mines in the area.

Detailed mapping and extending the ground magnetic survey through the Masabong area may allow better definition of drilling targets although the zone is sufficiently defined for reconnaissance drilling.

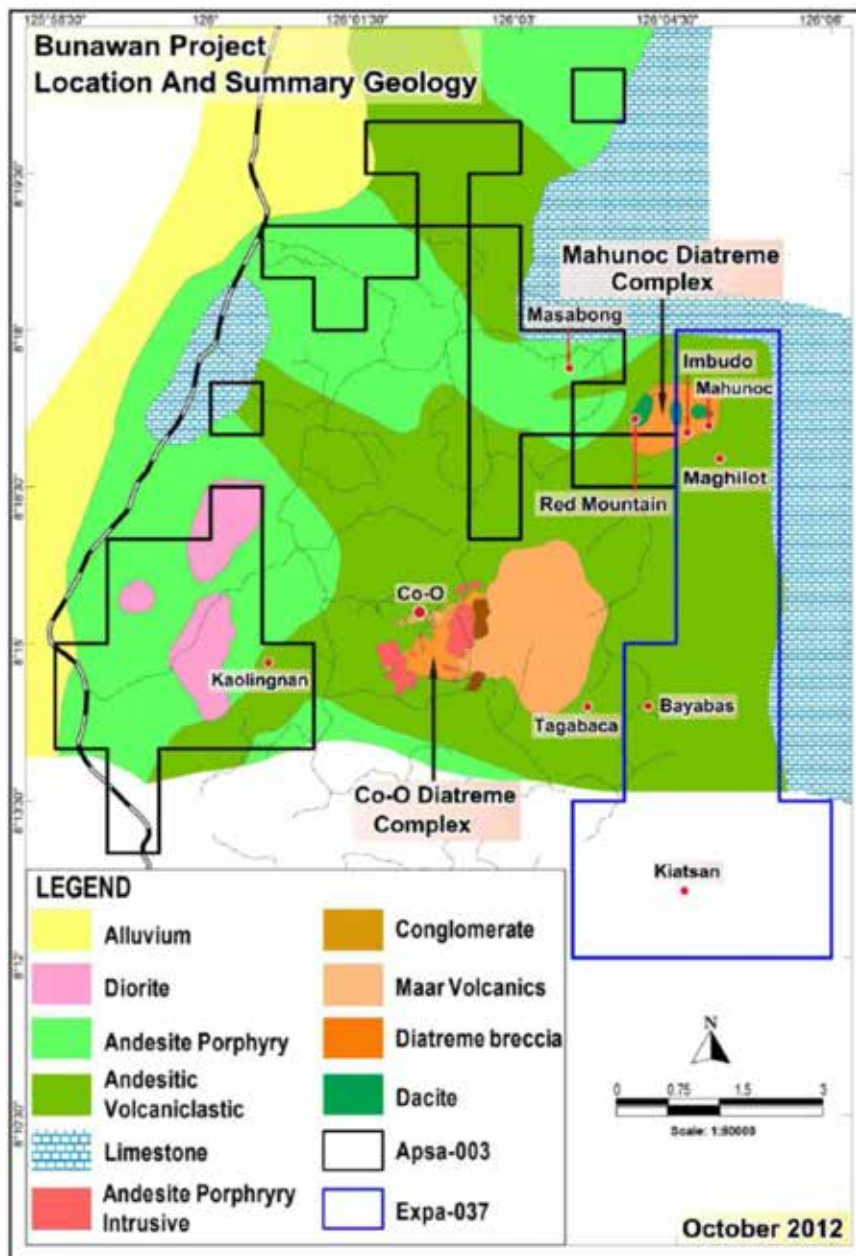


Figure 17: Bunawan Project: tenement location, geology and mineralisation.



7.2.4 Recent Exploration Activity

Bunawan has been the site of artisanal gold rushes and extensive artisanal mining since the early 1980s. Sierra's applications at Bunawan are long standing and pre-date the commencement of mining at Co-O. Exploration was previously restricted to reconnaissance mapping and sampling as granting of the permits was delayed by a variety of political issues. Following a breakthrough in negotiations with the local indigenous groups in 2012 Sierra began a systematic exploration programme ahead of the expected granting of the permits.

Exploration has concentrated on the Mahunoc diatreme complex, which was identified in reconnaissance mapping. Diatremes are commonly spatially related to epithermal gold mineralisation as they are conduits which tapped a magma chamber or porphyry body at depth and then fractured and brecciated the overlying country rocks during emplacement providing access for the interaction of magmatic fluids with circulating meteoric waters leading to the formation of epithermal gold mineralisation. The Mahunoc diatreme complex hosts the Red Mountain and Mahunoc artisanal mines.

Work at the Mahunoc prospect has comprised:

- Detailed mapping and rock chip sampling;
- A ground magnetic survey;
- Stream sediment sampling; and
- Soil sampling.

The exploration to date has outlined a prospective northeast-trending mineralized corridor along the southern margin of the diatreme, defined by anomalous gold in soils and a magnetic lineament, which includes artisanal workings at Mahunoc, Baleleng and Imbudo which all show potential for greater widths of mineralisation than seen elsewhere in the area (Figure 18).

The results of soil sampling show elevated gold and arsenic (commonly associated with gold mineralisation throughout the Bunawan district) over the diatreme and its margins. The results for gold show a large coherent anomalous zone (with gold exceeding 100 ppb) located over the southern part of the diatreme. This zone encompasses the Imbudo and Baleleng artisanal workings and extends to the west southwest; consistent with a district scale structure interpreted from the ground magnetic data. Three multi-point higher grade zones (>200 ppb Au) occur within the central Imbudo-SW anomalous zone. The Imbudo-Baleleng zone within EXPA 037 is considered by Sierra to be a clearly defined target warranting drill testing.

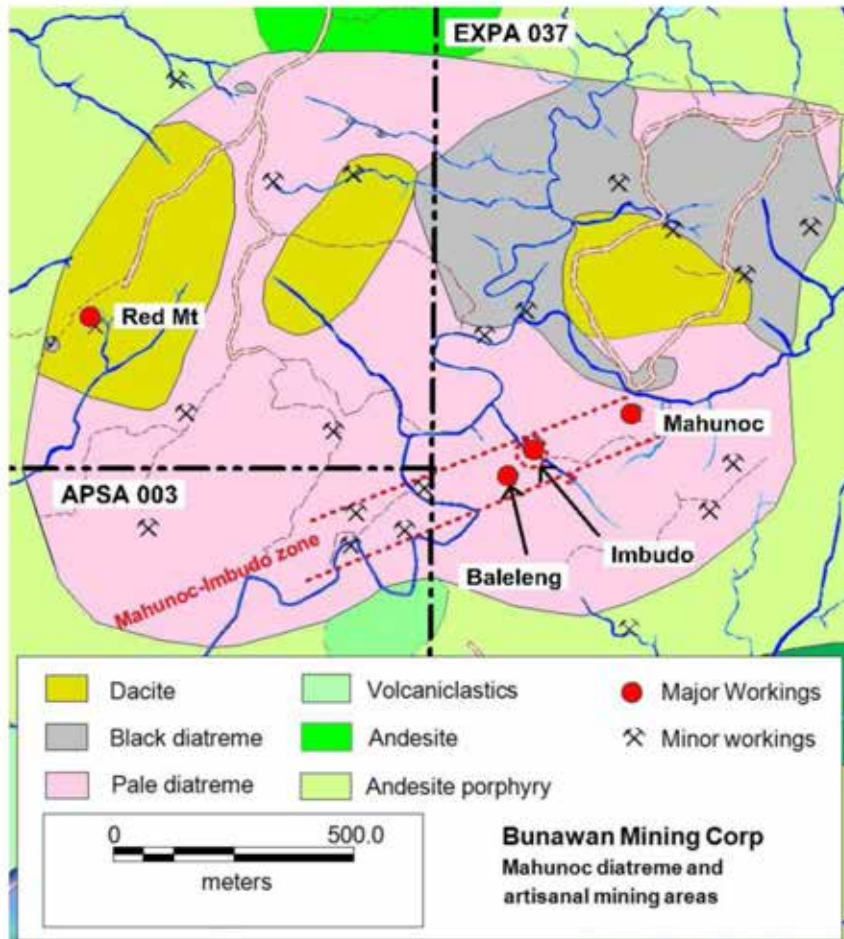


Figure 18: Mahunoc diatreme, geology and mineralisation

7.3 Bahayan Project

The Bahayan Project is an application for an Exploration Permit (EPA123) located in Monkayo Municipality in Compostela Valley. The tenement is located in a remote area of the Pacific Cordillera with thick vegetation cover and poor access. The following summary is derived from McLean (2013d).

EPA123 is held by Sierra subsidiary Oz Metals Exploration & Development Corporation, the beneficial ownership of which is discussed in the IER. The application comprises two separate blocks totalling covers 69.2km² (6,925 ha) of ground near the Diwalwal mining camp (see Figure 19). The Company has signed a Memorandum of Agreement with the local indigenous people for the land covered by the northern block and this is expected to be granted before the southern block.

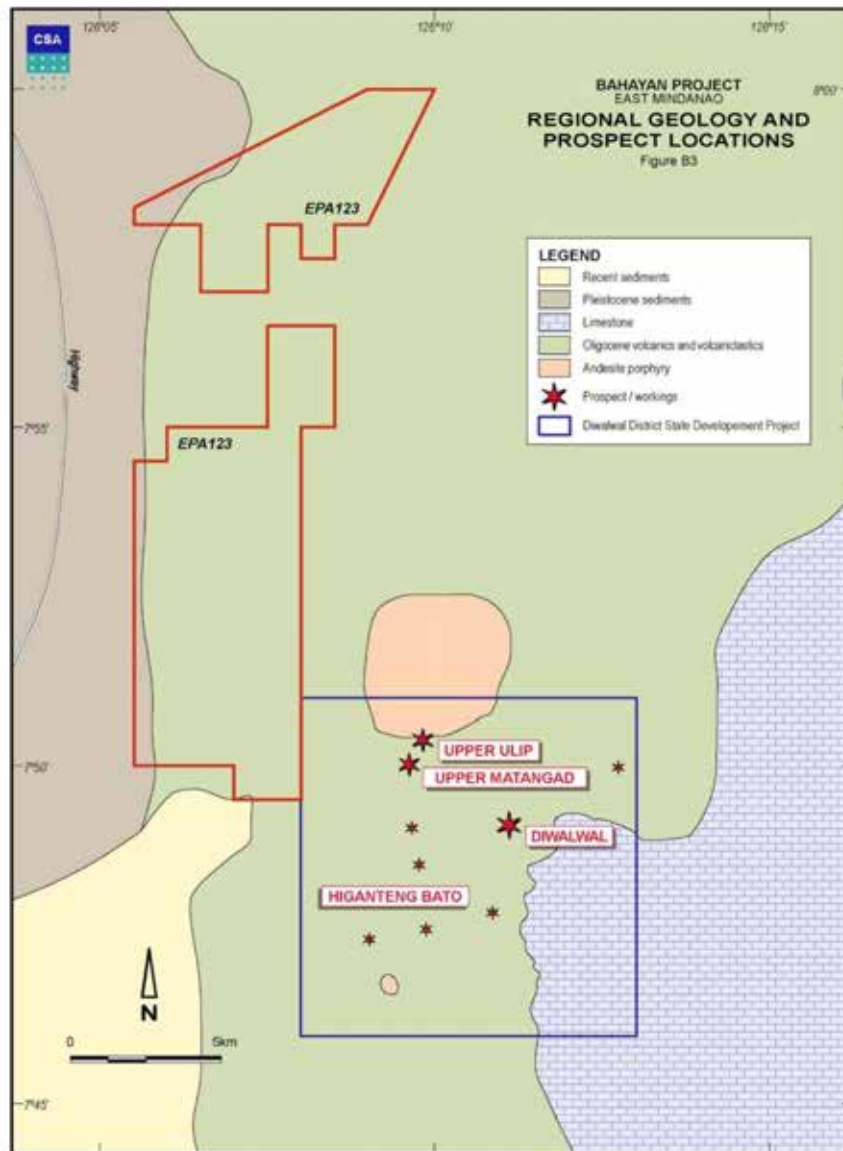


Figure 19: Bahayan Project – regional geology and prospect locations (Sierra IPO prospectus).

High-grade gold veins were discovered at Diwalwal in the early 1980's leading to a huge artisanal gold rush that resulted in an estimated 20,000 people moving into to the area. Much of the mining was illegal and unregulated, leading to social and political problems as well as environmental problems due to the high levels of mercury in the local rivers.

There has been little modern exploration at Diwalwal and surrounding areas.



The application has been cleared and no competing application is possible. The adjacent ground to the south west of Sierra's application is subject to the "Diwalwal Direct State Development Project".

The area is underlain by andesite volcanics and related volcanoclastics including tuff breccia as well as lithic and lapilli tuff. The andesite is porphyritic in places and cut by basalt dykes. Limestone overlies the volcanics on the southeastern side of Diwalwal deposits.

Production from the low sulphidation epithermal quartz veins at Diwalwal is estimated to have been 3–7 Moz gold (McLean pers. comm. 2014). The steeply dipping veins strike west-northwest and occur in highly fractured zones which are deeply oxidized, silicified and chloritised. The veins on the surface were relatively narrow (1 m) and low grade (<6 g/t) but coalesce at depth to form high grade veins up to 20 m wide in places. The mineralization is interpreted to occupy tension gashes formed by sinistral strike-slip movement on the Philippine and associated splay faults.

Significant zones of alteration and mineralisation have been located elsewhere in the Diwalwal lease including extensive areas of acid sulphate alteration at Higanteng Bato and zones of quartz-calcite stockworks with associated pyrite, chalcopyrite and bornite at Ulip adjacent to EPA123. Rock chip samples containing up to 4.3% copper and 5.6 g/t Au have been recorded in the Ulip area.

Sierra has completed mapping and rock-, stream-sediment-, and follow-up soil sampling on the northern block of the project (2,096 ha). Stream sediment sampling indicated large areas of anomalous gold in the western part of the tenement block.

The results from soil sampling in the western part of the tenement parcel failed to support the presence of widespread gold anomalies indicated by stream sediment sampling (see Figure 20). They concluded that the area represents the highest level of an epithermal system and significant remobilization and leaching of gold may have occurred. An assessment of all sampling to date (rock-chip, stream sediment and soils) has defined a number of discrete anomalous zones based on widespread sample sites which require follow up by detailed mapping and sampling.

Corbett (2010) described the Bahayan area as hosting several alteration and vein zones all typical of those formed marginal to porphyry intrusions and characterised by phyllic-argillic hydrothermal alteration with quartz-sulphide style vein gold mineralisation, locally worked by artisan miners in areas of near surface supergene enrichment. As all the veins examined are narrow and widely spaced, continued follow up geological mapping and sampling is required. Checks should be made for stockwork veins which might represent bulk low-grade gold targets. One occurrence of veins comprising banded chalcedony with black sulphidic ginguero-like bands typical of high-grade vein systems mined elsewhere in the Pacific Rim (e.g. Sado and Hishikari in Japan) only returned mildly anomalous results, suggesting the upper or distal parts of an epithermal system.

More work is needed to understand the mineralising systems and target further exploration. Large parts of the tenement, closer to Diwalwal remain to be explored by Sierra.

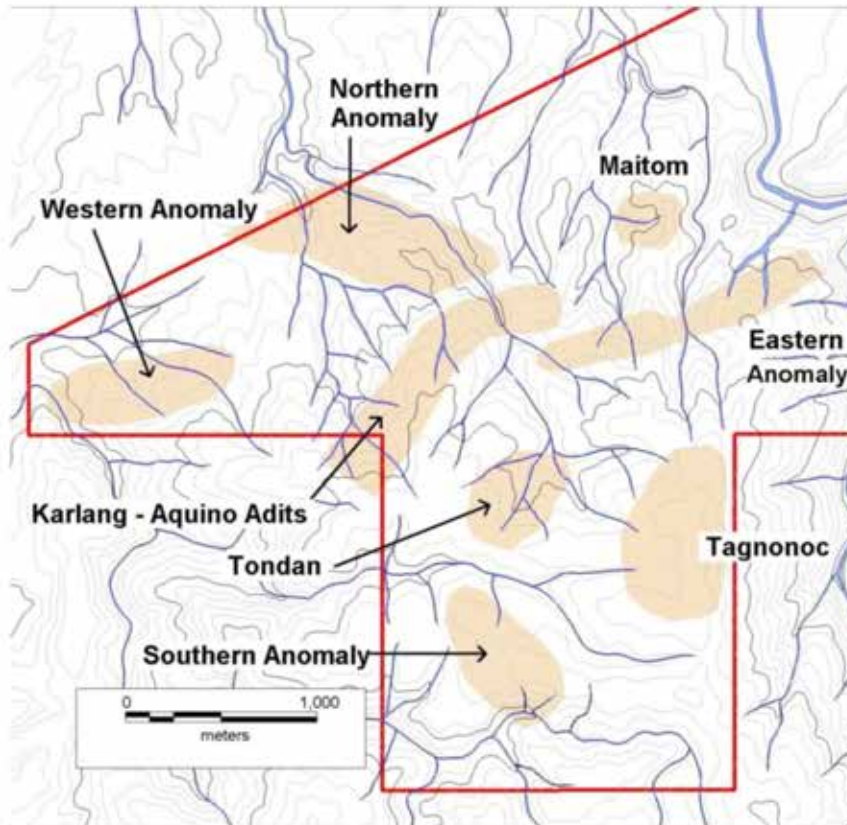


Figure 20: Stream-sediment anomalies within the western part of the northern Bahayan block.

7.4 Mawab Project

The Mawab Project comprises a granted Exploration Permit (EP02-2010-XI) situated at the northern end of the highly mineralized Masara Mineral Field and is contiguous with the large North Davao Mining Corporation (“NDMC”) tenement. It is located in an area of good infrastructure close to the highway and local sealed roads.

The Masara Mineral Field comprises a number of porphyry copper clusters and numerous low-intermediate sulphidation epithermal gold prospects. The NDMC block covers historically operated gold and copper-gold mines including Hijo, Maco, RCO (Au), and Amacan (Cu-Au porphyry). The RCO gold deposit is approximately 1 km east of the permit boundary.

The Mawab tenement covers a number of large regional faults and interpreted circular structures in a highly mineralized province. The RCO deposit, an epithermal fault related replacement gold deposit in calcareous rocks (Carlin type), is located adjacent to the Mawab tenement. Placer Pacific Exploration (who explored the area in the 1990’s) identified a 400 m



by 40 m manganiferous vein zone (containing a 50 m by 40 m core with anomalous gold in rock chip samples) near RCO, which trended southwest towards Mawab.

Corbett (2010) noted that mapping and sampling by Sierra along the southeast margin of the Mawab permit has identified sediment-hosted replacement style alteration within a carbonate-bearing sandstone-shale sequence. Black silica was identified, similar to that which contains auriferous arsenical pyrite in other deposits of this type (such as Mesel in Sulawesi, Indonesia) and the Carlin Trend in the USA. Many specimens are foliated suggesting a structural control and andesite clasts within another specimen indicated alteration possibly developed at the margin of an intrusion. Mapping to date by Sierra suggests the altered sedimentary rocks are overlain by ultramafic which could have acted as a cap to constrain mineralised hydrothermal fluids similar to the andesite at Mesel.

Mawab remains in an early stage of investigation. Work by Sierra has been very limited, comprising reconnaissance prospecting and rock-chip sampling with ridge-and-spur soil sampling in the south. The soil sampling did not define any high-level coherent anomalism, but reconnaissance rock-chip sampling has returned anomalous results and significant silica-pyrite alteration has been identified in the southeast. Stream sediment sampling by previous operators defined anomalies in the southeast, but these were interpreted to be sourced from east of the block.

The project lies in a very prospective area indicated by the presence of large regional structures and a history of past copper and gold production from mines in the surrounding area including the RCO gold deposit.

Results of exploration to date have returned some highly anomalous samples without indicating any obvious high-priority or high-tonnage potential exploration targets. Whilst it is possible that anomalies in the southern part of the tenement block may reflect the presence of the known mineralisation outside of the tenement to the east, the presence of high-grade mineralisation adjacent to the tenement and mineralized structures trending into the tenement support the prospectivity of the tenement and further exploration.

7.5 Taguibo Project

The Taguibo Project is located in the southern end of the Masara Mineral Field (Figure 15). Tenement details are presented in Appendix 1.

A major north northwest-trending splay of the Philippine Fault System runs through the eastern edge of the tenement and the northwest-trending splays of the Philippine Fault System that define the King-King trend run just west of the block. Reconnaissance work by MGB defined anomalism (in the far east of the block) that has been the focus of all subsequent work, including substantial drilling by Sierra. The work targeted significant surface anomalism and mineralisation, characterised by polymetallic veins with associated extensive argillic alteration and zones of silicification.

Many features are typical of exposure by erosion of a level in the hydrothermal system overlying the causative intrusion for hydrothermal alteration and vein mineralisation (Corbett, 2010).

Inner propylitic actinolite-epidote alteration passes to pervasive and vein K-feldspar alteration with magnetite, which vectors towards a target constrained between magnetite



hornfels and separate silica and pyrophyllite exposures, likened by Corbett (2010) to barren, shoulder-style, advanced argillic alteration.

Throughout Taguibo, quartz + pyrite ± chalcopyrite ± galena ± sphalerite veins are typical of those which commonly develop marginal to porphyry intrusions and also aid in vectoring towards the speculated unseen porphyry copper-gold target. The best developed precious and base metal mineralisation occurs in the Palermo area in the southern part of the tenement.

Drilling has encountered generally weak alteration and little mineralisation except at Palermo in the far southeast of the project, where shallower intersections of gold-polymetallic mineralisation and deeper broad zones of weak copper mineralisation (50–100 m at 1.5–2.0% Cu) were obtained.

A new drilling program commenced in May 2012 with Hole TDH 13 aimed at intersecting the down dip extension of the wide low-grade copper mineralisation and testing for the presence of the interpreted causative intrusive. The hole intersected propylitic altered andesite porphyry and diorite as well as argillic altered fault breccias associated with weak gold-silver-zinc mineralisation similar to the Palermo polymetallic zone intersected above the copper zone in previous holes. The drilling programme is yet to be completed and the target copper zone remains untested.



8 Valuation of the Mineral Assets

Valuation of exploration stage Mineral Assets is subjective. If exploration results in identification or upgrading of a Mineral Resource the valuation will likely be higher, or alternatively when exploration is unsuccessful then that is likely to result in a reduced valuation.

There are a number of generally accepted procedures for establishing the value of exploration projects and, where relevant, the use of more than one approach to enable a balanced analysis and cross check on the results is recommended.

The valuation is always presented as a range, with the Preferred Value identified. The Preferred Value need not be the median value and is determined by the Independent Expert based on their experience.

Background information and discussion on the valuation of Mineral Assets is provided in Appendix 2.

8.1 Tenements Included in the Valuation

All of the Minerals Assets beneficially held by Sierra in the Philippines have been included in this valuation. A number of tenements are still applications or subject to denial and appeal, but due to the legal advice and the opinions presented by Sierra on the likelihood of eventual grant these tenements have been included in the valuation. The grid-locked tenement grant system in the Philippines represents an unusual case in valuation and the transactions involving applications are not unusual in the Philippines. The grant status of tenements has however been considered in determining the preferred valuations of the various projects.

8.2 Mabilo Valuation

8.2.1 Selection of the Valuation Method

The Mabilo Project is considered an Advanced Exploration to Pre-development Project. Mabilo comprises two tenements; a granted Exploration Permit which contains magnetite skarn mineralisation with significant copper, gold and silver contents; and an adjacent, larger Exploration Permit which is still in the application phase and has yet to be comprehensively explored by Sierra.

Given the history of the Mabilo Project and the relatively recent acquisition by Sierra there is inadequate expenditure data available to allow a meaningful application of the Appraised Value approach.

Exploration at Mabilo has resulted in a potentially economic discovery, though Mineral Resources have yet to be estimated. After reviewing the data, CSA concluded that there was sufficient information available from drilling, analysis, geophysics and metallurgical testing to allow the quantification of an Exploration Target. The amount of mineralisation outlined in the Exploration Target provides an avenue to value Mabilo using a 'Yardstick' Market approach.



CSA has completed a search for publicly available market transactions within the Philippines involving multi-commodity skarns. There were only limited data available so CSA widened the searches to include all of Southeast Asia and Australia for magnetite deposits and porphyry/epithermal and copper/gold deposits. Transactions identified are presented in Appendix 3.

While the more distant (e.g. in Eastern Australia) and geologically dissimilar (e.g. BIFs versus skarns) projects are only comparable in the broader sense – principally in terms of commodities, CSA contends that these transactions provide important context upon which to consider the valuation of the Mabilo Project.

Individual market transactions are never identical to the Mineral Asset being valued, and often do not contain all the required information for compilation. In practice, it is the range of implied dollar values per tonne of metal which is reviewed to guide the determination of the range and the Preferred Value.

For each of the reviewed transactions the value of the transaction has been converted to its Australian Dollar (AUD\$) equivalent based on the exchange rate at the time of the transaction due to iron prices being quoted in USD\$. The historical AUD\$:USD\$ exchange rates were based on data from the XE website (www.xe.com) and historical metal pricing was sourced from the Index Mundi website (www.indexmundi.com).

The transactions were 'normalised' by converting the deal information to Implied Value per unit mass of contained metal ("Implied Value") to level out the effect of differing resource grades. The Implied Value is calculated by dividing the dollar value of the transaction by the contained metal of the deposit, and then correcting this value for fluctuations in metal price (using historical spot prices and exchange rates).

For copper-gold-silver deposits the metals were converted to simple gold equivalents (based on spot prices at the time of the transaction) to ascertain the proportion of the overall value that could be ascribed to each individual metal in deriving the Implied Values.

A cross-check on the Yardstick Market approach was provided by reviewing the Rule-of-Thumb Net *In situ* Values approach.

8.2.2 Yardstick Market Approach

After reviewing numerous transactions that might be suitable for valuing the Mabilo Project, CSA identified a range of transactions as detailed in Appendix 3 that were selected to inform the values for copper gold and silver.

The transactions include polymetallic projects that are predominantly porphyry/epithermal in character; however other copper/gold projects were included to broaden the range and also check on any bias in the geology of the projects. Projects were from a spread of countries including the Philippines, Australia, Indonesia, PNG, Malaysia and Sweden.

The range of Implied Values from the above-listed transactions are shown in Figure 21. The data shows, with the exception of Silangan, that the Implied Values for copper and gold are within a reasonable range. Based on this data CSA selected implied values for copper, gold and silver as shown in Table 11.

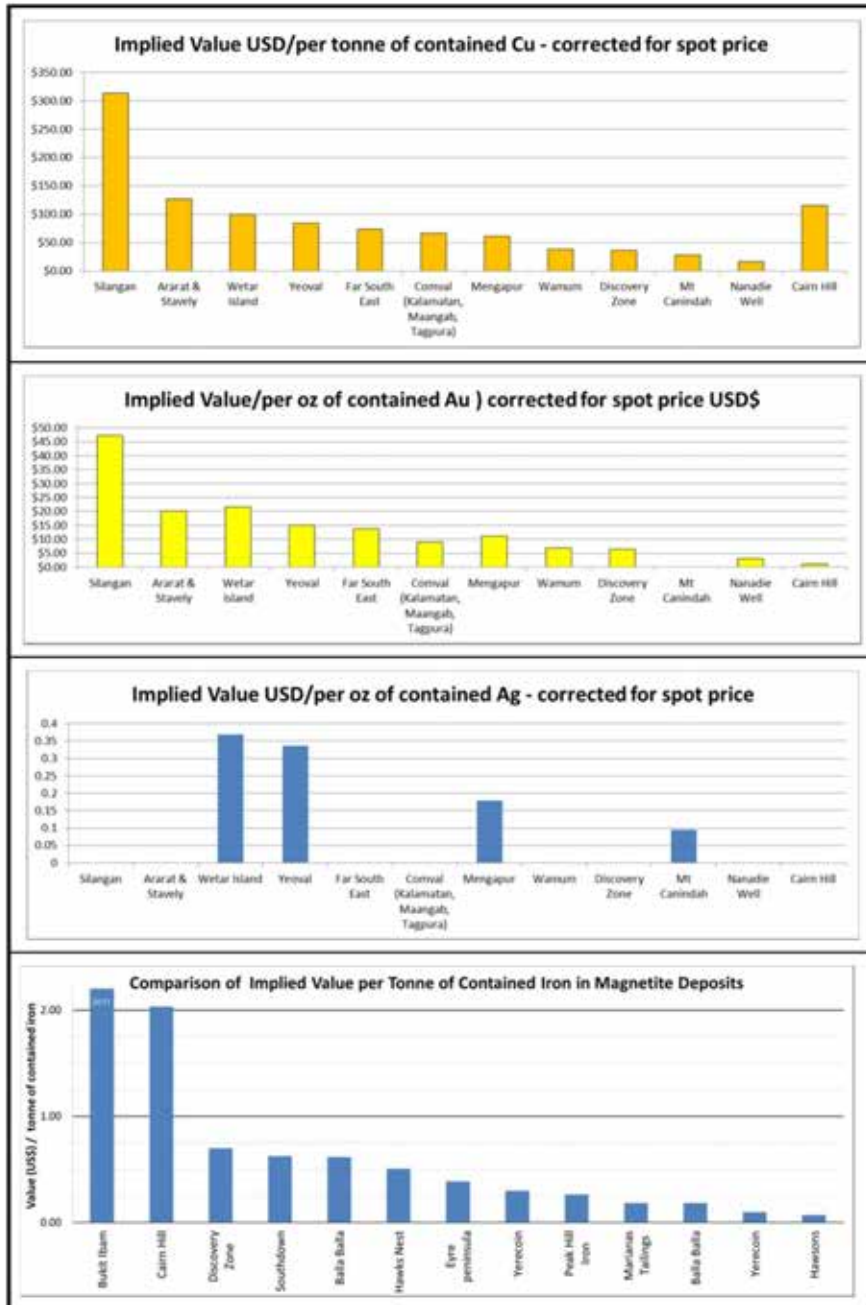


Figure 21: Implied Values from Comparable Transactions



A paucity of comparable magnetite skarn transactions globally meant that CSA considered Implied Values for magnetite from transactions involving a selection of global magnetite projects, including those with quite different development status and capital cost, e.g. large capital expenditure, remote area Australian magnetite BIFs; and more massive magnetite deposits in Malaysia, Sweden and South Australia. Implied values for the BIF magnetite projects were generally much less than AUD\$0.50/t. In stark comparison the Bukit Ibam transaction in Malaysia (Grange Resources Ltd) had an Implied Value of AUD\$20/t, though this value is considered an outlier and was excluded from CSA's considerations. The Discovery Zone deposit in Sweden, Cairn Hill in South Australia provided data on polymetallic Fe-Cu-Au projects, albeit more developed projects with Mineral Resources, but most projects where magnetite only.

Given the difference in mineralogy, metallurgy and infrastructure setting between the Australian magnetite projects examined and the magnetite skarns in Southeast Asia, CSA contend that an Implied Value of AUD\$0.50/t is appropriate for use in valuing the magnetite mineralisation at Mabilo.

Table 11: CSA Selected Implied Values for Cu, Au, Ag, Fe

Commodity	Preferred Implied Value	Units
Cu	75	AUD\$/t
Au	10	AUD\$/oz
Ag	0.15	AUD\$/oz
Fe	0.50	AUD\$/t

Using Exploration Target quantified for Mabilo by CSA, a series of metal endowments derived from the Exploration Target were selected by CSA (Table 12) as the basis for the Yardstick valuation.

Table 12: Mabilo metal endowments derived from the Exploration Target

		Fe t	Cu t	Au oz	Ag oz
Oxide	Lower	400,000	4,500	75,000	40,000
	Upper	500,000	5,500	85,000	50,000
Primary	Lower	6,000,000	135,000	400,000	1,800,000
	Upper	13,000,000	340,000	1,200,000	5,800,000

Using the Implied Values discussed above, CSA has derived a range of values for Mabilo using a Yardstick approach as summarised in Table 13.

Table 13: Mabilo Valuation using Yardstick Market Approach (AUD\$)

			Fe t	Cu t	Au oz	Ag oz
Exploration Target	Oxide	Lower	400,000	4,500	75,000	40,000
		Upper	500,000	5,500	85,000	50,000
	Primary	Lower	6,000,000	135,000	400,000	1,800,000
		Upper	13,000,000	340,000	1,200,000	5,800,000
Yardstick			\$0.5/t	\$75/t	\$10/oz	\$0.15/oz

Note: The valuations have been compiled to an appropriate level of precision and minor rounding errors may occur.



Metal	Lo AUD\$M	Hi AUD\$M
Iron	3.2	6.8
Copper	10.5	26
Gold	4.8	12.9
Silver	0.3	0.9
TOTAL	18.7	46.4

Overall, based on the Yardstick Market Approach, a range of \$19–47M is derived for the value of the Mabilo Project magnetite skarns. CSA's Preferred Value from this range is near the centre of this range at \$35M, reflecting the significant exploration success, the upside identified in the Exploration Target, the good location of the project with respect to infrastructure (a port, power, potable water) but also the early stage of the project, the conceptual nature of the Exploration Target, tenement uncertainties, the very preliminary understanding of recoveries (mining and metallurgical), development options and permitting.

There remains significant exploration potential in the Mabilo Project, particularly given the limited extent of exploration activity undertaken in the large Exploration Permit application to the east of the current work area.

8.2.3 Rule-of-Thumb Approach Net In Situ Value

The presence of an Exploration Target on the Mabilo Project permits the application of a Rule-of-Thumb approach to derive a value for the mineralisation.

As discussed in Appendix 2 a range of discount factors can be applied to the in-situ metal values to derive Implied Values using this approach. Castle (2013) discusses the range of suitable discounts based on average acquisition costs data for a 20 year period.

For the Mabilo Project, the Exploration Target range for metal contents was the basis for the estimate. The deposits as defined are discrete bodies of mineralisation so the cumulative quantities from the Exploration Target ranges are used in this approach. The inputs used and calculation summaries for each project using a Rule-of-Thumb approach to estimate Net In Situ values for the Mabilo Project are presented in Table 14.

Value multipliers of 0.5% for copper, silver and iron (range from 0.5% to 2.0%) and 2.0% for gold (range from 2.0% to 3.5%) were chosen to apply to the in-situ value of metal. The lower end of the range was considered appropriate due to the conceptual nature of the Exploration Target, uncertainty over recoveries (mining and metallurgical), development options and permitting.

Table 14: Summary of Values Using the Rule-of-Thumb Net In Situ Value Method applied to the Mabilo Exploration Target

	Metal contents from ET Ranges	Value Multiplier		0.5%	1.0%	1.5%	2.0%	2.5%	3.0%
Gross Cu t	139,500	In situ Value \$M	Lo	5.59	11.18	16.77	22.36	27.96	33.55
	345,500		Hi	13.85	27.70	41.54	55.39	69.24	83.09
Gross Ag oz	1,840,000	In situ Value \$M	Lo	0.22	0.44	0.65	0.87	1.09	1.31
	5,850,000		Hi	0.69	1.39	2.08	2.77	3.46	4.16
Gross Fe t	6,400,000	In situ Value \$M	Lo	4.81	9.62	14.42	19.23	24.04	28.85
	13,500,000		Hi	10.14	20.28	30.43	40.57	50.71	60.85
		Value Multiplier		2.0%	2.5%	3.0%	3.5%	4.0%	4.5%
Gross Au oz	475,000	In situ Value \$M	Lo	13.86	17.33	20.79	24.26	27.72	31.19
	1,285,000		Hi	37.50	46.87	56.25	65.62	75.00	84.37
Sum of Values			Lo	24.48	38.56	52.64	66.73	80.81	94.89
			Hi	62.18	96.24	130.30	164.35	198.41	232.47

Copper Price AUD\$7244/t; Gold Price AUD\$1459/oz; Silver Price AUD\$23.7; Iron Price AUD\$150/t

Note: The valuations have been compiled to an appropriate level of precision and minor rounding errors may occur.

Overall, based on the Net In Situ Value Method, a range of \$24–62M is derived for the value of the Mabilo Project magnetite skarns. CSA's Preferred Value from this range is \$35M which is towards the lower end of the range. The Preferred Value was chosen after comparison to the ranges derived from the Yardstick approach and considering the exploration success but also the very early stage of the project and the uncertainties listed above.

8.2.4 The Galeo Joint Venture Agreement

The Galeo farm-in to Nalesbitan and Mabilo was announced in May 2013 (see sections 5.2 and 6.2). Under the terms of the JVA, Galeo can earn-in to the projects by supplying exploration drilling, management and other services over the next 2 years.

CSA has elected not to use this transaction as a basis for valuing the Mabilo Project because there is uncertainty over how much Galeo will commit to spend at each project and over what time period.

8.3 Nalesbitan Valuation

8.3.1 Selection of Valuation Method

The Nalesbitan Project is an Advanced Exploration stage project comprising two tenements with a number of advanced prospects and targets for further work for epithermal gold and possibly deeper porphyry copper mineralisation.



Widespread artisanal mining is underway around Nalesbitan and past industrial mining activities have also occurred (albeit with limited success).

As with Mabilo, the relatively short time that Sierra has held the Nalesbitan Project limits the application of an Appraised Value method for valuation.

An Exploration Target has been quantified for epithermal gold (\pm silver) mineralisation and this provides an option for deriving values for the deposit using a Yardstick Market approach, supported by a Net In Situ Value approach.

8.3.2 Yardstick Market Approach

The same Implied Values applied at Mabilo are also applicable to the Nalesbitan Inferred Mineral Resource. Using the metal endowment from the resource at Nalesbitan (Table 9) as the lower range, and the upper range of the Exploration Target for Nalesbitan published by Sierra together with the Implied Values discussed above, CSA has derived a range of values for Nalesbitan using a Yardstick approach as summarised in Table 15.

Table 15: Nalesbitan Valuation using Yardstick Market Approach (AUD\$)

		Au oz	Ag oz
Inferred Resource	Lower Range	180,000	660,000
Upper range of Exploration Target	Upper Range	350,000	1,610,000

Note: The valuations have been compiled to an appropriate level of precision and minor rounding errors may occur.

Metal	Lo AUD\$M	Hi AUD\$M
Gold	1.8	3.5
Silver	0.1	0.2
TOTAL	1.9	3.7

Overall, based on the Yardstick Market Approach, a range of \$1.9–3.7M is derived for the value of the Nalesbitan Project epithermal mineralisation. CSA's Preferred Value from this range is near the middle of this range at \$2.5M, reflecting the character of the mineralisation identified and the remaining exploration potential but also the land access and tenement issues, as well as unknown routes to development at this stage.

8.3.3 Rule-of-Thumb Approach Net In Situ Value

The presence of Exploration Targets on the Nalesbitan Project allows the application of a Rule-of-Thumb approach to derive a value for these deposits.

As discussed in Appendix 2 a range of discount factors can be applied to the in-situ metal values to derive Implied Values using this approach. Castle (2013) discusses the range of suitable discounts based on average acquisition costs data for a 20-year period and applied a similar discount for the gold.

The inputs used and calculation summaries for each project using a Rule-of-Thumb approach to estimate Net In Situ values for the Nalesbitan Project is presented in Table 16.



For the Nalesbitan Project, the Exploration Target range for metal contents was the basis for the estimate. The deposits as defined are discrete bodies of mineralisation so the entire quantities from the Exploration Target ranges are used in this approach.

Value multipliers of 1.0% for silver (range from 0.5% to 2.0%) and 2.5% for gold (range from 2.0% to 3.5%) were chosen to apply to the in-situ value of metal. The multipliers chosen are at the lowest end of the range reflecting the conceptual nature of the Exploration Target, uncertainty over recoveries (mining and metallurgical), development options and permitting as well as sovereign risk.

Table 16: Summary of Values Using the Net In-Situ Value Method applied to the Nalesbitan Exploration Target

	Metal contents from ET Ranges	Value Multiplier		0.5%	1.0%	1.5%	2.0%	2.5%	3.0%
Gross Ag oz	480,000	In situ Value \$M	Lo	0.06	0.11	0.17	0.23	0.28	0.34
	1,610,000		Hi	0.19	0.38	0.57	0.76	0.95	1.14
		Value Multiplier		2.0%	2.5%	3.0%	3.5%	4.0%	4.5%
Gross Au oz	140,000	In situ Value \$M	Lo	4.09	5.11	6.13	7.15	8.17	9.19
	350,000		Hi	10.21	12.77	15.32	17.87	20.43	22.98
Sum of Values			Lo	4.14	5.22	6.30	7.38	8.46	9.53
			Hi	10.40	13.15	15.89	18.64	21.38	24.12

Gold Price AUD\$1459/oz

Silver Price AUD\$23.7

Note: The valuations have been compiled to an appropriate level of precision and minor rounding errors may occur.

Overall, based on the Net In-Situ Value Method, a range of \$4–10M is derived for the value of the Nalesbitan Project epithermal mineralisation drilled thus far. CSA's Preferred Value from this range is \$4M near the bottom of the range. The Preferred Value was chosen after comparison to the ranges derived from the Yardstick approach and considering the extent of uncertainties relating to land access, tenement, metallurgy and whether such a body of mineralisation would be adequate for a standalone operation.

8.4 Exploration Assets: Geoscientific Factor Method for Exploration Potential

The Geoscientific Factor method of valuation requires the consideration of those aspects of a mineral property which enhance or downgrade the intrinsic value of the property. The first and key aspect of the Geoscientific Factor method described by Kilburn (1990) is the derivation of the average Base Acquisition Cost ("BAC") that is the basis for the valuation. Goulevitch and Eupene (1994) discuss the derivation of BAC. The BAC represents the average cost to identify, apply for and retain a base unit of area of a mineral tenement.

A BAC for Philippine Exploration Permits has been estimated using the following data obtained from discussions with Sierra:

- The average age of EPs can be assumed to be six years.
- Inspection of Philippine government records shows that the average size is approximately 4,455 ha (44.6 km²).
- An average cost to identify an EP of interest of \$10,000 was chosen.



- The cost to acquire an average EP in the Philippines currently includes the costs of application and the minimum expenditure costs for the average life of the EPs.
- The holding cost of the average Philippine licence includes contributions to landowners, indigenous groups, and various government authorities.
- A small ongoing cost for tenement administration was also included.

Based on these parameters a BAC for the average Philippine EP was estimated to be ~AUD\$106 per ha as shown in Table 17.

Table 17: Derivation of Base Acquisition Costs for an Exploration Permit in the Philippines

Permit Application Cost Break-down			
Average EP size	4455		Ha
Average EP age	6 *		yr.
Exploration Permit Acquisition Costs			units
Cost of Identification	PHP 400,000	AUD 10,000	per EP
Posting and Publications	PHP 300,000	AUD 7,500	per EP
Application Fee, PHP60/ha	PHP 267,300	AUD 6,683	per Ha
Clearance Fee	PHP 5,000	AUD 125	per EP
Registration Fee	PHP 5,000	AUD 125	per EP
Occupation Fee (Rent), PHP75/ha	PHP 2,004,750	AUD 50,119	per EP
Endorsement of EXPA to MGB Central Office	PHP 100,000	AUD 2,500	per EP
Final Evaluation by MGB	PHP 100,000	AUD 2,500	per EP
Minimum Expenditure for average EP (PHP200/ha/yr)	PHP 5,346,000	AUD 133,650	per EP
Contributions to landowners over life of average EP (PHPS/ha/month)	PHP 1,603,800	AUD 40,095	per EP
Community Development Plan (10% of the total Exploration Work Budget)	PHP 534,600	AUD 13,365	per EP
Contributions to natives, local tribes and communities over life of average EP (PHP10/ha/mth)	PHP 3,207,600	AUD 80,190	per EP
NCIP/ FPIC	PHP 4,000,000	AUD 100,000	per EP
Overheads and Administrative costs (PHP6000/month)	PHP 432,000	AUD 10,800	per EP
Consultant fees for average EP	PHP 600,000	AUD 15,000	per EP
Total Cost of an average EP in the Philippines	PHP 18,906,050	AUD 472,651	per EP
BAC of Average EP in Philippines	PHP 4,244	AUD 106	per Ha
	PHP 424,378	AUD 10,609	per km ²

AUD:PHP = 40

* Average life of EP's is based on an initial 2 years plus two options for renewal for an additional 2 years (total 6 years)

An assessment of the prospectivity of the tenements held by Sierra was completed using a modified Geoscientific Factor approach. The analysis comprised a review of factors including:

- Regional mineralisation, old and current workings and the validity of the exploration models proposed;
- Local mineralisation within the tenements and the applicability of the exploration models within the licences;



- Identified anomalies and targets warranting follow-up within the tenements;
- Geological factors pertinent to the licences such as the host rocks, alteration styles and structures present, and the difficulties presented by cover sequences and other factors.

The Value Factors are assessed against the set scale shown in Appendix 2, and are multiplied together to derive a “prospectivity index”.

Sierra presented summary data as shown in the preceding report supporting the prospectivity of the Mineral Assets. Based on this data and the work completed so far, the Geoscientific Factor Method has been used to derive values for Sierra’s Mineral Assets. Table 18 provides details of the factors applied and the results.

Overall, this equates to a Preferred Value, based on the Geoscientific Method, of \$12.8M from a range of \$6.7–19.0M.

The valuations derived by the Geoscientific Factor Method provide a broader range and higher absolute values than the Market Approach. This reflects the perceived prospectivity of the project areas and recognised the identification of mineralisation on the projects. However, as discussed earlier, no single valuation approach is considered definitive for the Sierra’s projects and the ranges from all valuation methods have been considered in determining the Preferred Values for the projects.

8.5 Exploration Assets: Market Approach – Analysis of Comparable Transactions

CSA has conducted a review of recent publicly available market transactions involving gold and copper exploration projects in Southeast Asia and eastern Australia. A total of 19 transactions considered relevant to Sierra’s projects were identified. The transactions were reported over the period February 2006 to May 2013. Summary information about the reviewed transactions along with the implied cash-equivalent values per square kilometre are summarised in Appendix 3.

The transactions chosen cover a range of gold and base metal projects in eastern Australia, including projects with similar geology and targets as Sierra’s projects, i.e. porphyry-related and epithermal targets and mineralisation, deposits which share a similar polymetallic character, but with a dominant copper theme.

Whilst most of the transactions involved consideration of shares with or without some cash component, some of the transactions are farm-ins and in these instances the value of future committed expenditure has been discounted by 50%.

The review of the relevant transactions highlights a wide range of acquisition values (\$1,500 per km² to \$47,500 per km²) for comparable projects. The large range of implied values is a reflection of the range of maturity of the projects, the area of the projects (with small projects having higher implied values because there appears to be a floor price for projects) and also the variation in gold and copper prices (and market sentiment) over the past five years, as well as the nature of the transaction with farm-ins attracting higher values.

In addition to changes in market perception of prospectivity, deal values are also affected by general market factors such as access to capital and commodity prices and other issues e.g. premiums associated with company takeovers.



Table 18: Geoscientific Factor Scores for Sierra projects

Project	Tenement	Area ha	BAC AUD/ha	Grant Factor *	Location with Known Mineralisation OFF PROPERTY		Location with Known Mineralisation ON PROPERTY		Amount & Grade of Mineralisation ANOMALY FACTOR		Geology Factor		Market Factor **	Lower	Higher	Preferred
					Low	High	Low	High	Low	High	Low	High				
Mabilo	EP-014-2013-V	497.72	\$106	1.0	1.5	3.0	2.5	3.0	3.0	4.0	2.0	3.0	0.7	0.8	4.0	2.4
Mabilo	EXPA-000188-V	2984.99	\$106	0.5	1.5	3.5	1.0	1.0	1.0	1.0	0.9	1.1	0.7	0.2	0.4	0.3
Nalesbitan	MLC MRD-459	497.75	\$106	0.5	1.5	1.7	2.0	3.0	3.0	2.5	2.0	3.0	0.7	0.3	1.0	0.6
Nalesbitan	APSA-V-002	663.44	\$106	0.5	1.5	1.7	2.0	3.0	3.0	2.5	2.0	3.0	0.7	0.4	0.9	0.7
Bunawan	APSA-003-XIII	5832.00	\$106	0.5	1.5	3.5	1.5	3.0	3.0	1.5	2.0	3.0	0.7	1.5	13.6	7.6
Bunawan	EXPA-037-XIII	734.00	\$106	0.5	1.5	3.5	1.5	3.0	3.0	1.5	2.0	3.0	0.7	0.2	1.7	1.0
Bahayan	EXPA-123-XI	6924.83	\$106	0.5	3.0	4.0	1.0	1.5	1.5	1.0	1.0	1.0	0.7	0.7	2.3	1.5
Mawab	EP-02-10-XI	6575.01	\$106	1.0	1.5	2.0	1.5	2.0	2.0	1.0	1.0	1.0	0.7	1.1	2.9	2.0
Taguibo	EP-001-06-XI	3542.03	\$106	0.5	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	0.7	0.1	0.1	0.1
Taguibo	EXPA-118-XI	7915.89	\$106	0.5	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	0.7	0.3	0.3	0.3
Taguibo	EP-01-10-XI	1400.54	\$106	1.0	1.5	2.0	1.5	2.0	2.0	2.0	2.5	2.0	0.7	0.5	2.1	1.3
													6.1	29.3	17.8	

* Grant Factor: Applications for tenement have a degree of uncertainty as to their final grant and the potential to undertake a mining operation. Applications in the Philippines are generally acknowledged as being likely to eventually proceed to grant, though the time frames for grant may exceed several years. To reflect this uncertainty CSA has elected to APPLY a 50% discount to applications

** Market Factor: CSA has valued these tenements as being speculative exploration tenements requiring significant commitment of capital and exploration resources. This factor also recognises the state of the commodity market and the tenement difficulties in The Philippines. Gold prices remain subdued with public listed gold companies suffering poor share prices particularly those with predevelopment projects in higher sovereign risk destinations. For these reasons CSA has elected to APPLY a 30% discount factor to reflect the depressed market for ASX listed juniors, a depressed gold price and the lack of appetite for higher sovereign risk locations

The valuations have been compiled to an appropriate level of precision and minor rounding errors may occur.



Further review of the transactions indicates that:

- higher values were achieved on older deals (pre-2010) with the highest values during 2010 (ranging from \$6,250 to \$47,500 per km² with an average around \$28,100 per km²);
- more recently (2011–2013) there appears to have been less variability in values achieved, averaging around \$6,500 km²; and
- Transactions in the Philippines are at the higher end of the range, though looking at all Southeast Asian transactions shows they are distributed throughout the range.

The lower recent valuations are to an extent countered by evidence a higher values for projects in the Philippines (presumably reflecting the greater prospectivity and endowment of the Philippines as well as higher holding costs as discussed in the section on Base Acquisition Cost below).

CSA has chosen an implied value range of \$10,000 to 30,000 per km² for the Advanced Exploration Areas e.g. Bunawan. For early stage projects a much lower implied value range of \$1,000 to \$5,000 was selected due to the grassroots nature of the project.

A summary of the implied values using the Market Approach are provided in Table 19.

Table 19: Summary of Area based Comparable Transaction Valuations for Exploration assets

Project	Granted Area	Implied Values			Valuation		
					using Market Approach		
	km ²	Low	High	Preferred	Low	High	Preferred
		\$/km ²			\$M		
Mabilo	29.8	\$20,000	\$40,000	\$30,000	0.6	1.2	0.9
Nalesbitan	11.6	\$15,000	\$40,000	\$30,000	0.2	0.5	0.3
Bunawan	65.7	\$10,000	\$30,000	\$20,000	0.7	2.0	1.3
Bahayan	69.2	\$10,000	\$30,000	\$20,000	0.7	2.1	1.4
Mawab	65.8	\$5,000	\$15,000	\$10,000	0.3	1.0	0.7
Taguibo	128.6	\$5,000	\$15,000	\$10,000	0.7	1.9	1.2
Totals	370.1				3.2	8.7	5.8

8.6 Preferred Value of the Projects

CSA concludes that Sierra's tenement portfolio presents exposure to an attractive range of grassroots to advanced exploration plays. Further exploration and evaluation work is warranted on all of the projects.

In determining the Fair Market Value of Sierra's projects, CSA considered several valuation methods including a Yardstick Market Approach for transaction involving Mineral Resources and the Net In-Situ Value (Rule-of-Thumb) methods for valuing Sierra's projects with advanced enough to allow the quantification of Exploration Targets, and, an area-based Comparable Transaction and Geoscientific Factor approach to value early stage exploration assets, as detailed in the preceding sections.

The Sierra projects cover a range of mineralisation styles, target types and deposits both in terms of maturity and deposit type/commodity. For this reason, and based on our assessment, we have selected Market Value ranges and Preferred Values after considering the ranges of values from each approach and also other factors such as tenement status, sovereign risk and the general market dynamic.

CSA's preferred valuations for 100% of each project are provided in Table 20.



Table 20: Summary of Preferred Technical Valuations

Project	Fair Market Valuation		
	Low	High	Preferred
	\$M		
Mabilo	19	47	36
Nalesbitan	2	6	4
Mindanao Exploration projects	3	10	6
Totals	24	63	46

Note: The valuations have been compiled to an appropriate level of precision and minor rounding errors may occur.

There is significant range in the values derived for Sierra's projects. CSA has considered this range and concludes that it provides a reasonable representation of possible valuation outcomes for the projects, given the uncertainties inherent in valuing early-stage exploration and pre-development projects.

It is stressed that the valuation is an opinion as to likely values, not absolute values, which can only be tested by going to the market.

8.7 Previous Valuations

Mabilo and Nalesbitan Projects

Sierra shareholder approval was a condition precedent to the JVA signed in May 2013 between Mt Labo, Sierra and Galeo Equipment and Mining Company, Inc. Accordingly, Sierra commissioned an Independent Expert's Report for inclusion with a Notice of Meeting to be sent to the shareholders of Sierra. The IER addressed the JVA between Mt Labo, Sierra and Galeo, for Galeo to earn a 36% interest in Mt Labo's Mabilo and Nalesbitan Projects, down to 200m below surface, by contributing approximately USD\$4.25 million (Castle, 2013).

The valuation was based on a Geoscientific Factor method with support from Comparable Transactions and Appraised Value approaches. The valuation ranged from a low of \$5.1M to a high of \$6.7M with a Preferred Valuation of \$5.9M. These values were assessed for two projects covering a combined total area of 46.4km².

The differences between the earlier valuation and the current CSA valuation are interpreted to be due to the significant exploration success at Mabilo in outlining polymetallic mineralised skarns; a greater recognition and weighting of exploration potential by CSA, and more accurate derivation of a local BAC for application with the Geoscientific Factor method and a difference in the application of valuation approaches.

Mindanao Projects

CSA is not aware, nor have we been made aware, of any valuations over Sierra's Mindanao projects.



9 References

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10 Glossary

Acid Sulphate	epithermal mineralisation characterised by sulphides and sulphate minerals.
Adit	horizontal underground entrance, a tunnel.
Ag	chemical symbol for silver.
Alluvial	transported material commonly in a stream.
Alteration	mineralogical reconstitution of a rock by hydrothermal fluids, as distinct from atmospheric weathering.
anastomosing	
Andesite	volcanic rock characterized by iron-magnesium minerals and plagioclase, formed from the eruption of molten lava or air-borne fragmental material that solidifies on cooling.
Anomaly	an area above background levels, particularly geochemistry.
apophyses	A tongue or lode of intrusive rock
argillic	Pertaining to clay or clay minerals; alteration to clay minerals
Argillite	fine grained, muddy sediment.
Arsenopyrite	silver coloured, iron, arsenic sulphide mineral. Commonly associated with, and containing, invisible or very fine grained gold.
Artisanal workings	small scale gold mining by local people.
ASL	above sea level.
Au	chemical symbol for gold.
Basalt	dark volcanic rock high in iron and magnesium.
Base metal	nonferrous metals such as copper, lead, zinc, and nickel.
Basement	undifferentiated complex of rocks that underlies the rocks of interest.
Bornite	copper rich sulphide mineral.
Breccia	fragmented rock commonly cemented by hydrothermal minerals.
Calc-alkaline	group of magmatic rocks with 56 – 61 weight percent silica and weight % of CaO and of alkali (K ₂ O + Na ₂ O) are equal. Includes some andesites and basalts.
Caldera	circular volcanic depression.
Carbonaceous	graphite and carbon-bearing rock.
Chalcedonic silica	fine-grained version of quartz composed of colloidal silica.
Chalcopyrite	copper iron sulphide mineral.
Channel sample	continuous sample over a set distance.
Chert	fine-grained version of quartz, similar to chalcedony.
Chlorite	platy ferromagnesian mineral similar to mica or clay.
Chloritised	process where the mineral chlorite is added to a rock during alteration.
Chromite	chrome bearing oxide mineral.
CIL	carbon in leach ; a process for extracting gold from crushed rock.
Colluvium	loose mass of soil and/or rock fragments transported short distances by mechanical surface processes.
Cordillera	An extensive series of of more or less parallel ranges of mountains together with their valleys, basins, plains and lakes and rivers; with the overall mass of the domain having one general orientation
Costeaning	process of excavating trenches for the purpose of sampling.
Cretaceous	period of geological time: 66-131 million years.
Cu	chemical symbol for copper.
Cu-Au porphyry	copper and gold bearing hydrothermal deposit either in or associated with porphyritic intrusive rocks.
Dacite	volcanic rock with less calcium and more quartz than andesite.
Davis tube test-work	The test is a two stage process, a pulverising step and the Davis Tube wash. DTR is the most



	important test for a magnetite deposit. The DTR test generates the weight recovery/magnetic iron, or proportion of the deposit which is magnetite and the likely grade of concentrate at a given grind size. The DTR test is in effect a pilot run on each part of the deposit.
Diamond drilling	drilling method which produces core of rock.
Diatreme	a volcanic vent or pipe erupted through enclosing rocks.
dilatational	Deformation by a change in volume – an opening up
Diorite	dark coarse-grained intrusive rock characterized by dark minerals, plagioclase and some quartz. Intrusive equivalent of volcanic andesite.
Dip	angle or inclination that a surface makes to the horizontal.
Disseminated	minerals scattered throughout a rock.
Eluvial	residual deposit of rock debris formed by decomposition during weathering.
Eocene	period of time, 37 – 58 million years before present.
Epidote	silicate mineral, common around porphyry copper deposits.
Epithermal	hydrothermal deposit formed within one kilometre of the surface.
Facies	a grouping of rocks related in some manner.
Fault	fracture zone along which there has been movement.
Fold	curve or bend of a planar sequence of rocks.
Formation	geological unit defined by rock type and age relative to other units.
g/t	abbreviation for grams per tonne.
Gabbro	dark coarse-grained magmatic rock composed of calcium plagioclase, and iron-magnesian minerals. Intrusive equivalent of basalt.
Galena	lead sulphide.
Geochemistry	the study of the distribution and amounts of elements in rocks and soils by way of chemical analysis.
ginguro	Dark bands in epithermal veins: an aggregate consisting of electrum, Ag minerals (argentite, acanthite, polybasite, pyrrargyrite, pearceite, naumannite, agularite, hessite) and common sulfide minerals (sphalerite, galena, pyrite, chalcopyrite)
Gossan	massive sulphides converted to iron oxides by weathering.
Granite	coarse grained (visible) igneous rock composed dominantly of quartz and potassium feldspar.
Granodiorite	coarse-grained intrusive granitic rock containing quartz, potassium and calcium feldspar.
Grassroots	the earliest phase of mineral exploration.
High sulphidation	mineralisation and alteration formed by cooling and neutralisation of hot acidic magmatic fluids by interaction with host rocks and ground water. High sulphidation Au + Cu ore systems develop from the reaction with host rocks of hot acidic magmatic fluids to produce characteristic zoned alteration and later sulphide and Au + Cu + Ag deposition.
Hydrothermal fluid	hot water of the Earth's crust that precipitates minerals.
Inlier	outcrop of rocks surrounded by rocks of younger age.
Intrusive, intrusions	body of magma injected into a pre-existing rock mass.
IP	Induced polarization; an electromagnetic geophysical technique.
Island arc	a curved chain of oceanic islands formed above a descending and melting oceanic plate.
Jasperoid	reddish iron rich silica. Commonly deposited by low temperature epithermal hydrothermal fluids.
Km	kilometre.
Lapilli	material ejected from volcanoes, from 4 mm to 32 mm in diameter.
Lithic	rock fragments occurring in another rock.
Lode	vein-like structure where fluids have replaced the original rock, rather than filling a dilatational opening.
Low sulphidation	mineralisation and alteration developed from near neutral fluids and characterized by quartz and associated epithermal carbonate, potassium feldspar, and only small amounts of sulphides.
Maar	broad volcanic crater formed by shallow eruptions.
Mafic	rock composed mainly of dark iron and magnesium rich minerals.
Magma	naturally occurring molten rock material generated in the Earth that after injection or eruption crystallizes into solid rock.



Magnetite	Magnetite is a mineral, one of the two common naturally occurring iron oxides (chemical formula Fe ₃ O ₄) and a member of the spinel group. Magnetite is the most magnetic of all the naturally occurring minerals on Earth.
Mesozoic	period of geological time: 66-245 million years.
Metallogeny	
Metamorphosed	rocks that have undergone mineralogical, chemical, and physical modification by physical and chemical processes below the zone of weathering.
Mineralisation	process by which minerals are introduced into a rock. Also used to describe a body of ore minerals.
Miocene	period of geological time: 5-23.5 million years.
Mobile Zone	elongate zone of deformed crust. See Orogen.
Mt	million tonnes.
Normal fault	fault of greater than 300 dip, whose upper block moves down.
Obduction	the process whereby oceanic crust is emplaced over the leading edge of an opposing plate rather than being subducted under it.
Oligocene	period of geological time: 23.5-37 million years.
Ophiolite	obducted oceanic crust comprising mafic to ultramafic rocks and pelagic sediments.
Orogen	complex belt of deformed rock and intrusives formed by collision of tectonic plates.
Outcrop	an area of rock exposed at the surface.
Oz	troy ounces, a measure of precious metals.
Palaeocene	period of geological time: 58-66 million years.
Pan concentrate	stream sample, gravity concentrated in pan or dish.
Pb	chemical symbol for lead.
Pillow basalt	basalt occurring in round pillow-like shapes that formed through rapid cooling under water.
Plate	either oceanic or continental blocks that form the surface of the Earth and move by plate tectonic forces.
Plate tectonics	the movement of the Earth's surface plates with the creation of new oceanic material at spreading centres and the destruction of plate material in subduction zones beneath island arcs.
Pleistocene	Period of geological time: 11,700-2.6M years
Pliocene	period of geological time: 2.6-5.3 million years.
Pluton	body of igneous rock which formed beneath the earth's surface.
Porphyritic	magmatic rock texture where larger crystals sit in a matrix of finer grains.
Porphyry, porphyries	a porphyritic textured magmatic rock, commonly intrusive in origin.
Porphyry deposit	a hydrothermal deposit consisting of stockwork veins or disseminated sulphides typically associated with porphyritic rocks.
ppb	parts per billion.
ppm	parts per million.
Propylitic	hydrothermal alteration characterised by epidote, chlorite and carbonate.
Pyrite	iron sulphide; FeS ₂ .
Pyroclastic	fragmental volcanic rock formed by eruptive processes.
Pyroclastic flow	mass movement of pyroclastic material down the flank of a volcano.
Quaternary	period of geological time (recent-1.8 million years).
Reconnaissance	general exploratory survey of an area.
Sandstone	sedimentary rock made up of quartz and feldspar grains.
Scree	deposits of loose rock fragments, that form sheets draping the sides of hills. They form from the mechanical breakdown during weathering of surface outcrops and slow mass creep down slope.
Sediment	rock and mineral particles that are either mechanically transported and deposited by the action of air, water, and ice, or that is chemically precipitated.
Sericite	fine grained potassium mica.
Serpentine	dark silicate mineral formed by alteration of ultramafic rocks.
Silica	silicon dioxide.
Silicified	hydrothermal alteration producing fine-grained silica.



Siltstone	fine-grained sediment with particle sizes between sandstone and mudstone.
Sinistral	fault movement where the block on the far side appears to have moved to the left.
Skarn	body of calcium-rich silicate and carbonate minerals formed by the alteration of carbonate-bearing rocks of any type.
Soil sample	sample of soil material used for geochemical analysis.
Sphalerite	zinc sulphide.
Splay	branch of a fault.
Stockwork	interlocking network of planar or irregular veinlets.
stratovolcanoes	A stratovolcano, also known as a composite volcano, is a conical volcano built up by many layers (strata) of hardened lava, tephra, pumice, and volcanic ash.
Stream sediment	geochemical sample of stream bed sand and silt sample.
Strike	direction or trend of a geologic surface measured in a horizontal plane. It is perpendicular to dip.
Strike length	length of a geologic structure along its strike.
Strike-slip fault	fault whose blocks move horizontally or parallel to strike.
Subduction	process whereby one lithospheric plate descends beneath another.
Sulphides	metallic sulphur minerals.
Super porphyries	colloquial term for very large and medium grade porphyry Cu-Au deposits.
Tectonics	study of the large-scale deformation of the Earth's surface.
Terrane	discrete body of rocks with different geological history to that of adjacent rocks.
Terrane accretion	process where terranes accumulate in orogenic zones due to subduction, collision and obduction.
Thrust	flat-lying fault along which one crustal unit overrides another.
Tpa	tonnes per annum ; a production rate.
Transfer structure	structures normal to the magmatic arc and subduction zone which are commonly deep crustal discontinuities which can focus emplacement of melts generated at depth into higher crustal levels.
Trench	depression where ocean floor is being subducted.
Tuff	consolidated fragmental volcanics rocks formed in an explosive, usually airborne manner.
Ultramafic	rock composed mainly of dark iron and magnesium rich minerals.
Unconformity	boundary between two adjacent rock units or strata representing a time gap commonly due to non-deposition or erosion.
Vein	tabular or sheet-like filling by hydrothermal minerals of a fracture or fault.
Vesicule	small cavity in volcanic rock formed by gas bubble.
Volcanic arc	elongate zone or belt of volcanic rocks.
Volcanics	general term for a group of rocks derived from volcanic activity.
Wairakite	mineral belonging to zeolite group.
Zeolite	group of hydrous alumino-silicate minerals.
Zn	chemical symbol for zinc.

The reader is referred to online resources such as Wikipedia for explanations of other unfamiliar terms.

Appendix 1 Tenements

Region	Project	Type	Tenement	Area (ha)	Area (km ²)	Holding Company	Location	Status	Approved	Expire	Application date	Commodity	Remarks
Camarines Norte Region V	Mabulo	EP	EP-014-2013-V	497.72	5.0	Mt. Labo Exploration and Development Corporation	Labo	Granted	11/07/2013	11/07/2019		Gold, copper, iron and associated mineral deposits	Conversion of the MPSA appln-APSA-V-000001 to an EP application. Clearance to issue the EP was granted per May 27, 2013 Memo. Of MGB
		EXPA	EXPA-000188-V	2820.45	28.2			Application	-	-	08/05/2013	Gold, Silver and etc.	Lodged 8 May 2013 Application filed at the MGB CO. Endorsed to NCP. Application Amended segregating areas closed to mining applications. To be subjected to clearance with the MGB Co. DENR and NCP due to inclusion of a new area in the original applied area. Sierra consider there to be a high probability of grant.
	Nalabitan	MLC	MLC MRD-459	497.75	5.0			Re-newal Application	02/10/1987	01/10/2012	18/09/2012		Expected to be converted to a new MPSA
		APSA	APSA-V-002	663.44	6.6			Application	-	-	-		
Agusan del Sur Region XIII	Bunawan	APSA	APSA-003-XIII	5832	58.3	Binawan Mining Corporation		Application	-	-			Not found in MGB documents
		EXPA	EXPA-037-XIII	3046.92	30.5			Application	-	-	20/12/1999		Not found in MGB documents
			Sub Total	8878.92	88.8								
Compostela Valley Region XI	Bahayan	EXPA	EXPA-123-XI	6904.83	69.2	QT Metals Exploration and Development Corporation	Monkayo, Comval	Application	-	-	05/06/2005	Au, Cu, etc	Endorsed to MGB central office for evaluation/Approval
		EP	EP-02-10-XI	4776	47.8	QT Metals Exploration and Development Corporation	Compostela Valley Province	Granted	28/10/2010	27/10/2014			
		Sub Total	11700.83	117.0									
Davao Oriental Region XI	Tagubo	EP	EP-001-06-XI	3542.03	35.4	Binawan Mining Corporation	Banaybanay	Granted	18-Oct-06	18-Oct-08		gold and other associated mineral deposits	With Motion of suspension of operation due to force majeure
		EXPA	EXPA-118-XI	7915.89	79.2		Lupon	Application	-	-	04/04/2005		Area amended 11 Oct 2007 Denied/Rejected With Order Of Denial 30 Jun 2011 With MB Filed 15 Aug 2011; MB Denied 20 Jun 2012 On Appeal
		Sub Total	11457.92	114.6									
		Sub Total	30924.38	309.2									
		EP	EP-01-10-30	1400.54	14.0	QT Metals Exploration & Development Corporation	Lupon, Mati & San Isidro	Granted	20-Apr-10	01-Apr-14		Copper, silver, gold and other associated mineral deposits	

- Rents: PHP75 per ha per annum
- Expenditure Commitment: PHP 500 per ha per annum

Appendix 2 Valuation Methods

Methodology and Assumptions

Mineral assets are defined in the VALMIN Code as all property including, but not limited to real property, intellectual property, and/or mining and exploration tenements held or acquired in connection with the exploration, development and/or production from those tenements together with all plant, equipment and infrastructure owned or acquired for the development, extraction and processing of minerals in connection with those tenements.

Business valuers typically define market value as “The price that would be negotiated in an open and unrestricted market between a knowledgeable, willing, but not anxious buyer, and a knowledgeable, willing but not anxious seller acting at arm’s length.” The accounting criterion for a market valuation is that it is an assessment of “fair value”, which is defined in the accounting standards as “the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm’s length transaction.” The VALMIN Code defines the value of a mineral asset as its Fair Market Value, which is “the estimated amount of money or the cash equivalent of some other consideration for which, in the opinion of the expert or specialist reached in accordance with the provisions of the VALMIN Code, the mineral asset should change hands on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, wherein each party has acted knowledgeably, prudently and without compulsion.”

Fair Market Value usually consists of two components, the underlying or technical value, and a premium or discount relating to market, strategic or other considerations. The VALMIN Code recommends that a preferred or most-likely value be selected as the most likely figure within a range after taking into account those factors which might impact on Value.

The concept of Fair Market Value hinges upon the notion of an asset changing hands in an arm’s length transaction. Fair Market Value must therefore take into account, inter alia, market considerations, which can only be determined by reference to “comparable transactions”. Generally, truly comparable transactions for Mineral Assets are difficult to identify due to the infrequency of transactions involving producing assets and/or resources, the great diversity of mineral exploration properties, the stage to which their evaluation has progressed, perceptions of prospectivity, tenement types, the commodity involved and so on.

For exploration tenements, the notion of value is very often based on considerations unrelated to the amount of cash which might change hands in the event of an outright sale, and in fact, for the majority of tenements being valued, there is unlikely to be any “cash equivalent of some other consideration”. Whilst acknowledging these limitations, CSA has identified what it considers to be comparable transactions that have been used in assessing the values to be attributed to the Mineral Assets.

CSA’s valuations are based on information provided by Sierra and public domain information. This information has been supplemented by independent enquiries, but has not been independently verified. No audit of any financial data has been conducted. The valuations discussed in this Report have been prepared at a valuation date of 1st November 2013. It is stressed that the values are opinions as to likely values, not absolute values, which can only be tested by going to the market.

Valuation Methods for Exploration Projects

The choice of valuation methodology applied to Mineral Assets, including exploration licences, will depend on the amount of data available and the reliability of that data.



The VALMIN Code classifies Mineral Assets into categories that represent a spectrum from areas in which mineralisation may or may not have been found through to operating mines which have well-defined Ore Reserves, as listed below:

- **“Exploration Areas”** – properties where mineralisation may or may not have been identified, but where a Mineral Resource has not been identified.
- **“Advanced Exploration Areas”** – properties where considerable exploration has been undertaken and specific targets have been identified that warrant further detailed evaluation, usually by drill testing, trenching or some other form of detailed geological sampling. A Mineral Resource estimate may or may not have been made but sufficient work will have been undertaken on, at least, one prospect to provide both a good understanding of the type of mineralisation present and encouragement that further work will elevate one or more of the projects to the resource category.
- **“Pre-Development Projects”** – properties where Mineral Resources have been identified and their extent estimated (possibly incompletely) but where a decision to proceed with development has not been made.
- **“Development Projects”** – properties for which a decision has been made to proceed with construction and/or production, but which are not yet commissioned or are not yet operating at design levels.
- **“Operating Mines”** - mineral properties, particularly mines and processing plants that have been commissioned and are in production.

Each of these different categories will require different valuation methodologies, but regardless of the technique employed, consideration must be given to the perceived Fair Market Valuation.

The Fair Market Value of exploration properties and undeveloped Mineral Resources can be determined by four general approaches, viz.:

- The Appraised Value Method which considers the costs and results of historical exploration.
- The Market Approach or Comparable Transaction Method which looks at recent arm’s length transactions for comparable properties.
- The Geoscience Factor Method which seeks to rank and weight geological aspects, including proximity to mines and other deposits, the significance of the mineralised district and the commodity sought.
- The Income Approach which is relevant to exploration properties on which undeveloped Mineral Resources or Ore Reserves are present or to operating mines. When sufficiently detailed studies into the mining and processing of the Mineral Resources and/or Ore Reserves have been completed, value can be derived with a reasonable degree of confidence by forecasting the cash flows that would accrue from mining the deposit and discounting these to the present day to determine their Net Present Value (NPV).

Appraised Value or Exploration Expenditure Method

This method considers the costs and results of historical exploration.

The Appraised Value method utilises a Multiple of Exploration Expenditure (“MEE”) which involves the allocation of a premium or discount to past expenditure through the use of the Prospectivity Enhancement Multiplier (“PEM”). This involves a factor which is directly related to the success (or failure) of the exploration completed to date, during the life of the current tenements.

Guidelines for the selection of a PEM value have been proposed by several authors in the field of mineral asset valuation (Onley, 1994). Table 21 lists the PEM and criteria used in this report.

Table 21: Prospectivity Enhancement Multiplier (PEM) factors

PEM Range	Criteria
0.2–0.5	Exploration (past and present) has downgraded the tenement prospectivity, no mineralisation identified
0.5–1.0	Exploration potential has been maintained (rather than enhanced) by past and present activity from regional mapping
1.0–1.3	Exploration has maintained, or slightly enhanced (but not downgraded) the prospectivity
1.3–1.5	Exploration has considerably increased the prospectivity (geological mapping, geochemical or geophysical activities)
1.5–2.0	Scout drilling (RAB, aircore, RC percussion) has identified interesting intersections of mineralisation
2.0–2.5	Detailed drilling has defined targets with potential economic interest
2.5–3.0	A Mineral Resource has been estimated at Inferred JORC category, no concept or scoping study has been completed
3.0–4.0	Indicated Mineral Resources have been estimated that are likely to form the basis of a Pre-feasibility Study
4.0–5.0	Indicated and Measured Resources have been estimated and economic parameters are available for assessment

Market Approach Method or Comparable Transactions

This method looks at prior transactions for the property and recent arm’s length transactions for comparable properties.

The Comparable Transaction method provides a useful guide where a mineral asset that is comparable in location and commodity has in the recent past been the subject of an “arm’s length” transaction, for either cash or shares.

In an exploration joint venture or farm-in, an equity interest in a tenement or group of tenements is usually earned in exchange for spending on exploration, rather than a simple cash payment to the tenement holder.

The joint venture or farm-in terms, of themselves, do not represent the value of the tenements concerned. To determine a value, the expenditure commitments should be discounted for time and the probability that the commitment will be met. Whilst some practitioners invoke complex assessments of the likelihood those commitments will be met, these are difficult to justify at the outset of a joint venture, and it seems more reasonable to assume a 50/50 chance that a joint venture agreement will run its term.

Therefore, in analysing joint venture terms, a 50% discount may be applied to future committed exploration, which is then “grossed up” according to the interest to be earned to derive an estimate of the value of the tenements at the time that the agreement was entered into.

Where a progressively increasing interest is to be earned in stages, it is likely that a commitment to the second or subsequent stages of expenditure will be so heavily contingent upon the results achieved during the earlier phases of exploration that assigning a probability to the subsequent stages proceeding will in most cases be meaningless.

A commitment to a minimum level of expenditure before an incoming party can withdraw must reflect that party’s perception of minimum value and should not be discounted. Similarly, any up-front cash payments should not be discounted.

The terms of a sale or joint venture agreement should reflect the agreed value of the tenements at the time, irrespective of transactions or historical exploration expenditure prior to that date. Hence the current value of a tenement or tenements will be the value implied from the terms of the most recent transaction involving it/them, plus any change in value as a result of subsequent exploration.



Where the tenements comprise applications over previously open ground, little to no exploration work has been completed and they are not subject to any dealings, it is thought reasonable to assume that they have minimal, if any value, except perhaps, the cost to apply for, and therefore secure a prior right to the ground, unless of course there is competition for the ground and it was keenly sought after. Such tenements are unlikely to have any value until some exploration has been completed, or a deal has been struck to sell or joint venture them, implying that a market for them exists.

High quality Mineral Assets are likely to trade at a premium over the general market. On the other hand exploration tenements that have no defined attributes apart from interesting geology or a "good address" may well trade at a discount to the general market. Market values for exploration tenements may also be impacted by the size of the land holding, with a large, consolidated holding in an area with good exploration potential attracting a premium due to its appeal to large companies.

Geoscientific Factor Method

Geoscience Factor Method seeks to rank and weight geological aspects, including proximity to mines, deposits and the significance of the camp and the commodity sought.

The Geoscience Factor method provides an approach for the technical valuation of the exploration potential of mineral properties, on which there are no defined resources.

Valuation is based upon a calculation in which the geological prospectivity, commodity markets, and mineral property markets are assessed independently. The Geoscientific Factor Method is essentially a technique to define a Value based upon geological prospectivity. The method appraises a variety of mineral property characteristics:

- Location with respect to any off-property mineral occurrence of value, or favourable geological, geochemical or geophysical anomalies;
- Location and nature of any mineralisation, geochemical, geological or geophysical anomaly within the property and the tenor of any mineralisation known to exist on the property being valued;
- Number and relative position of anomalies on the property being valued;
- Geological models appropriate to the property being valued.

The Geoscientific Factor Method systematically assesses and grades these four key technical attributes of a tenement to arrive at a series of multiplier factors (Table 22).

The first and key aspect of the Geoscientific Factor method is the derivation of the average Base Acquisition Cost ("BAC") that is the basis for the valuation. Goulevitch and Eupene (1994) discuss the derivation of BAC. The BAC represents the average cost to identify, apply for and retain a base unit of area of an average tenement.

Each factor is then multiplied serially by the BAC to establish the overall technical value of each mineral property. A fifth factor, the market factor, is then multiplied by the technical value to arrive at the fair market value.

Table 22: Geoscientific Factor ratings

Rating	Off Property factor	On-property Factor	Anomaly Factor	Geological Factor
0.1			Extensive previous exploration with poor results	Generally unfavourable geological setting
0.5				Poor geological setting
0.9				Generally favourable geological setting; under cover
1.0	No known mineralisation in district	No known mineralisation in district	No targets defined	Generally favourable geological setting
1.5	Mineralisation defined	Mineralisation defined	Target identified, initial indications positive	Favourable geological setting
2.0	Resource targets identified	Exploration targets identified	Significant intersections - not correlated on section	
2.5				
3.0	Along strike or adjacent to known mineralisation	Mine or abundant workings with significant prior production	Several significant intersections that can be correlated	Mineralised zones exposed in prospective rocks
3.5				
4.0	Along strike from a major mine	Major mine with significant production		
5.0	Along strike from a Tier 1 mine			

Rule of Thumb or Yardstick

The *Rule-of-Thumb (Yardstick) Method* is relevant to exploration properties where some data on tonnage and grade exist may be valued by methods that employ the concept of an arbitrarily ascribed current *in-situ net* value to any Reserves (or Resources) outlined within the tenement (Lawrence 2001, 2012).

Rules-of-Thumb (Yardstick) Methods are commonly used where a Mineral Resource remains in the Inferred category and available technical/economic information is limited. This approach ascribes a heavily discounted *in situ* value to the Resources, based upon a subjective estimate of the future profit or net value (say per tonne of ore) to derive a rule-of-thumb.

This yardstick multiplier factor applied to the Resources delineated (depending upon category) varies depending on the commodity. Typically a range from 0.4–3 per cent is used for base metals and PGM, whereas for gold and diamonds a range of 2–4.5 per cent is used. The method estimates the *in situ* gross metal content value of the mineralisation delineated (using the spot metal price and appropriate metal equivalents for polymetallic mineralisation as at the valuation date).

The chosen percentage is based upon the valuer’s risk assessment of the assigned JORC Code’s Resource category, the commodity’s likely extraction and treatment costs, availability/proximity of transport and other infrastructure (particularly a suitable processing facility), physiography and maturity of the mineral field, as well as the depth of the potential mining operation.



Income Method

The **Income Approach** is relevant to exploration properties on which undeveloped Mineral Resources have been identified by drilling. Value can be derived with a reasonable degree of confidence by forecasting the cash flows that would accrue from mining the deposit and discounting to the present day ("DCF") and determining a Net Present Value ("NPV").

The Income Approach is not appropriate for properties without Mineral Resources.

Regardless of the technical application of various valuation methods and guidelines, the valuer should strive to adequately reflect the carefully considered risks and potentials of the various projects in the valuation ranges and the preferred values, with the overriding objective of determining the "fair market value".

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Appendix 3 Market Transactions

Transactions involving Cu, Au Exploration Projects

Project	Primary Commodity	Asset summary	Project Status	Country or State	Date of transaction	Selling Company Name	Purchasing Company Name	Transaction Type	Transaction Details	Purchase Price 100% Basis (AUD\$M)	Area (km ²)	Implied Value/km ² (AUD\$)
Surigao	Cu, Au	Work undertaken to date on the project has included geological mapping, geochemical and extensive geophysical surveys and diamond drilling. The project lies within lies within 8 km of the Boyongan deposit. Evaluation is ongoing.	Advanced Exploration	Philippines	Oct-06	Panoro	Mindoro	Acquisition	In October 2006, Panoro Minerals Ltd exercised its option to acquire a 40% interest in Mindoro Resources, Ltd's Surigao joint venture through exploration expenditure of C\$2 M over 4 years.	11.83	260	\$45,515
Mt. Camindah	Cu, Au, Ag	Mount Camindah is a large gold bearing porphyry copper-gold system with a number of highly prospective exploration targets located 100km south of Gladstone. NRE of 7.47Mt at 0.97% Cu, 0.38g/t Au & 15g/t Ag, of which 5.57Mt at 0.95% Cu, 0.41g/t Au, & 16g/t Ag are in the Measured Resource category & 1.86Mt at 1.0% Cu, 0.30g/t Au, & 14g/t Ag are in the Inferred Resource category.	Advanced Exploration known deposits JORC MRE	Qld	Dec-10	Planet metals	Drummond Gold	Farm-in	Drummond is committed to spending \$750,000 by September 2011 to assess the potential of Mount Camindah (at which time Drummond can elect to withdraw from the earn-out). Drummond can then earn up to 75% in the project through expenditure of a further \$6M within four years & nine months of signing the earn-in agreement.	4.75	100	\$47,500
Red Hill	Cu, Au	The Red Hill Prospect is located on the eastern interpreted faulted boundary of the Cowra Yass Synclinal Zone & is defined by a series of intense magnetic highs with associated zoned polymetallic geochemistry. Historically the area has received a variety of previous exploration typically targeting a VMS style of mineralisation. WCB however interprets the alteration & geochemical association at Red Hill to be more typical of intrusive related systems & in particular skarn type alteration/mineralisation. The significance of this is that this style of system has potential for well-developed depth extensions & the geological targeting for this style mineralisation has different criteria which have not been previously tested.	Exploration	NSW	Aug-10	Elephant Mines	WCB Resources	Farm-in	WCB can earn a 50.1% interest in the Project by spending \$1 million on the Project within a five year period	0.98	25.42	\$38,568
Gambang	Cu, Au	The Gambang project area is strategically situated within the southern portion of the Marikayan Mineral District in Benguet province. The mineral endowment of this belt is very high as evidenced by the area's rich mining history and the number of existing projects and known prospects in the immediate vicinity. The location of the Gambang tenement is central to and within the main geological zone that contains many of these deposits and as such offers excellent prospectivity.	Exploration	Luzon, Philippines	Feb-10	Royalco Resources	Vale	Acquisition	Option Agreement (i) payments to Royalco of US\$550,000 on completion of conditions precedent; a further payment of US\$500,000 twelve months later subject to standard administrative conditions. (ii) an option to acquire the tenement after the expenditure of up to US\$45.5 million within 3 years once all documentation has been appropriately registered by the Philippine authorities. (iii) a minimum expenditure of US\$1.5 million including drilling on the highly prospective Cableway prospect. (iv) a payment of US\$55,000,000 on exercise of the option, (v) and a royalty on production varying between 1.31% and 1.5% NSR.	1.78	52.42	\$33,957



Project	Primary Commodity	Asset summary	Project Status	Country or State	Date of transaction	Selling Company Name	Purchasing Company Name	Transaction Type	Transaction Details	Purchase Price 100% Basis (AUD\$M)	Area (km2)	Implied Value/km2 (AUD\$)
Trundle	Cu, Au	Trundle is a copper-gold exploration property located 355 km west of Sydney & 300 km northwest of Canberra. The 78 square km tenement covers a window of largely overburden-covered volcanics that are considered to be a portion of a rifted volcanic complex or caldera-like feature that hosts the Northparkes copper-gold district some 25 km to the east. Trundle contains widespread evidence of porphyry & skarn-style copper-gold mineralization that is associated with several discrete intrusive centres. Historical RAB & air core drilling on four of these centres identified bedrock copper & gold mineralization coincident with large-scale, circular airborne magnetic features. Limited RC drilling around the periphery of three of these centres - Copper Hill, Copper Hill East & Dunn's - confirmed the presence of porphyry-style alteration & mineralization. Other centres at Yarrabai, Bloomfield & Mordialloc have yet to be drill tested.	Exploration	NSW	Jan-08	Western Plains	Calibre	Farm-in	Royalco Philippines Inc., Royalco's operating subsidiary in the Philippines, will retain administrative responsibility for the tenement until the exercise of the option. Conditions precedent have been satisfied and the first US\$530,000 has been received post the end of the quarter. Calibre Mining Corp, through its wholly owned subsidiary Calibre Mining (Australia) Pty Ltd, entered into an Option Agreement with Western Plains to explore the Trundle property. Under that agreement Calibre had the right to earn a 70% interest in the Property by completing AUD\$3.0 million in exploration expenditures over a three year period, including a minimum expenditure of AUD\$600,000 in the first year.	2.14	78	\$27,473
Trundle	Cu, Au	Trundle is a copper-gold exploration property located 355 km west of Sydney & 300 km northwest of Canberra. The 78 square km tenement covers a window of largely overburden-covered volcanics that are considered to be a portion of a rifted volcanic complex or caldera-like feature that hosts the Northparkes copper-gold district some 25 km to the east. Trundle contains widespread evidence of porphyry & skarn-style copper-gold mineralization that is associated with several discrete intrusive centres. Historical RAB & air core drilling on four of these centres identified bedrock copper & gold mineralization coincident with large-scale, circular airborne magnetic features. Limited RC drilling around the periphery of three of these centres - Copper Hill, Copper Hill East & Dunn's - confirmed the presence of porphyry-style alteration & mineralization. Other centres at Yarrabai, Bloomfield & Mordialloc have yet to be drill tested.	Exploration	NSW	May-09	Calibre Mining Corp	Clancy	Farm-in	Clancy has signed a conditional agreement effectively giving it the right to earn a 70% interest in the Trundle project by completing exploration expenditure of approximately \$2.1 million over two years. The deal with Calibre provides for Clancy to issue 1,750,000 shares to Calibre at 12c. Clancy will upon completion of the deal become a 2.7% shareholder in Clancy	1.58	78	\$20,238



Project	Primary Commodity	Asset summary	Project Status	Country or State	Date of transaction	Selling Company Name	Purchasing Company Name	Transaction Type	Transaction Details	Purchase Price 100% Basis (AUD\$M)	Area (km2)	Implied Value/km2 (AUD\$)
Bau		The Bau gold field has a historical recorded production of some 1.5 M oz gold at an average grade of 9 g/t Au. Known gold mineralisation is associated with porphyry intrusives, veins and carbonate replacement zones	Advanced Exploration	Malaysia	Jun-06	Zedex Minerals	Gladoll Enterprises	Acquisition	In June 2006, Zedex Minerals Ltd entered an agreement to earn a 50.05% interest in Gladoll Enterprises SDN BHD Bau gold project for a USD\$2M cash payment and USD\$1.183M in expenditure	7.00	582.5	\$16,962.56
Akarat & Stavely	Cu, Au	Porphyries, VMS, epithermal, orogenic gold	Advanced Exploration known deposit	Vic	May-13	BCD Resources	Northern Platinum	Acquisition	First payment of \$1M, followed by \$1.5M cash, then \$0.3M in cash or shares at election of vendor details not available	2.80	197	\$14,213
Oxiana Philippines	Cu, Au	Oxiana Philippines holds title to an extensive array of exploration projects in northern and eastern Luzon, southern Leyte and north eastern Mindanao, which are considered prospective for epithermal and porphyry copper-gold mineralisation	Exploration	Philippines	Mar-06	Oxiana	Royalco Resources	Acquisition	In March 2006, Royalco Resources Ltd acquired a 100% interest in Oxiana Philippines Inc from Oxiana for a consideration of 10 M AUD\$0.50 Royalco shares and AUD\$200,000 in reimbursement of exploration expenditure.	5.20	998.8	\$10,412
Golden Peaks Dee Range	Cu, Au	Prospective volcanic sequence that hosts Mount Morgan Au-Cu 7 VMS deposit; Significant copper, zinc, silver & gold mineralization intersected in previous drilling; Recent VTEM survey produces several high priority conductors.	Exploration	Qld	Mar-13	Perilya Ltd	Hammer Metals	Farm-in	Hammer has a farm in agreement with Perilya Ltd to earn a 60% interest in Golden Peaks by spending \$4M over 4 years, at which point Perilya can elect to contribute or dilute, in which case, Hammer's interest would increase to 75%.	3.33	337	\$9,891
Porters Mount	Au & Base Metals	35km SE of Lake Cowal Capital has been exploring at Porters Mount since mid-2006 and has delineated a number of promising sub-epithermal style, intrusion related and breccia hosted gold targets	Exploration	NSW	Apr-11	Capitol Mining Ltd.	Flinders Exploration Ltd.	Acquisition	100% of the Porters Mount project for \$0.60M in cash & shares	0.6	66	\$9,091
Elk Trough	Cu, Au	a group of five EPMS located 80km west of Gympie in South East Queensland	Advanced Exploration known deposits	Qld	Oct-11	Coppermoly Ltd.	ActivEX Ltd.	Farm-in	Terms of the agreement with Coppermoly are for Coppermoly to farm-in to the joint venture area by sole-funding exploration - spending of \$30w over three years to earn a 51% interest; Coppermoly has committed to a minimum expenditure of \$0.5M in the first year.	2.94	356	\$8,262
Das-Agan	Cu, Au	The Das-Agan project is located in eastern Mindanao and lies to the north and south of Medusa's Co-O mine. Despite detailed mapping and geochemical sampling only limited drilling has been completed. A best intercept of 100 m at 0.4% Cu has been reported.	Exploration	Philippines	Feb-06	LocalCo	Medusa	Acquisition	In February 2006, Medusa Mining Ltd agreed to acquire a 100% interest in the Das-Agan project in the Philippines through reimbursement of expenses totaling 12 M Philippine pesos and a 3% gross royalty on all metals produced.	0.32	80	\$8,108



Project	Primary Commodity	Asset summary	Project Status	Country or State	Date of transaction	Selling Company Name	Purchasing Company Name	Transaction Type	Transaction Details	Purchase Price 100% Basis (AUD\$M)	Area (km2)	Implied Value/km2 (AUD\$)
Clermont Rosevale	Cu (Au, Ag, Mo)	Porphyry targets Rosevale Porphyry Corridor 3 granted & 1 EP appln	Advanced Exploration known deposit	Qld	Mar-12	Diatreme Resources	Antofagasta Mineral SA	Farm-in	\$400k for six months exploration farm in to earn 51% by spending \$8M over 4 years extra 9% by delivering JORC Inf Res Plus scoping study on at least 1 deposit can withdraw after \$1.4M within first year but no equity earned vendor operating during assessment & earn in phases	8.24	1,220	\$6,750
Mt Carrington	Cu, Pb, Zn, Au, Ag	Near Drake, northern NSW - Shallow Resources of 240,000 oz gold equivalent (146,000 oz of gold and 4.6 million oz of silver). - Drill defined extensive gold and silver mineralisation beyond the existing Resources. - Immediate open pit development opportunities and future multi-mine potential. - Epithermal system with potential for large scale, high-grade gold mineralisation at depth. - Close to infrastructure, suppliers and workforce at Lismore.	Advanced Exploration known deposit	NSW	Apr-08	Drake Resources Cazaly Resources Mt Carrington Mines	Rex Resources	Acquisition	Rex has a 12 month period to exercise an option for the purchase of a 100% interest in the Mt Carrington project. Total consideration for the option is \$150,000, which is in the process of being paid. After exercising the option to purchase, the total consideration for the Project is: -\$850,000 cash-\$1,500,000 in the form of Rex Shares, Assumption of the bond and liabilities associated with the mining leases and exploration licences	2.50	400	\$6,250
Paisali	Fe mag	An extensive skarn-mineralised system (>20km ²) within which at least five magnetite iron prospects Coarse magnetite up to 65% Fe grade and oxidation depths of up to 30m has been observed suggesting both DSO & Magnetite concentrate potential is present 200km north of Bangkok	Exploration	Thailand	Nov-09	Local Co	Matsa Resources	Acquisition	AUD\$13,500 Option Fee. AUD\$20,000 payment on successful due diligence. AUD\$50,000 payment on receipt of SPL applications by the Department of Industry and Minerals. A 5% interest in Paisali Mining Co., Ltd which has applied for the two SPL's (Matsa 95%). Assignment to Matsa of all Options to Purchase private land in the area. AUD\$50,000 payment upon grant of SPL's. A 5% gross royalty on revenue from the mining of iron from the SPL areas.	0.09	18	\$4,883
Boonara Project	Au, Cu & Fe (IOCG)		Exploration	QLD	Dec-11	Xstrata Mt Isa Mines	Mt Isa Metals Ltd.	JV	Initially 51% of the Boonara IOCG project in Eastern succession lithologies 150km N of Mt Isa for a minimum exploration spend of \$1,000M over 3 years	1.7	650	\$2,615.38
Arthurville	Cu, Au	The Arthurville Project incorporates tenement EL 7588 located 20 km south of Dubbo The Arthurville tenement straddles the northern extension of the Ordovician Molong volcanic belt, considered prospective for porphyry-related copper-gold mineralisation & volcanic-hosted massive sulphide base metal deposits.	Exploration	NSW	Apr-12	Minotaur Exploration	Mitsubishi	Farm-in	The Arthurville project is a joint venture between Minotaur, Mitsubishi Materials Corporation ("MMC") & Mitsubishi Corporation ("MC") where by MMC & MC are funding an agreed exploration programme to initially acquire a 32% participating interest through expenditure of \$370,000 within 24 months, & may elect to increase that to 49% through expenditure of a further \$600,000 within a further 24 months	0.58	292.4	\$1,977



Project	Primary Commodity	Asset summary	Project Status	Country or State	Date of transaction	Selling Company Name	Purchasing Company Name	Transaction Type	Transaction Details	Purchase Price 100% Basis (AUD\$M)	Area (km2)	Implied Value/km2 (AUD\$)
Maryborough Basin	Au; Cu & Ag	Maturing exploration play in a previously unrecognised metaliferous province, 25 prospects identified. Porphyry Cu-Au and epithermal Au-Ag targets; work completed includes 51 drill holes (core and RC) for a total of 8,653m	Exploration	QLD	Apr-12	Integrated Resources Group Ltd.	MAuB Pty Ltd.	Acquisition	88-100% of the Maryborough Basin project for \$3.25M in shares	3.69	2,478	\$1,490

Transactions involving Advanced Exploration and/or Pre-development Cu, Au (±Fe) Projects

Project Name	Primary Commodity	Asset summary	Project Status	Country or State	Date of transaction	Selling Company Name	Purchasing Company Name	Transaction Type	Transaction Details	Purchase Price 100% Basis (AUD\$M)	Implied Value USD/per oz of contained Cu - corrected for spot price	Implied Value USD/per oz of contained Ag - corrected for spot price
Silangan	Cu, Au	The Bayugo copper-gold prospect is part of the larger porphyry copper complex outlined during the exploration of the Bayugo deposit. The Bayugo mineralization is concealed beneath a young, volcanic and sedimentary cover of about 300 to 400m thick. The Bayugo estimate is based on a lithological model, centering on diorite stocks. Copper and gold are closely associated with two early and separate diorite stocks that intruded emplaced diorites and the diatreme breccia	Pre-Devel.	Philippines	Nov-08	Anglo American	Philex Mining Corp	Acquisition	In November 2008, Anglo offered to sell its 50% interest in the Silangan joint venture to the Company. Negotiations on this offer ensued between the parties which was completed in February 2009 with the Company acquiring all of Anglo's interest in the joint venture for \$55 million.	132.00	\$313.18	\$47.22
Amarat & Stavelly	Cu, Au	Porphyries, VMS, epithermal, orogenic gold	Advanced Exploration	Vic	May-13	BCD Resources	Northern Platinum	Acquisition	First payment of \$1M, followed by \$1.5M cash, then \$0.5M in cash or shares at election of vendor - details not available	2.80	\$127.52	\$20.11



Project Name	Primary Commodity	Asset summary	Project Status	Country or State	Date of transaction	Selling Company Name	Purchasing Company Name	Transaction Type	Transaction Details	Purchase Price 100% Basis (AUD\$M)	Implied Value USD/per tonne of contained Cu - corrected for spot price	Implied Value/per oz of contained Au) corrected for spot price USD\$	Implied Value USD/per oz of contained Ag - corrected for spot price
Wetar Island	Cu, Au, Ag	The deposits are regarded to be similar in mineralisation style to sea-floor black smoker deposits and are characterised by a gold-bearing barite sand cap rock underlain by a copper-bearing massive pyrite body. The copper-bearing massive pyrite body, leading to very low strip ratios and are associated with gold and silver and locally zinc mineralisation as potential credits. In addition to moderate levels of arsenic, antimony and mercury which hamper direct sale of concentrates to smelters	Advanced Exploration	Indonesia	Jan-11	Finders Resources	PT Batutua Kharisma	Acquisition	As at 31 December 2010, BKP's interest in Banda had been diluted to 3.7% through project expenditure. Finders has acquired the minority interest in Banda for a payment of US\$575,000 as well as the issue of 2,000,000 Finders shares. The Finders shares to be issued are subject to vesting conditions relating to the issuance of permits required for commencement of operations	40.05	\$100.32	\$21.70	0.37
Yeoval	Cu, Au, Mo	The Yeoval Project area covers 147 km ² and has potential for significant porphyry-related copper-gold mineralisation. Numerous historic occurrences of copper-gold mineralisation are known within the exploration licence. The historic Goodrich gold mine and the Yeoval copper-gold deposit are two areas of recent exploration focus.	Advanced Exploration	NSW	Jan-14	Zodiac	Augur Resources	Acquisition		5.22	\$84.35	\$15.05	0.34
Far South East	Cu, Au	The Far southeast ore body is a gold-rich porphyry copper deposit. Bornite, chalcopyrite, pyrite, magnetite, specular hematite, molybdenite and significant gold mineralization form part of a potassic silicate mineralization assemblage that grades outward into argillic, then propylitic alteration. A dense stockwork of quartz veinlets characterizes the main ore zone.	Pre-Devel.	Luzon, Philippines	Sep-10	Lepanto Consolidated Mining Co	Gold Fields Ltd	Acquisition	Acquired 60% for \$359.4M	599.00	\$73.60	\$13.77	



Project Name	Primary Commodity	Asset summary	Project Status	Country or State	Date of transaction	Selling Company Name	Purchasing Company Name	Transaction Type	Transaction Details	Purchase Price 100% Basis (AUD\$M)	Implied Value USD/per tonne of contained Cu - corrected for spot price	Implied Value USD/per oz of contained Au - corrected for spot price	Implied Value USD/per oz of contained Ag - corrected for spot price
Comval (Kalamatan, Maangab, Tagbura)	Cu, Au	The Comval Project is located within the East Mindanao Ridge on the island of Mindanao, Philippines. Copper and gold mineralisation was first discovered in the area in which the Comval Project is located during the 1960's and the area has been subject to historical mining activity during the 1980's by Sabena Mining Corporation. Numerous identified bodies of copper and gold mineralisation occur along the margins of intrusive quartz diorites and associated porphyries in the Project area. The project has 3 main targets, Tagbura, Maangab and Kalamatan, with numerous other early stage targets having been previously identified as prospective for both copper and gold	Pre-level	Mindanao, Philippines	Nov-11	Cadan Resources	Mining Group Limited	Acquisition	80% for AUD\$3 million cash, 3.2M shares, 2M options and AUD\$48M expenditure over 5 years \$ MGL will pay to Cadan a facilitation fee of AUD\$3,000,000 ("Facilitation Fee") and issue of 2,600,000 fully paid ordinary shares in MGL. AUD\$1,000,000 of the cash payment will be satisfied by applying the proceeds of a prior loan from MGL to Cadan in the same amount, and deeming the loan repaid; \$ Cadan will be issued 2,000,000 ASX listed options in MGL, with an exercise price of AUD\$0.20 each, subject only to Cadan paying to MGL an aggregate issue price for the options of AUD\$0.01 per option (AUD\$20,000), which may be offset against the Facilitation Fee; \$ Cadan will be issued 500,000 ordinary shares in MGL at a price of AUD\$0.20 per share subject only to Cadan paying to MGL the subscription price for the shares of AUD\$100,000, which may be offset against the Facilitation Fee	34.55	\$66.72	\$8.95	
Mengapaur	Cu, Au, Ag	The Mengapaur Project contains a large polymetallic skarn deposit with significant copper, sulphur, iron, gold and silver mineralization hosted in pyroxene and garnet skarn surrounding the Bukit Botak intrusion complex. The project is located in Pahang State, Central Malaysia, 16 km north of the town of Sri Jaya and a major highway & 75 km northwest of the Malaysian port city of Kuantan	Mine	Malaysia	May-11	Monument Mining	Malaco Mining Sdn Bhd	Acquisition	70% for USD\$50M cash and issuance of a share parcel equivalent to a 30% interest in subsidiary, Monument Mengapaur Sdn. Bhd.	66.69	\$60.87	\$11.05	0.18
Wamum	Cu, Au	Porphyry Cu The Wamum-Iznan prospect has been drilled and sampled by previous companies. CRA made a non-ICRC compliant resource estimate of 45Mt grading 0.3% Cu and 0.12 g/t Au. TPJ's strategy is to examine and test the higher grade zones associated with this low-grade volume of gold-copper mineralisation.	Advanced Exploration	PNG	Jan-14	Triple Plate Junction	unknown	Acquisition	Triple Plate Junction plc has accepted, subject to contract, an offer of USD\$750,000, payable in cash, to purchase its 12.14% contributing interest in the Wamum project. One of the conditions is that Barrick Gold Corporation completes its negotiations for a JV involving its 87.86% interest.	6.31	\$38.57	\$6.88	



Project Name	Primary Commodity	Asset summary	Project Status	Country or State	Date of transaction	Selling Company Name	Purchasing Company Name	Transaction Type	Transaction Details	Purchase Price 100% Basis (AUD\$M)	Implied Value USD/per tonne of contained Cu - corrected for spot price	Implied Value/per oz of contained Au corrected for spot price USD\$	Implied Value USD/per oz of contained Ag - corrected for spot price
Discovery Zone	Fe, Cu, Au	The Discovery Zone Prospect is located approximately 6km southwest of Kiruna and approximately 10km from Avalon's Viscaria Project (Figure 1). It is a copper-gold-iron discovery originally made by Anglo American Exploration BV & Ilo Tinto in 1999. The Discovery Zone Prospect has a current JORC Inferred Mineral Resource of 10.9Mt @ 0.31% Cu, 38.7% Fe and 0.08g/t Au, reported above a 20% Fe cut-off. The ore body is currently open at depth.	Advanced Exploration	Sweden	Oct-12	Hannans	Avalon	Acquisition	<ul style="list-style-type: none"> a non-refundable cash deposit of AUD\$100,000 when the Condition Precedent is satisfied (First Payment); a non-refundable cash payment of AUD\$300,000 when a formal sale and purchase agreement for the acquisition is executed by Avalon and Hannans. This formal agreement is required to be signed within 30 days of the First Payment unless otherwise agreed by the parties and will be consistent with the terms set out in the HOA and will contain customary terms and conditions for a transaction of this nature; AUD\$1,600,000 when written notification from the Mining Inspectorate of Sweden is received, noting that the Mining Inspectorate of Sweden formally approves the complete transfer or assignment of the Discovery Zone Prospect to Avalon on conditions (if any) acceptable to Avalon; and AUD\$2,000,000 when Avalon receives full, unencumbered title to the Discovery Prospect. Up to AUD\$1,000,000 of this final payment may, at Avalon's sole and absolute discretion, be paid by Avalon issuing Hannans or its nominee up to AUD\$1,000,000 worth of Avalon shares. 	4.00	\$36.33	\$6.47	-
Mt Camindah	Cu, Au, Ag	Mount Camindah is a large gold bearing porphyry copper-gold system with a number of highly prospective exploration targets located 100km south of Gladstone MRE of 7.47Mt at 0.97% Cu, 0.38g/t Au & 15g/t Ag, of which 5.57Mt at 0.95% Cu, 0.4g/t Au & 16g/t Ag are in the Measured Resource category & 1.86Mt at 1.0% Cu, 0.30g/t Au, & 14g/t Ag are in the Inferred Resource category.	Advanced Exploration	Qld	Dec-10	Planet metals	Drummond Gold	Farm-in	Drummond is committed to spending \$750,000 by September 2011 to assess the potential of Mount Camindah (at which time Drummond can elect to withdraw from the earn-in). Drummond can then earn up to 75% in the project through expenditure of a further \$6M within four years & nine months of signing the earn-in agreement.	4.75	\$27.78	\$0.00	-



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Nanadie Well	Cu, Au	The licence of 200 sqkm covers part of the Barramble-Poison Hills greenstone belt. Previous work outlined a 3.5km long copper-gold soil anomaly within the tenement. A subsequent restricted RC drilling programme confirmed the location and general tenor (strongly anomalous to sub-ore grade) of oxide and primary copper mineralisation located in previous exploration programs. The dominant primary copper mineralisation is located in quartz sulphide (pyrite-chalcopyrite) zones in sheared amphibolite units. The most recent, deeper, drilling across the main (western) anomaly shows the copper-gold mineralisation to be contained within significant zones of disseminated sulphides over aggregate widths of 30-50m.	Advanced Exploration	WA	Dec-13	Intermin	Mithril	Acquisition	Mithril Resources Ltd. has signed a Farm-in and JV Agreement with Intermin Resources Limited to earn up to a 75% interest in the Nanadie Well Project. Mithril can earn an initial 60% interest in the property by completing expenditure of \$2M within 4 years. The company can elect to earn a further 15% interest by completing an additional expenditure of \$2M over a further 2 years. Minimum annual expenditure whilst earning the initial 60% interest is \$250,000 and \$400,000 whilst earning the further 15% interest. The agreement is conditional upon the parties entering into deeds of assignment and assumption in relation to existing third party agreements. Mithril conducting due diligence on the project tenements, and the successful renewal of ELS1/1040; with all to be satisfied or waived within 90 days after the date of the Letter Agreement.	2.67	\$16.32	\$2.96	
Cairn Hill	Fe, Cu, Au	The Cairn Hill deposit geology is characterised by two main lithologies which are both considered to be part of the Mt Wood Quartzite horizon: (i) sulphidic quartz-magnetite-apatite BIFs and, (ii) a package of banded quartz-feldspar-biotite-magnetite gneisses. The mineralised horizons dip steeply to the south. The iron mineralisation occurs in two main sub parallel sulphidic quartz-magnetite-apatite BIF horizons. These BIFs are characterised by stacked massive magnetite lenses with variable amounts of vein and blebby pyrite ± chalcopyrite ± pyrrhotite ± bornite and sphalerite. Irregular to massive quartz veining occurs in places through the ore zone and are identified as quartz magnetite to differentiate them. The Cairn Hill Phase II deposit has minor copper and no gold mineralisation as opposed to the true iron ore-copper-gold (IOCG) mineralisation at the Cairn Hill Phase I deposit.	Pre-Devel.	SA									



Transactions involving Advanced Exploration and/or Pre-development Magnetite (±Cu, Au) Projects

Seller	Buyer	Project	Commodities	Location	Date	Asset Details	Transaction Details	Resource Category	Contained Iron (tonnes)	Spot Price (USD\$)	USD:AUD Exchange Rate	Price 100% Basis (USD\$)	Implied Value/tonne contained iron (USD\$)	Correction for spot price	Implied Value/per tonne of contained iron (corrected for spot price)
Grange Resources	Esperance Mining	Bukit Ibam	Fe mag	Malaysia	Jul-10	The Bukit Ibam Project is located at the old Bukit Ibam iron ore mine, in Pahang State, Malaysia. The mine operated from 1962 and produced approximately 22 million tonnes of haematite and magnetite ore before closure in 1970. The mineralisation at Bukit Ibam is hosted in a number of sub-vertical shear zones aligned north-south along the geological contact between footwall granodiorites and a package of sedimentary rocks consisting of hornfels and schists and acid volcanics. The mineralisation consists of massive veins of magnetite in a matrix of chlorite and quartz that dip at various angles to the east	During July 2010, Grange Resources announced that it had entered a sale and purchase agreement for the sale of Grange Minerals Sdn Bhd which holds the group's 51% share of the Bukit Ibam magnetite mine	M/I/1	305094	126.36	0.8868	6,085,882	19.95	0.73	20.71
IMX Resources	Sichuan Taifeng Group	Cairn Hill	Fe mag, Cu, Au	SA	Jan-10	The Cairn Hill deposit geology is characterised by two main lithologies which are both considered to be part of the Mt Wood Quartzite horizon; (i) sulphidic quartz-magnetite-apatite BIFs and, (ii) a package of banded quartz-feldspar-biotite-magnetite gneisses. The mineralised horizons dip steeply to the south. The iron mineralisation occurs in two main sub parallel sulphidic quartz-magnetite-apatite BIF horizons. These BIFs are characterised by stacked massive magnetite lenses with variable amounts of vein and blebby pyrite ± chalcopyrite ± pyrrhotite ± bornite and sphalerite. Irregular to massive quartz veining occurs in places through the ore zone and are identified as quartz magnetite to differentiate them. The Cairn Hill Phase II deposit has minor copper and no gold mineralisation as opposed to the true iron ore-copper-gold (IOCG) mineralisation at the Cairn Hill Phase I deposit.	Resources developer, IMX Resources Limited (ASX:IXR) is pleased to announce a major funding milestone with the signing of a Heads of Agreement ("HOA") with Taifeng Yuanchuang International Development Co Ltd (Taifeng), the Hong Kong subsidiary of the privately owned Sichuan Taifeng Group Co Ltd, to invest a minimum of \$47.1 million by: - contributing approximately \$23 million to become a 50% equity partner in the development of the Cairn Hill Phase 1 magnetite – copper – gold project and other developments in MLG303; and - subscribing a minimum \$24.1 million to become a 19.9% shareholder in IMX, at a subscription price of 48.4 cents per share, representing a 25% premium over the 30 day VWAP	Ind	4179600	126	0.910971	7,867,145	1.88	0.14	2.03



Seller	Buyer	Project	Commodities	Location	Date	Asset Details	Transaction Details	Resource Category	Contained Iron (tonnes)	Spot Price (USD\$)	USD:AUD Exchange Rate	Price 100% Basis (USD\$)	Implied Value/tonne contained iron (USD\$)	Correction for spot price (USD\$)	Implied Value/per tonne of iron contained iron) corrected for spot price
Avalon	Hannans	Discovery Zone	Fe, Cu, Au	Sweden	May-13	The Discovery Zone Prospect is located approximately 6km southwest of Kiruna and approximately 10km from Avalon's Vicaria Project (Figure 1). It is a copper-gold-iron discovery originally made by Anglo American Exploration BV & Rio Tinto in 1999. The Discovery Zone Prospect has a current JORC Inferred Mineral Resource of 10.9Mt @ 0.31% Cu, 38.7% Fe and 0.08g/t Au, reported above a 20% Fe cut-off. The ore body is currently open at depth.	<ul style="list-style-type: none"> a non-refundable cash deposit of AUD\$100,000 when the Condition Precedent is satisfied (First Payment); a non-refundable cash payment of AUD\$300,000 when a formal sale and purchase agreement for the acquisition is executed by Avalon and Hannans. This formal agreement is required to be signed within 30 days of the First Payment unless otherwise agreed by the parties and will be consistent with the terms set out in the HOA and will contain customary terms and conditions for a transaction of this nature; AUD\$1,600,000 when written notification from the Mining Inspectorate of Sweden is received, noting that the Mining Inspectorate of Sweden formally approves the complete transfer or assignment of the Discovery Zone Prospect to Avalon on conditions (if any) acceptable to Avalon; and AUD\$2,000,000 when Avalon receives full, unencumbered title to the Discovery Prospect. Up to AUD\$1,000,000 of this final payment may, at Avalon's sole and absolute discretion, be paid by Avalon issuing Hannans or its nominee up to AUD\$1,000,000 worth of Avalon shares. 	Inf	4.2 Bt	114	1.029096	2,469,830	0.59	0.09	0.70
		Southdown	Fe mag	WA	Jun-07	The Southdown Magnetite Deposit comprises an east-west striking zone of Proterozoic age quartz-magnetite gneiss and granulite hosted by quartz-biotite dominant metasedimentary rocks.	<ul style="list-style-type: none"> Sojitz has agreed to purchase an initial 10% stake in the Project for USD\$4 million. Sojitz has agreed to spend a further USD\$10 million on pre-commitment development expenditure, for which it will earn a further 20% interest. Upon production, a royalty will be payable by Sojitz on the sale of pellets produced from Sojitz's proportionate share of concentrate sourced from the Southdown tenements. The royalty will be payable where the average received FOB pellet price is at least USD\$60.00 per tonne (indexed from 2010 in accordance with US CPI) and will be charged according to a sliding scale rate up to 3.5%, based on the average received FOB pellet price. The royalty will be subject to a cap equal to 50% of free cash flow. 	Ind & Inf	179 Mt	36.63	0.8414	30,000,000	0.17	0.12	0.62
Sojitz Corp	Grange Resources Ltd	Balla Balla	Fe mag	WA	Mar-10	Balla Balla titanomagnetite deposit. The deposits had defined resources of 456Mt at 45% Fe inferred and indicated and was an advance predevelopment project. Detailed engineering studies were well advanced and the Aurox had access rights to the Pot headland port which was advantageous to Atlas. Some off take agreements were also in place	Atlas acquire Aurox whose principal asset was the Balla Balla titanomagnetite deposit for \$146M in shares. One Atlas share for each three Aurox shares	Ind & Inf	205 Mt	139.77	0.92	134,320,000	0.65	-0.04	0.61



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Western Plains	Wuhan Iron and Steel	Hawks Nest	Fe mag	SA	Jun-09	Hawks nest magnetite project at the time of the transaction was 569Mt at 36% Fe. The resources were mostly inferred but the Kestrel deposit included measured indicated and inferred resources	Wisco Acquired a 50% interesting in the magnetite assets for \$45million dollars in cash which would be used for exploration and development studies	Inf	103 Mt	71.66	0.81	28,350,000	0.28	0.13	0.51
Centrex Metals	Wuhan Iron and Steel	Eyre peninsula	Fe mag	SA	Jun-09	Central and southern Eyre magnetite assets. At the time of the deal no resources were defined but advanced exploration targets were delineated. And some sampling had been undertaken. The deposits were BIF hosted and spread over seven project areas	Wisco agreed to acquire a 50% interest in the assets initially for \$180M in cash in stage payments approximately half in the first year then stage payments on resource milestones. The deal was predicated on Centrex achieving 2Bt in resources in which Wisco would have a 50% stake. Only \$78M was in upfront payments the remainder were for milestone payments which have not been included in the calculations.	Expl. Tarq.	300 Mt	71.66	0.81	63,180,000	0.21	0.10	0.39
Atlas	Wuhan Iron and Steel	Yeracoïn	Fe mag	WA	Dec-11	Yeracoïn project comprised a series of tenements with BIF hosted magnetite resources totalling 186Mt at 31% Fe. The project is close to nearby rail and road links and only 100km for the Kwinana port.	Cliffs acquired a 100% interesting in the project from Atlas for \$18m in cash, with further royalty payment should the project have reserves defined and go into mining.	Inf	58 Mt	136.46	0.99	17,820,000	0.31	-0.01	0.30
Aurium	Padbury Mining	Peak Hill Iron	Fe mag	WA	Oct-12	Peak Hill Project contains 850Mt of Inferred and Indicated Resources grading 27% Fe. The mineralisation is BIF hosted and the project is located 120km north of Meekatharra	Aurium and Padbury merged whereby Aurium shareholders were given 3 Padbury Shares for each of the Aurium shares. The valuation for the deposit at the time was estimated at \$50,000,000	Inf	230 Mt	113.95	1.04	52,000,000	0.23	0.03	0.26
Condore Blanco	Condore Blanco	Marianas Tailings	Fe mag	Chile	Nov-13	The Marianas Tailings Project contains the fine portion of final residues from the Hochschild Mining Plc copper processing plant (leaching and froth flotation).	Condore Blanco Mines Limited (ASX: CDB; "Condore", "the Company") is pleased to announce an option agreement has been signed to acquire 100 per cent of the Marianas Iron Tailings Project in Copiapo, Chile. Condore currently owns 50% of the project, and can now increase its stake to 100% through the payment of USD\$2 million		11 Mt	136	0.932589	1,984,443	0.18	0.00	0.18
Agurte	Resources	Balla Balla	Fe mag	WA	May-12	The Balla Balla project is titanomagnetite deposit in the Pilbara. At the time of the transaction the project comprised 455Mt of Measure, Indicated and Inferred resources. This included reserves of 220Mt based on the results of a definitive study in 2011	Forge acquired a 100% interesting in the Balla Balla project for \$40M in cash in stage payments plus a %4 royalty based on mine revenue	M/I/1 and Reser ves	205 Mt	136.27	0.97	38,800,000	0.19	-0.01	0.18



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Atlas Iron	Cliffs natural Resources	Yeracoin	Fe mag	WA	Dec-11	Magnetite BIF	<p>\$18 million cash, with the full amount payable when the deal is completed, being on or before 31 January 2012.</p> <p>Further payments may be payable based on magnetite and direct shipping ore reserve tonnes as follows:</p> <p>Within 30 days of a Decision to Mine, Cliffs agrees to immediately pay amounts equal to:</p> <p>(a) \$0.10 per tonne for each tonne of magnetite exceeding 187 million tonnes proven in a Reserve within the Tenements, or if not proven in Reserve, mined or to be mined as a Resource, up to an additional 200 million tonnes; and</p> <p>(b) \$0.50 per tonne for each tonne of direct shipping iron ore exceeding 5 million tonnes proven in a Reserve within the Tenements, or if not proven in Reserve, mined or to be mined as a Resource.</p>	Inf	187 Mt	137.46	1	18,000,000	0.10	0.00	0.10
Pure Metals / Carpentaria Exploration	Liquidator	Hawsons	Fe mag	QLD	Oct-13	Located 60 kilometres south-west of Broken Hill, the Hawsons Iron Project includes an Inferred magnetite Resource of 1.4 billion tonnes (8t) at a Davis Tube Recovery (DTR) of 15.5% (12% cut-off) for 220 million tonnes of high grade (69.9% Fe) iron concentrate and an Exploration Target of 6-11 Bt at 14-17% DTR for over 1,000 million tonnes of concentrate	<p>Carpentaria Exploration Limited agreed to a conditional binding Terms Sheet with Pure Metals Pty Ltd pursuant to which the latter will purchase the 40% JV interest of Bonnyton Metals Group Pty Ltd (in Liquidation) in the Hawsons Iron Project from the liquidator. The Terms Sheet provides, among others, that (i) Pure Metals and Carpentaria will form a new JV to progress the Hawsons Iron Project before Carpentaria's pre-emptive right over the BMG JV interest expires; and (ii) Pure Metals will fund \$5M towards the cost of the BFS and an additional \$3.8M cash to reimburse Carpentaria for past expenditure on the project (subject to an audit by Pure Metals by 15 April 2013).</p>	Inf	220 Mt	132	0.95	14,962,500	0.07	0.00	0.07