



SOVEREIGN GOLD
COMPANY LIMITED

Sovereign Gold Company Limited
ACN 145 184 667

Level 2, 131 Macquarie Street
Sydney NSW 2000
Tel: +61 2 9251 7177
Fax: +61 2 9251 7500

Contact

Michael Leu CEO

email: mleu@sovereigngold.com.au

Latest News

www.sovereigngold.com.au

Directors / Officers

John Dawkins AO
Michael Leu
Peter Meers
Jacob Rebek

ASX Symbol: SOC

Sovereign Gold Company is exploring for large Intrusion-Related Gold Systems in New South Wales.

Sovereign Gold's project area covers over 2,650 square kilometres.

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

Available production records indicate that the Rocky River-Uralla Goldfield yielded 5,193 kg (approximately 167,000 ounces) of gold mostly from Tertiary deep leads during the period 1858-1967.

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

ASX Release
10th July 2012

Sovereign Gold Company Limited Proposed Takeover Offer for Precious Metal Resources Limited

The Board of Sovereign Gold Company Limited (ASX: SOC) (**Sovereign Gold**) advises that it has entered into a binding Takeover Bid Implementation Agreement (TBIA) with Precious Metal Resources Limited (ASX: PMR) (**PMR**).

Subject to the terms of the TBIA, Sovereign Gold proposes to acquire all PMR ordinary shares not currently held by Sovereign Gold by way of an off-market takeover bid. Sovereign Gold is offering nine of its ordinary shares for every ten ordinary shares in PMR.

The bid is subject to a number of conditions including an 80% minimum acceptance condition.

The full set of conditions is set out in schedule 1 to the TBIA, a copy of which is attached.

This offer, which implies a value of 25.2 cents for the PMR shares, represents an attractive 14.55% premium over the closing trading price of 22.0 cents for PMR; based on the closing price of 28.0 cents for Sovereign Gold shares on Monday, 9 July 2012¹.

PMR shareholders will receive shares in a more diversified company, which has greater resources to manage the projects and is better placed to raise the development capital required.

Owing to Sovereign Gold and PMR's common directorships, Peter Meers and Michael Leu have not been involved in any consideration of the offer by PMR.

Sovereign Gold has sought its own independent legal advice on the offer.

PMR's Independent Directors, John Foley, Peter Kennewell and Bruce Dennis have stated that they recommend PMR shareholders accept the takeover offer. All PMR Directors have stated that they intend to accept the Sovereign Gold offer in respect of any PMR shares they own or control, subject to the Independent Expert concluding that the offer is fair and reasonable to PMR shareholders and subject to there being no superior proposal and no material adverse event occurring in respect to Sovereign Gold.

Due to Peter Meers and Michael Leu being directors of, and holding shares and/or options in Sovereign Gold and PMR, they have determined that it is not appropriate for them to make a recommendation in respect to Sovereign Gold's offer.

The TBIA provides for, among other things, the exchange of confidential information that will assist Sovereign Gold to prepare a Bidder's statement, which is planned to be lodged with the Australian Securities & Investments Commission and be sent to PMR shareholders in mid to late July 2012.

For further information please contact:

Henry Kinstlinger,
Investor Relations

Telephone: +61 2 9251 7177

¹ being the last trading day prior to this announcement

TAKEOVER BID IMPLEMENTATION AGREEMENT

between

SOVEREIGN GOLD LIMITED
ACN 145 184 667
(Sovereign Gold)

and

PRECIOUS METAL RESOURCES LIMITED
ACN 145 105 148
(PMR)

THIS AGREEMENT is made on 9 July 2012

between SOVEREIGN GOLD COMPANY LIMITED ACN 145 184 667 of Level 2, 131 Macquarie Street, Sydney, NSW, Australia 2000 (**Sovereign Gold**)

and PRECIOUS METAL RESOURCES LIMITED ACN 145 105 148 of Level 2, 131 Macquarie Street, Sydney, NSW, Australia (**PMR**)

RECITALS

- A. Sovereign Gold has agreed that it intends to make a Takeover Offer for all of the issued Shares of PMR that it does not control on terms not less favourable to PMR's Shareholders than the Offer Terms.
- B. Sovereign Gold has requested access to Confidential Information held by PMR for the purposes of preparing its Bidder's Statement, and PMR has agreed to provide such Confidential Information on the terms of this agreement.
- C. PMR has requested access to Confidential Information held by Sovereign Gold for the purposes of preparing its Target's Statement, and Sovereign Gold has agreed to provide such Confidential Information on the terms of this agreement.
- D. The parties agree that:
 - (a) the Confidential Information is provided by each party to the other on the terms of this agreement; and
 - (b) each party will not use or disclose the Confidential Information except for the Express Purpose.
 - (c) If Sovereign Gold makes a Takeover Bid to acquire all of the Shares of PMR on terms no less favourable to PMR Shareholders than the Offer Terms, the Independent Directors of PMR will recommend the bid subject to the Independent Expert stating that the Takeover Bid is fair and reasonable to PMR's Shareholders holders other than Sovereign Gold and in the absence of a Superior Proposal.
 - (d) It is a pre-requisite to Sovereign Gold making the Takeover Bid and the Independent Directors of PMR making the recommendation in (c) above that the parties enter into this agreement.

NOW IT IS AGREED as follows:

1. DEFINITIONS AND INTERPRETATION

1.1. Definitions

In this agreement:

Agreed Announcement	the announcement agreed between the parties in the form initialled by the parties on or about the date of this agreement.
Announcement Date	date on which the Agreed Announcement is made.
ASIC	Australian Securities and Investments Commission
Associate	the meaning given in Division 2 of Part 1.2 of the Corporations Act as if section 12(1) of that Act includes a reference to this document.
ASX	ASX Limited or the Australian Securities Exchange it operates, as the context requires.

Bidder's Statement	a bidder's statement within the meaning given in section 9 of the Corporations Act to be issued by Sovereign Gold in respect of the Takeover Bid.
Business Day	a day on which the banks are open for business in Sydney, New South Wales excluding a Saturday, Sunday or public holiday.
Competing Proposal	<p>a bona fide proposal or offer by any person with respect to any transaction (by purchase, scheme of arrangement, takeover bid or otherwise) that may result in any person (or group of persons) other than Sovereign Gold or its related entities or associates:</p> <ul style="list-style-type: none"> (a) acquiring voting power of more than 20% in PMR or any subsidiary of PMR; (b) acquiring an interest in all or a substantial part of the assets of PMR or any subsidiary of PMR; or (c) otherwise acquiring control within the meaning of section 50AA of the Corporations Act of, or merging or amalgamating with, PMR or any subsidiary of PMR.
Conditions Notice Date	means the conditions notice date under the Offer.
Confidential Information	<p>all commercial, financial, legal and technical and other advice, correspondence, material, memoranda, opinions, know-how and information that:</p> <ul style="list-style-type: none"> (a) is disclosed to a party (Recipient), its related entities or its advisers by or on behalf of the other party (Discloser) (whether before or after the date of this agreement), or which is otherwise acquired directly or indirectly by the Recipient, its related entities or its advisers from the Discloser or any adviser engaged by the Discloser; and (b) relates directly or indirectly to the Discloser or its related entities or relates directly or indirectly to the Discloser's or its related entities' respective past, existing or future assets, liabilities, financial position, performance, business, operations, activities, administration, business plans or strategic plans; (c) are notes, summaries, compilations, conclusions, calculations, computer records (including data, copies, models, reproductions and recordings) or other material in whatever form made or derived in whole or in part from, or from inspection or evaluation of, any information of the type referred to in paragraph (a); and (d) is a notice given by PMR to Sovereign Gold pursuant to clause 11.2(c).
Corporations Act	Corporations Act 2001 (Cth).

Document	includes any note, memorandum, record, report, financial information, summary, analysis, calculation, strategic assessment, market survey, business plan, computer program, computer record, circuit, circuit layout, drawing, specification, material or any other means by which information may be stored or reproduced.
Express Purpose	the preparation of the Bidder's Statement by Sovereign Gold and of the Target's Statement by PMR.
Government Agency	any government or governmental, semi-governmental, administrative, monetary, fiscal or judicial body, department, commission, authority, tribunal, agency or entity in any part of the world.
Sovereign Gold Prescribed Occurrence	<p>Means each of the following events:</p> <ul style="list-style-type: none"> (a) Sovereign Gold converting all or any of its shares into a larger or smaller number; (b) Sovereign Gold or a subsidiary of Sovereign Gold resolving to reduce its share capital in any way or reclassifying, combining, splitting or redeeming or repurchasing directly or indirectly any of its shares; (c) Sovereign Gold or a subsidiary of Sovereign Gold: <ul style="list-style-type: none"> (i) entering into a buy-back agreement; or (ii) resolving to approve the terms of a buy-back agreement under the Corporations Act; (d) Sovereign Gold or a subsidiary of Sovereign Gold issuing shares, securities or other instruments convertible into shares, debt securities or granting an option over its shares, or agreeing to make such an issue or grant such an option other than issuing shares pursuant to the exercise of existing convertible securities; (e) Sovereign Gold or a subsidiary of Sovereign Gold making any change or amendment to its constitution; (f) an Insolvency Event (as defined in item 4 of Schedule 1 to this agreement) occurring in relation to Sovereign Gold or a subsidiary of Sovereign Gold; <p>provided that a Sovereign Gold Prescribed Occurrence will not include any matter:</p> <ul style="list-style-type: none"> (g) fairly disclosed to PMR on or before the date of this agreement (including as a result of disclosures made to ASX); (h) occurring as a result of any matter, event or circumstance required by this document, the Offers or the transactions contemplated by them; or (i) approved in writing by PMR.
Independent Directors	John Foley, Peter Kennewell and Bruce Dennis and any other directors who are independent as defined in the ASX Corporate Governance Principles and Recommendations.

Independent Expert	the independent expert appointed by PMR to prepare the Independent Expert's Report to be included in the Target's Statement.
Independent Expert's Report	the report of the Independent Expert included in the Target's Statement as updated and supplemented at any time and from time to time.
Information	includes estimates, forecasts, opinions, projections and other statements.
Material Adverse Event	any change, event, effect, occurrence or state of facts that is, or expected to be, material and adverse to the assets, liabilities (including contingent liabilities that may arise through outstanding, pending or threatened litigation or otherwise), business, operations, financial condition or prospects of Sovereign Gold or any of its subsidiaries taken as a whole.
Offer	the offer to acquire all of the issued Shares of PMR that Sovereign Gold does not control, to be made by Sovereign Gold to each Shareholder under the Takeover Bid.
Offer Conditions	the offer conditions of the Offer in item 3 of Schedule 1 to this agreement.
Offer Period	the period that the Offer is open for acceptance.
Offer Terms	the terms and conditions of the Offer in Schedule 1 to this agreement.
Options	an option to subscribe for a Share.
Proposed Announcement Date	no later than 9:00 am on the Business Day immediately following the date of execution of this agreement.
Proposed Offer Price	the price specified in item 1 of the Offer Terms.
Share	an ordinary share in the capital of PMR, including all shares on issue as at the end of the Offer Period.
Shareholder	a holder of Shares.
Superior Proposal	a Competing Proposal that in the opinion of the Board of PMR acting in good faith and on the basis of financial advice that supports the determination of the Board of PMR: <ul style="list-style-type: none"> (a) is reasonably capable of being valued and completed, taking into account both the nature of the Competing Proposal and the person or persons making it; and (b) is more favourable to PMR Shareholders than the Offers, taking into account all terms and conditions of the Competing Proposal.
Takeover Bid	a takeover bid made by Sovereign Gold for the Shares that satisfies the requirements in clause 7.1, and the Takeover Bid may be varied in accordance with this agreement.
Takeover Offer	an off-market bid within the meaning of the Corporations Act.
Target's Statement	the Target's Statement within the meaning of section 9 of the Corporations Act to be issued by PMR in respect of the Takeover Bid.

1.2. Interpretation

In this agreement:

- (a) headings are for convenience only and do not affect its interpretation; and
- (b) except to the extent that the context indicates a contrary intention:
 - (i) words importing the singular number include the plural and vice versa and words denoting a given gender include all other genders;
 - (ii) references to a person includes an individual, the estate of an individual, a body politic, a corporation and a statutory or other authority or association (incorporated or unincorporated);
 - (iii) references to parties, clauses, paragraphs or exhibits are references to parties, clauses, paragraphs and exhibits to or of this agreement;
 - (iv) references to this agreement, or any other deed, agreement, instrument or document include references to this agreement, or such other deed, agreement, instrument or document as amended, novated, supplemented, varied or replaced from time to time;
 - (v) a reference to an agreement includes a representation, undertaking, deed, agreement or legally enforceable order or arrangement or understanding whether or not in writing;
 - (vi) a reference to a document includes any written agreement and any certificate or note or other document of any kind;
 - (vii) references to any person or to any party includes that person's or party's executors, administrators, successors and permitted assigns;
 - (viii) where any word or phrase is given a defined meaning any other part of speech or grammatical form in respect of such word or phrase has a corresponding meaning;
 - (ix) each provision of this agreement and each part of it are to be read and construed as a separate and severable provision and as separate and severable parts so that if any provision or part is void or unenforceable for any reason such provision or part is severed and the remainder will be read and construed as if the severed provision or part was omitted from this agreement;
 - (x) consent or approval of a party, in the absence of any express stipulation to the contrary, means the prior consent or approval (as the case may be) in writing in the reasonable discretion of such party;
 - (xi) unless the context otherwise require, words and expressions used in this agreement which are not capitalised incorporate the meaning of that word or expression as defined in the Corporations Act.

2. CONFIDENTIALITY OF THIS AGREEMENT

2.1. Disclosure of agreement or discussion not required by law

The parties agree that the existence and contents of this agreement and the discussions (but not the fact of discussions to the extent already disclosed) between the parties do not require disclosure under any law unless and until Sovereign Gold announces its intention to make the Takeover Bid.

2.2. No disclosure of agreement or discussion

Neither party will disclose to any person:

- (a) the existence or contents of this agreement, or any other instruments entered into or to be entered into in connection with this agreement; nor
- (b) the contents of any discussions between the parties relating to the Express Purpose,

except (subject to clause 2.3) as required under any law, order of any Government Agency or the rules of any stock exchange, after obtaining the prior written consent of the other party.

2.3. Disclosure required by law

If either party (**Disclosing Party**) must make a disclosure referred to in clause 2.2:

- (a) the Disclosing Party must disclose only the minimum information required to comply with the applicable law or order or requirement and the Disclosing Party is not otherwise released from its obligations under this agreement; and
- (b) before making such disclosure the Disclosing Party must:
 - (i) give the other party reasonable notice of:
 - A. the full circumstances of the required disclosure; and
 - B. the information which is proposed to be disclosed; and
 - (ii) to the extent permitted by the law consult with the other party as to the form of the disclosure.

3. NO SOLICITATION

3.1. Prohibition

From the date of this agreement until the end of the Offer Period PMR must not and must ensure that each of its related bodies corporate, officers, employees, agents, consultants, investment banks, lawyers or other advisers (each a **Relevant Person**) does not,:

- (a) solicit or initiate (including without limitation by the provision of non-public information) any inquiries, expression of interest, offer, proposal or discussions by any person to make a Competing Proposal (whether from a person with whom PMR has previously been in discussions or not);
- (b) participate in any negotiations or discussions or provide any information to any person with respect to any inquiry, expression of interest, offer or proposal by any person to make a Competing Proposal;
- (c) accept or enter into, or offer to accept or enter into, any agreement, arrangement or understanding regarding a Competing Proposal; or
- (d) disclose any non-public information about the business or affairs of PMR to a third party (other than a Government Agency) with a view to obtaining or which may reasonably be expected to lead to receipt of a Competing Proposal, other than in the ordinary course of business or as required by law.

3.2. Fiduciary exception

Clauses 3.1(b),(c),(d) and 3.4 do not prohibit any action or inaction by PMR or any Relevant Person if compliance with the relevant clause would, in the opinion of the Board of PMR reasonably formed in good faith for a proper purpose, constitute a breach of any of the statutory or fiduciary duties of the directors of PMR (in reliance on specific written legal advice confirming this opinion) provided that the approach by the third party was not facilitated by or as a result of a breach of clause 3.1(a).

3.3. PMR's response to a Competing Proposal

Notwithstanding clause 3.1 (but subject to clause 3.1(a)), PMR is entitled to respond to a bona fide unsolicited written offer or proposal relating to a Competing Proposal made after the date of this

agreement to PMR where, on the basis of written legal advice from PMR's counsel, a failure to respond would more likely than not constitute a breach of the statutory or fiduciary duties of the directors of PMR.

3.4. Notification

Until the end of the Offer Period PMR must immediately notify Sovereign Gold of any approach or attempt to initiate discussions or negotiations regarding a Competing Proposal, such notification to include the detailed nature of the approach and the identity of the party making the approach.

4. MUTUAL EXCHANGE OF INFORMATION

4.1. Provision of information

Each of Sovereign Gold and PMR will:

- (a) give the other and their employees, agents, representatives, financial advisers, accountants and lawyers full and free access to all information required for the purpose of the preparation of the Bidder's Statement or Target's Statement respectively; and
- (b) subject to clause 4.2, respond as soon as reasonably practicable (but in any event no later than 9 am on the next day after the notice of the query or request has been received) to any queries or requests for further information.

4.2. Access to other documents

Each of Sovereign Gold and PMR will provide the other and their agents, representatives, financial advisers, accountants and lawyers with access to such other documents, records and information, and access to its management, as the other reasonably requests and which is reasonably necessary for the Express Purpose.

4.3. Bidder's Statement and Target's Statement

- (a) Sovereign Gold will, to the extent practicable, give PMR a reasonable opportunity to review an advanced draft of Sovereign Gold's Bidder's Statement, and will consult in good faith with PMR with respect to any comments PMR may have.
- (b) PMR will, to the extent practicable, give Sovereign Gold a reasonable opportunity to review an advanced draft of the Target's Statement and will consult in good faith with Sovereign Gold with respect to any comments Sovereign Gold may have.

5. CONFIDENTIALITY

5.1. Obligation of confidentiality

Each party must:

- (a) hold all Confidential Information received from the other in strict confidence and not disclose, or cause or permit the disclosure of such Confidential Information or of any opinion in respect of Confidential Information or a Document created in relation to the Confidential Information except as permitted by this agreement;
- (b) take reasonable steps to keep all Confidential Information and any Documents created in relation to the Confidential Information secure and protected from any use, disclosure, access, damage or destruction which is inconsistent with this agreement;
- (c) promptly notify the other party if it suspects, or becomes aware of, any unauthorised use, storage, copying or disclosure of any Confidential Information;
- (d) do anything reasonably required by the other party to restrain a breach of this agreement or any infringement of the other party's rights arising out of this agreement, whether by court proceedings or otherwise;

- (e) not use Confidential Information except for the Express Purpose; and
- (f) take reasonable steps to ensure that none of its officers, employees, advisers, agents or related bodies corporate does anything which, if done by the party, would be inconsistent with this agreement.

5.2. Limits on application of confidentiality obligations

Each party's obligations in relation to Confidential Information do not apply to any Confidential Information that:

- (a) is required to be disclosed by an applicable law or legally binding order of any Government Agency, or a requirement of a stock exchange or regulator;
- (b) is in or becomes part of the public domain other than as a result of a breach of this agreement;
- (c) was at the time of disclosure already in the lawful possession or control of the party or any of its advisers;
- (d) the other party has consented in writing to its being disclosed;
- (e) was developed or learnt by the party (or its employees, officers, agents or advisors) independently of disclosure by the other; or
- (f) becomes available to the party from a third person who, at the time of use or disclosure, was legally entitled to possess and disclose the information.

6. DISCLAIMER REGARDING INFORMATION

6.1. No representation or warranty

Neither party nor any of their officers, employees or advisors:

- (a) makes any representation or warranty as to the accuracy or completeness of the Confidential Information, that the Confidential Information has been audited, verified or prepared with reasonable care or that the Confidential Information is the totality of the information that may be relevant to the Express Purpose;
- (b) accepts any responsibility for any interpretation, opinion or conclusion that may be formed as a result of examining the Confidential Information; or
- (c) is liable for any loss of any kind (including without limitation damages, costs, interest, loss of profits or special loss or damage) arising from an error, inaccuracy, incompleteness or similar defect in the Confidential Information or any default, negligence or lack of care in relation to the preparation or provision of the Confidential Information, other than the intentional disclosure of materially false or misleading Confidential Information.

7. OFFERS

7.1. Offers

Sovereign Gold will:

- (a) no later than the Proposed Announcement Date or such later date as the parties may agree, publicly propose by way of announcement to ASX in the form of the Agreed Announcement to acquire all the issued Shares of PMR pursuant to a Takeover Offer on terms and conditions no less favourable to PMR Shareholders than the Offer Terms;

- (b) as soon as reasonably practicable serve on PMR the Bidder's Statement for the Offer which includes an offer for all the Shares on terms and conditions no less favourable to Shareholders than the Offer Terms; and
- (c) subject to PMR's agreement to despatch the Target's Statement together with the Bidder's Statement as proposed by clause 7.3(c) use its reasonable endeavours, to the extent practicable, to co-ordinate despatch of the Bidder's Statement to PMR Shareholders at the same time as the Target's Statement is despatched but, if despite the exercise of reasonable endeavours, it is not practicable to do so, Sovereign Gold will despatch the Bidder's Statement by the earlier of:
 - (i) 3 Business Days after PMR provides consent to early dispatch under item 6 of section 633(1) of the Corporations Act, which early dispatch is hereby requested by Sovereign Gold; or
 - (ii) 14 days after serving it on PMR.

7.2. PMR to recommend Offers

If Sovereign Gold makes the Offer in accordance with clause 7.1:

- (a) the Independent Directors will announce to ASX that they recommend that PMR Shareholders accept the Offer (and such statement will be included in the Target's Statement); and
- (b) the Independent Directors will announce to ASX that they will accept the Offer in respect of any Shares they own or control (and such statement will be included in the Target's Statement),

subject in each case to the Independent Expert stating that the Takeover Bid is fair and reasonable to PMR's Shareholders other than Sovereign Gold, and there being no Superior Proposal, and no Material Adverse Event having occurred.

7.3. PMR's assessment of the Takeover Bid

PMR represents and warrants that:

- (a) PMR has informed Sovereign Gold that, if Sovereign Gold makes the Takeover Bid on terms no less favourable to the PMR Shareholders than the Offer Terms:
 - (i) the Independent Directors of PMR will announce to ASX that they recommend that Shareholders accept the Offer under the Takeover Bid (and such statement will be included in the Target's Statement); and
 - (ii) the Independent Directors will announce to ASX (and such statement will be included in the Target's Statement) that they will accept the Offer in respect of any Shares that they own or control,
- (b) subject to the Independent Expert stating that the Takeover Bid is fair and reasonable to PMR's Shareholders other than Sovereign Gold, there being no Superior Proposal and no Material Adverse Event having occurred; and
- (c) PMR will release an announcement in the form of the Agreed Announcement at the same time as, or immediately following, Sovereign Gold making the announcement under clause 7.1 (a) and will use its reasonable endeavours (having regard to the requirement for it to procure an Independent Expert's Report) to despatch the Target's Statement to PMR Shareholders at the same time as or as soon as reasonably practicable after despatch of the Bidder's Statement to Shareholders.

8. FACILITATION OF OFFERS

8.1. PMR to promote the Takeover Bid

During the Offer Period, subject to the Independent Expert stating that the Takeover Bid is fair and reasonable to PMR's Shareholders other than Sovereign Gold and in the absence of a Superior Proposal and a Material Adverse Event, PMR will support the Takeover Bid and participate in efforts reasonably required by Sovereign Gold to promote the merits of the Takeover Bid, including meeting with shareholders, optionholders, analysts, management, customers, press and other parties mutually agreed if requested to do so by Sovereign Gold.

8.2. Bid conditions

- (a) Subject to clause 8.2(c), PMR agrees:
 - i. not to do (or omit to do); and
 - ii. to the extent it is within PMR's control, to prevent,
- (b) anything which will, or is reasonably likely to, result in any of the conditions of the Takeover Bid being breached, or not being, or not being capable of being, satisfied.
- (c) Nothing in this clause prevents PMR or the Board of PMR from taking, or failing to take, action where to do otherwise would, in the reasonable opinion of the PMR Board, constitute a breach of any of the duties of the Directors of PMR. The reasonable opinion of the PMR Board must be based on specific written legal, and any other appropriate, advice.
- (d) If any event occurs or becomes apparent which would cause any of the conditions of the Takeover Bid to be breached or prevent them from being able to be satisfied, PMR must, to the extent PMR is actually aware of such information, promptly notify Sovereign Gold of the event.

8.3. Conduct of the business

- (a) From the date of this agreement until the end of the Offer Period each party must and must procure that its subsidiaries:
 - (i) conduct its business in the usual and ordinary course consistent with past practice or as may be required in order to satisfy a specific requirement of a Government Agency;
 - (ii) use its reasonable endeavours to preserve and maintain the value of its business and assets and the relationships with suppliers, customers and employees.
- (b) For the avoidance of doubt, any breach of this clause 8.3 constitutes a material breach of this agreement for the purposes of clause 11 of this agreement.

9. OFFER — VARIATION AND WAIVER

9.1. Variation

Sovereign Gold may vary the terms and conditions of the Takeover Bid in any manner which is permitted by the Corporations Act, provided the varied terms and conditions are not less favourable to PMR Shareholders than the Agreed Bid Terms.

9.2. Waiver of conditions and extension

Subject to the Corporations Act Sovereign Gold may declare the Takeover Bid to be free from any condition or extend the Takeover Bid at any time.

10. WARRANTIES

Each party represents and warrants to the other that, at the date of this agreement:

- (a) it is duly incorporated under the laws of the place of its incorporation;
- (b) it has the power and authority to sign this agreement and perform and observe all its terms;
- (c) this agreement has been duly executed and is a legal, valid and binding agreement, enforceable against it in accordance with its terms;
- (d) it is not bound by any contract which may restrict its right or ability to enter into or perform this agreement;
- (e) no resolutions have been passed and no other step has been taken or legal proceedings commenced or threatened against it for its winding up or deregistration or for the appointment of a liquidator, receiver, administrator or similar officer over any or all of its assets, and no regulatory action of any nature has been taken, which would prevent, inhibit or otherwise have a material adverse effect on its ability to fulfil its obligations under this agreement; and it is not aware of any act, omission, event or fact that would result in one or more of the offer conditions set out in the schedule being triggered, except as disclosed by the party to the other party in writing prior to the date of this agreement.

11. TERMINATION

11.1. Termination rights

This agreement may be terminated by a party by immediate notice to the other party if:

- (a) the other party is in material breach of this agreement and, to the extent that the breach is capable of remedy, that breach is not remedied by the other party within 10 Business Days of it receiving notice from the first party of the details of the breach and the first party's intention to terminate; or
- (b) having made the Sovereign Gold Takeover Bid, Sovereign Gold withdraws the Sovereign Gold Takeover Bid or the Sovereign Gold Takeover Bid lapses for any reason including non-satisfaction of a condition of the Sovereign Gold Takeover Bid; or
- (c) a Material Adverse Event occurs.

11.2. Termination by PMR

This agreement may be terminated by PMR by immediate notice to Sovereign Gold if:

- (a) a Sovereign Gold Prescribed Occurrence occurs; or
- (b) subject to clause 11.4, the Independent Expert at any time opines the Takeover Bid is not fair and is not reasonable; or
- (c) a Superior Proposal is made or publicly announced for PMR by a third party, which is recommended by the Independent Directors, and Sovereign Gold does not, by the end of three Business Days following receipt of the notice of the Superior Proposal from PMR (which notice includes all details of the Superior Proposal), offer to vary the terms of the Takeover Bid in a manner which the Board of PMR determines in good faith and in order to satisfy what the PMR Board considers to be its fiduciary or statutory duties, is more favourable to Shareholders than the Superior Proposal, and within a further five Business Days implements that variation of the Takeover Bid.

11.3. Effect of termination

If this agreement is terminated by a party under this clause 11:

- (a) each party will be released from its obligations under this agreement except its obligations under clauses 5 (Confidentiality), 12 (GST) and 13.6(Costs of agreement);
- (b) each party will retain the rights it has or may have against the other party in respect of any past breach of this agreement; and in all other respects, all future obligations of the parties under this agreement will immediately terminate and be of no further force or effect, including without limitation any further obligations in respect of Sovereign Gold's Takeover Bid.

11.4. Consultation with Sovereign Gold

If the Independent Expert opines that the Takeover Bid is not fair and is not reasonable and the Independent Directors elect to change their recommendation of the Takeover Bid, then before PMR exercises any right of termination under clause 11.2(b), PMR will consult with Sovereign Gold regarding whether Sovereign Gold is prepared to amend the Offer Terms in light of the opinion of the Independent Expert.

12. GST

12.1. Interpretation

In this clause 12, a word or expression defined in the A New Tax System (Goods and Services Tax) Act 1999 (Cth) has the meaning given to it in that Act.

12.2. GST gross up

- (a) Subject to clause 12.2(b), if a party makes a supply under or in connection with this agreement in respect of which GST is payable, the consideration for the supply but for the application of this clause 13.2 (GST exclusive consideration) is increased by an amount equal to the GST exclusive consideration multiplied by the rate of GST prevailing at the time the supply is made.
- (b) Clause 12.2(a) does not apply to any consideration that is expressed in this agreement to be inclusive of GST.

12.3. Reimbursements and indemnifications

If a party must reimburse or indemnify another party for a loss, cost or expense, the amount to be reimbursed or indemnified is first reduced by any input tax credit the other party is entitled to for the loss, cost or expense, and then increased in accordance with clause 12.2.

12.4. Tax invoice

A party need not make a payment for a taxable supply made under or in connection with this agreement until it receives a tax invoice for the supply to which the payment relates.

13. MISCELLANEOUS

13.1. Notices

All notices, requests, consents and other documents authorised or required to be given by or pursuant to this agreement must be given in writing and either personally served or sent by facsimile transmission (**fax**) addressed as follows:

Sovereign Gold

To: Sovereign Gold Limited
Address: Level 2, 131 Macquarie Street, Sydney, NSW 2000
Fax: 02 9251 7500
Attention: HENRY KINSTLINGER

PMR

To: Precious Metal Resources Limited
Address: Level 2, 131 Macquarie Street, Sydney, NSW 2000
Fax: 02 9251 7500
Attention: JULIAN ROCKETT

Notices, requests, consents and other documents (Notices) must be deemed served or given:

- (a) if personally served by being left at the address of the party to whom the Notice is given during business hours, then in such case at the time the Notice is so delivered;
- (b) if sent by fax, then in such case when successfully transmitted during business hours, or if not during business hours, then when business hours next commence;

Any party may change its address for receipt of Notices at any time by giving notice to the other party. Any Notice given under this agreement may be signed on behalf of any party by the duly authorised director of that party and must be sent to all other parties to this agreement.

If delivery or receipt of a notice under this clause is on a day which is not a Business Day or is after 5 pm (addressee's time) it is regarded as received at 9 am on the following Business Day.

13.2. Waiver

- (a) The failure, delay or omission by a party to exercise any power or right conferred upon such party by this agreement must not operate as a waiver of such power or right, nor must any single exercise of any such power or right preclude any other or future exercise of the power, or the exercise of any other power or right under this agreement.
- (b) A waiver of any provision of this agreement, or consent to any departure by a party from any provision of this agreement, must be in writing and signed by all parties and is effective only to the extent for which it is given.
- (c) All remedies afforded to the parties under this agreement are cumulative.

13.3. Entire agreement

This agreement comprises the entire agreement between the parties and no earlier representation or agreement, whether oral or in writing, in relation to any matter dealt with in this agreement must have any effect from the date of this agreement.

13.4. Counterparts

This agreement may be executed in any number of counterparts and all such counterparts when executed and taken together must constitute this agreement.

13.5. No merger

None of the terms or conditions of this agreement, or any act, matter or thing done under or by virtue of this agreement or any other agreement, instrument or document, or judgment or order of any court or judicial proceeding, operate as a merger of any of the rights and remedies of the parties under this agreement, and those rights and remedies must at all times continue in force.

13.6. Costs of agreement

Each party must bear its own legal costs in relation to the negotiation, preparation, execution and completion of this agreement.

13.7. Amendments in writing

No amendment to this agreement has any force unless it is in writing and signed by all of the parties to this agreement.

13.8. Governing law and jurisdiction

This agreement must be governed by and construed in accordance with the laws for the time being in force in the State of New South Wales, and the parties submit to the nonexclusive jurisdiction of the courts exercising jurisdiction in respect of the State of New South Wales.

13.9. Further assurances

The parties agree that they will sign, execute and will do all such further documents as may be necessary to properly give effect to and for carrying out the intent of this agreement.

13.10. Mutual conduct

The parties agree that in all of their dealings with each other, and fulfilling their respective obligations under this agreement, they will act reasonably and in good faith.

13.11. Prohibition and enforceability

- (a) Any provision of, or the application of any provision of, this agreement or any power which is prohibited in any jurisdiction is, in that jurisdiction, in effective only to the extent of that prohibition.
- (b) Any provision of, or the application of any provision of, this agreement which is void, illegal or unenforceable in any jurisdiction does not affect the validity, legality or unenforceability of that provision in any other jurisdiction or of the remaining provisions in that or any other jurisdiction.
- (c) Where a clause is void, illegal or unenforceable it may be severed without affecting the enforceability of the other provisions in this agreement.

13.12. Assignment

Neither party may assign or otherwise transfer any of its rights arising under this agreement without the prior written consent of the other party.

Schedule 1 Offer Terms

1. OFFER PRICE

Nine (9) Sovereign Gold shares for every Ten (10) PMR Shares held by a PMR Shareholder.

2. OFFER PERIOD

One month after the date the Offer opens and subject to Sovereign Gold's right to extend the period.

3. OFFER CONDITIONS

The Offer is subject to the fulfillment of all of the following conditions any of which Sovereign Gold may waive.

(Minimum acceptance condition) Before the end of the Offer Period, Sovereign Gold and its associates have relevant interests in at least 80% (by number) of all Shares.

(Regulatory approval) Before the end of the Offer Period, Sovereign Gold has obtained any Regulatory Approval required in respect of its intended ownership of PMR and its operation of the business of PMR.

(No restraint adversely affecting the Takeover Bid) No temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or other legal restraint or prohibition preventing the consummation of the Takeover Bid or the transactions contemplated by the Takeover Bid is in effect at the close of the Offer Period.

(Conduct of business) Between the Announcement Date and the end of the Offer Period (each inclusive) PMR or any subsidiary of PMR have not done any of the following:

- (a) **(licences and permits)**: doing or omitting to do anything that causes or is reasonably likely to cause any licence or permit necessary or desirable for the conduct of its business to be suspended, revoked, cancelled or otherwise materially adversely impacted;
- (b) **(acquisition of assets)**: acquiring (including by way of subscription for equity), offering to acquire, agreeing to acquire, leasing, or entering into a binding commitment, or granting a person an irrevocable option to require it, to acquire or lease any asset for a consideration of greater than \$500,000, or making an announcement in relation to such an acquisition, offer or agreement, without the prior written consent of Sovereign Gold;
- (c) **(disposal of assets)**: leasing, sub-leasing or disposing of, offering to lease or sub-lease or dispose of, agreeing to lease or sub-lease or dispose of or granting a person an irrevocable option to require it to lease or sublease or dispose of any asset (including any shares held by PMR or a subsidiary of PMR) (or any interest in one or more assets) for a consideration of greater than \$500,000, or making an announcement in relation to such a lease, sublease, disposition, agreement or option, other than inventory in the ordinary course of business, without the prior written consent of Sovereign Gold;
- (d) **(financial indebtedness)**: except for liabilities incurred in connection with the Takeover Bid, increasing its level of financial indebtedness (including financial liabilities incurred under finance leases), other than in the ordinary and usual course of business, or with Sovereign Gold's prior written consent, by an amount in excess of \$500,000;
- (e) **(capital expenditure)**: making capital expenditure in excess of \$500,000 in aggregate without the prior written consent of Sovereign Gold;
- (f) **(joint venture or partnership)**: entering into a joint venture, partnership or other similar arrangement;

- (g) **(dividend)**: PMR declaring, paying or distributing any dividend, bonus or other share of its profits or assets or returning or agreeing to return any capital to its members;
- (h) **(encumbrance)**: creating, or agreeing to create, any mortgage, charge, lien or other encumbrance over the whole, or a substantial part, of its business or property; or
- (i) **(prosecution or litigation)**: is or becomes a party to any material prosecution, litigation or arbitration other than as a plaintiff or applicant, in respect of PMR or any of its subsidiaries or their respective business or assets that exposes PMR or the subsidiary to a potential liability exceeding \$500,000 (including legal costs) or having a material adverse effect on the business of PMR or any of its subsidiaries, not including litigation that is initiated or instigated by Sovereign Gold or any of its subsidiaries.

(No Prescribed Occurrence) Between the Announcement Date and the end of the Offer Period (each inclusive), no Prescribed Occurrence occurs without the prior written approval of Sovereign Gold.

(No Material Adverse Change) Between the Announcement Date and the end of the Offer Period (each inclusive), no Material Adverse Change occurs.

(Representations) Between the Announcement Date and the end of the Offer Period (each inclusive), no circumstance or event occurs which would make any of the following statements, if those statements had been made on the Announcement Date, untrue or incorrect in any material respect:

- (a) subject to the issue of any Shares on exercise of Options in accordance with their terms, the issued share capital of PMR comprises 85 million Shares;
- (b) there are no securities of PMR convertible into Shares other than 3,600,000 Options, each option entitling the holder to subscribe for one Share on the terms and conditions applicable to that option; other than the Options referred to in paragraph (a) above, there are no options or other entitlements over Shares or to have Shares issued; and
- (c) PMR is not involved in any negotiations with a party other than Sovereign Gold relating to or concerning a Competing Proposal.

4. DEFINITIONS WITH RESPECT TO THE OFFER TERMS (ONLY)

Corporations Act	the Corporations Act 2001 (Cth).
Insolvency Event	for a person, being in liquidation or provisional liquidation or bankruptcy or provisional bankruptcy or under administration, having a controller, receiver, receiver and manager or analogous person appointed to it or any of its property, being taken under section 459F(1) of the Corporations Act (or its statutory equivalent in any other jurisdiction) to have failed to comply with a statutory demand, being unable to pay its debts or otherwise insolvent, dying, ceasing to be of full legal capacity or otherwise becoming incapable of managing its own affairs for any reason, becoming an insolvent under administration (as defined in section 9 of the Corporations Act (or its statutory equivalent in any other jurisdiction)), entering into a compromise or arrangement with, or assignment for the benefit of, any of its members or creditors or any analogous event, the making of an order by a court for the winding up of a person, or a person resolving that it be wound up.
Listing Rules	the listing rules of ASX.

Material Adverse Change

an event, occurrence or matter which individually or when aggregated with all such events, occurrences or matters diminish, or could reasonably be expected to diminish, the Net Assets of PMR as at 30 December 2011 by \$500,000 or more, other than:

- (a) an event, occurrence or matter required to be done or procured by PMR pursuant to this agreement or the Takeover Bid;
- (b) any asset write off or write down required to be made by the accounting standards;
- (c) a change of law or accounting practice;
- (d) an actual event, occurrence or matter which is known to Sovereign Gold or its Representatives prior to the Announcement Date (which does not include knowledge of the risk of an event, occurrence or matter happening);
- (e) an event, occurrence or matter that was apparent or reasonably ascertainable by Sovereign Gold or its Representatives from:
 - (f) documents made available to them by PMR; or
 - (g) responses provided to them in interviews with PMR management, in the course of the Due Diligence Investigations; or
 - (h) an event, occurrence or matter that was apparent or reasonably ascertainable by Sovereign Gold or its Representatives from:
 - (i) announcements made by PMR to ASX prior to the Announcement Date; or
 - (j) information that was publicly available prior to the Announcement Date from databases maintained by ASIC; or
 - (k) any other Government Agency.
- (l) the excess of total tangible assets over total liabilities of PMR on a consolidated basis.

Net Assets Offer

an offer to acquire Shares to be made by Sovereign Gold pursuant to its Takeover Bid.

Offer

the offer to acquire all of the issued Shares of PMR that Sovereign Gold does not control, to be made by Sovereign Gold to each Shareholder under the Takeover Bid.

Offer Period

means the period that the Offer is open for acceptance.

Offer Terms

the terms and conditions of the Offer.

Option

an option to subscribe for a Share.

Prescribed Occurrence

PMR converting all or any of its Shares into a larger or smaller number;

PMR or a subsidiary of PMR resolving to reduce its share capital in any way or reclassifying, combining, splitting or redeeming or repurchasing directly or indirectly any of its shares;

PMR or a subsidiary of PMR:

- (a) entering into a buy-back agreement; or
- (b) resolving to approve the terms of a buy-back agreement under the Corporations Act;
- (c) PMR or a subsidiary of PMR issuing shares, securities or other instruments convertible into shares, debt securities or granting an option over its shares, or agreeing to make such an issue or grant such an option other than issuing Shares pursuant to the exercise of Options in accordance their terms;
- (d) PMR or a subsidiary of PMR making any change or amendment to its constitution; or
- (e) an insolvency Event occurring in relation to PMR or a subsidiary of PMR.

Representative

in relation to an entity:

- (a) any of the entity's related entities; and
- (b) any of the officers and advisers of the entity or of any of its related entities.

Regulatory Approval

- (a) any approval, consent, authorisation, registration, filing, lodgement, permit, franchise, agreement, notarisation, certificate, permission, licence, direction, declaration, authority, waiver, modification or exemption from, by or with a Government Agency; or
- (b) in relation to anything that would be fully or partly prohibited or restricted by law if a Government Agency intervened or acted in any way after lodgement, filing, registration or notification:
 - (i) the expiry of any applicable period without intervention or action; or
 - (ii) the receipt of a statement in writing from the Government Agency that it does not intend to intervene or take action.

Share

an ordinary share in the capital of PMR, including all shares on issue as at the end of the Offer Period.