

19 August 2016

Dear Shareholder

On 29 June 2016 Tigers Realm Coal Limited (the Company) announced an underwritten non-renounceable entitlement offer to Eligible Shareholders of 1 fully paid ordinary share in the Company (New Share) for every 1 existing share held on the Record Date (7pm on 4 July 2016) at an issue price of \$0.026 per New Share to raise up to A\$23.3 million (Entitlement Offer).

The underwriters were BV Mining Holding Limited (BVMHL), Hanate Pty Ltd as trustee for Hanate Trust (Hanate) and Limited Liability Company <<RDIF Investment Management>> (RDIF).

The Entitlement Offer closed on 26 July 2016 with the Company receiving valid applications from Eligible Shareholders for 593,601,293 New Shares.

A portion of both the BVMHL Entitlement Offer and underwritten shares require shareholder approval. To obtain such approvals, a general meeting of the Company will be held at 2.30pm on 19 September 2016.

The enclosed booklet contains the Notice of Meeting and an Explanatory Memorandum. The Explanatory Memorandum contains important information with regard to the matters for which shareholder approval is being sought. I encourage you to read the Explanatory Memorandum carefully so as to make an informed decision on the two resolutions.

A Proxy Form covering the two items of business is also enclosed for your attention and return to the Company's Registry.

The booklet also contains a report by an Independent Expert, DMR Corporate Pty Ltd. The Independent Expert reports on the two resolutions to be put to shareholders. I encourage you to read the report carefully as well.

The Board was very pleased with the uptake of just over 66% from the Entitlement Offer. The successful passing of these two resolutions will enable the full \$23.3m fundraising to finalise and for the Company to proceed on its next phase of development.

We thank you for your continued support.

Yours sincerely



Craig Wiggill  
Chairman

# Tigers Realm Coal Limited

ACN 146 752 561

## NOTICE OF GENERAL MEETING

Notice is hereby given that a General Meeting (**Meeting**) of shareholders of Tigers Realm Coal Limited (**Company**) will be held at 2.30pm (Melbourne time) on Monday, 19 September 2016 at the Rendezvous Hotel, Davies Room, 328 Flinders Street, Melbourne, Victoria 3000.

An explanatory memorandum containing information in relation to the following resolutions accompanies, and forms part of, this Notice of Meeting (**Explanatory Memorandum**) and should be read in conjunction with this Notice of Meeting.

Terms that are not defined in this Notice of Meeting have the meaning given to them in the glossary in the Explanatory Memorandum.

Shareholders should also read the Independent Expert's Report prepared by DMR Corporate Pty Ltd (**Independent Expert**), a copy of which accompanies this Notice of Meeting.

### AGENDA

#### **SPECIAL BUSINESS**

**Resolution 1 - Approval for a proposed issue of New Shares to BV Mining Holding Limited, which represents the remainder of its Entitlement under the Entitlement Offer**

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

*"That, for the purposes of item 7 of section 611 of the Corporations Act and for all other purposes, approval be given for the issue of 23,501,472 fully paid ordinary shares in the Company (**New Shares**) to BV Mining Holding Limited (**BVMHL**) at an issue price of \$0.026 per New Share (**Issue Price**), in connection with the Company's non-renounceable entitlement offer announced to ASX on 29 June 2016 (**Entitlement Offer**), which represents the remaining New Shares which BVMHL is required to subscribe for pursuant to its obligation to subscribe for its full Entitlement under the Entitlement Offer, in accordance with the underwriting agreement dated 29 June 2016 between the Company, BVMHL, Hanate Pty Ltd as trustee for Hanate Trust (**Hanate**), Pine Ridge Holdings Pty Ltd as trustee for Pine Ridge Superannuation Fund (**Pine Ridge Holdings**) and Limited Liability Company <<RDIF Investment Management>> (**RDIF**) (**Underwriting Agreement**) (**Proposed BVMHL Entitlement Transaction**)."*

<b>The Independent Expert has opined that the Proposed BVMHL Entitlement Transaction is not fair but reasonable to Non-Interested Shareholders of the Company.</b>
--

**Resolution 2 - Approval for a proposed issue of New Shares to BV Mining Holding Limited and Hanate Pty Ltd as trustee for Hanate Trust, pursuant to their respective obligations to underwrite their respective proportions of the Entitlement Offer**

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

*"That:*

- (a) *for the purposes of item 7 of section 611 of the Corporations Act and for all other purposes, approval be given for the issue of 120,893,457 New Shares to BVMHL at the Issue Price, in connection with the Entitlement Offer, and in accordance with BVMHL's obligation to underwrite its respective proportion of the Entitlement Offer pursuant to the Underwriting Agreement; and*
- (b) *for the purposes of item 7 of section 611 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval be given for the issue of 75,992,714 New Shares to Hanate at the Issue Price, in connection with the Entitlement Offer, and in accordance with Hanate's obligation to underwrite its respective proportion of the Entitlement Offer pursuant to the Underwriting Agreement,*

*(**Proposed Underwriting Transaction**)."*

**The Independent Expert has opined that the Proposed Underwriting Transaction is not fair but reasonable to Non-Interested Shareholders of the Company.**

## **VOTING EXCLUSION STATEMENT**

### **Resolution 1**

Pursuant to item 7 of section 611 of the Corporations Act, the Company will disregard any votes cast on Resolution 1 by:

- (a) BVMHL; and
- (b) an Associate of BVMHL.

In the interests of good corporate governance, the Company will also disregard any votes cast on Resolution 1 by RDIF (and its Associates) and Hanate (and its Associates, including Pine Ridge Holdings, which is an Associate of Hanate through their common control by Dr. Bruce Gray (a Director of the Company)). Whilst RDIF (or its Associates) and Hanate (or its Associates) are not Associates of BVMHL (or its Associates), the Company considers it appropriate to disregard any votes cast on Resolution 1 by RDIF, Hanate and their respective Associates, on the basis that each of BVMHL, RDIF, Hanate and Pine Ridge Holdings are party to the Underwriting Agreement and therefore have a commercial interest in the outcome of Resolution 1. For further details, please refer to the Explanatory Memorandum.

### **Resolution 2**

Pursuant to item 7 of section 611 of the Corporations Act and ASX Listing Rule 14.11, the Company will disregard any votes cast on Resolution 2 by:

- (a) BVMHL;
- (b) Hanate; and
- (c) an Associate of BVMHL or Hanate (including Pine Ridge Holdings, which is an Associate of Hanate).

However, the Company need not disregard a vote if:

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

In the interests of good corporate governance, the Company will also disregard any votes cast on Resolution 2 by RDIF and its Associates. Whilst RDIF is not an Associate of BVMHL or Hanate (or their respective Associates), the Company considers it appropriate to disregard any votes cast on Resolution 2 by RDIF and its Associates, on the basis that RDIF is a party to the Underwriting Agreement and because its obligation to underwrite its respective proportion of the Entitlement Offer is subject to (amongst other things) satisfaction of the RDIF Investment Mandate Requirements (which includes shareholder approval of Resolution 2 in respect of BVMHL). For further details, please refer to the Explanatory Memorandum.

By order of the Board



David J Forsyth  
Company Secretary  
Tigers Realm Coal Limited

19 August 2016

L\319845548.2

## **NOTES**

These notes form part of the Notice of Meeting.

### **Voting entitlements**

Pursuant to Regulation 7.11.37 of the Corporations Regulations, the Directors have determined that the shareholding of each member, for the purposes of ascertaining voting entitlements for the Meeting, will be as it appears in the Company's share register at 7pm (Melbourne time) on 17 September 2016.

### **Proxies and company representatives**

A proxy form is enclosed. To be valid, duly signed proxies (and any authority under which the proxy is signed or a certified copy of the authority) must be received at the Company's Share Registry, Link Market Services Limited, at the address or facsimile number below, not later than 2.30pm (Melbourne time) on 17 September 2016. Alternatively, you can lodge your proxy online via the Tigers Realm Coal registry website ([www.linkmarketservices.com.au](http://www.linkmarketservices.com.au) and go to the 'Proxy Voting' icon) by the same date and time.

A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote on its behalf. If a member is entitled to cast two or more votes, the member may appoint two proxies, and may specify the proportion or number of votes each proxy is appointed to exercise. Where more than one proxy is appointed, and the proportion of the member's voting rights is not specified, each proxy may exercise half the votes. Fractions of votes will be disregarded. If more than one proxy is present at the Meeting, neither will be entitled to vote on a show of hands. A proxy need not be a member and may be an individual or a body corporate.

A proxy form must be signed by the member or the member's attorney. Proxies given by a body corporate must be signed in accordance with the Corporations Act or the body corporate's constitution or by attorney. In the case of shares jointly held by two or more persons, all joint holders must sign the proxy form. A member which is a body corporate and entitled to attend and vote at the Meeting, or a proxy which is a body corporate and is appointed by a member entitled to attend and vote at the Meeting, may appoint an individual to act as its representative at the Meeting, by providing that person with a letter or certificate, executed in accordance with the Corporations Act or the body corporate's constitution authorising the person as the representative, or a copy of the resolution appointing the representative which is certified by the secretary or a director of the body corporate. A copy of the letter, certificate or resolution, or other evidence satisfactory to the Chairman of the Meeting, must be produced prior to admission to the Meeting.

### **Share Registry**

Postal address:  
Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235

By hand to:  
Link Market Services Limited  
Level 12, 680 George Street  
Sydney NSW 2000

Facsimile: (61 2) 9287 0309

Online: at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

## EXPLANATORY MEMORANDUM

This Explanatory Memorandum is to be read in conjunction with the Notice of Meeting of the Company to be held at 2.30pm (Melbourne time) on Monday, 19 September 2016 at the Rendezvous Hotel, Davies Room, 328 Flinders Street, Melbourne, Victoria 3000.

The purpose of this Explanatory Memorandum is to provide information to shareholders in deciding how to vote on the Resolutions set out in the Notice of Meeting.

The Directors recommend that shareholders read the Notice of Meeting, this Explanatory Memorandum and the Independent Expert's Report before making any decision in relation to the Resolutions.

Defined terms used in this Explanatory Memorandum are set out in the Glossary at the end of this Explanatory Memorandum.

**Resolutions - Approval for a proposed issue of New Shares to BVMHL, which represents the remainder of its Entitlement under the Entitlement Offer (Resolution 1) and approval for a proposed issue of New Shares to BVMHL and Hanate, pursuant to their respective obligations to underwrite their respective proportions of the Entitlement Offer (Resolution 2)**

### 1. Background and overview

#### 1.1 Entitlement Offer

On 29 June 2016, the Company announced a non-renounceable entitlement offer to Eligible Shareholders of 1 fully paid ordinary share in the Company (**New Share**) for every 1 existing share held on the Record Date (7.00pm on 4 July 2016) at an Issue Price of \$0.026 per New Share, to raise up to A\$23.3 million (**Entitlement Offer**).

Further details regarding the Entitlement Offer are set out in the offer documents for the Entitlement Offer lodged with ASX on 29 June 2016, comprising an ASX announcement of the Entitlement Offer, an Investor Presentation, an Entitlement Offer Booklet and a cleansing notice under section 708AA of the Corporations Act (**Offer Documents**). The Entitlement Offer Booklet (which includes the ASX announcement of the Entitlement Offer, Investor Presentation and cleansing notice) was despatched to Eligible Shareholders on 7 July 2016.

The Entitlement Offer is underwritten by BV Mining Holding Limited (**BVMHL**), Hanate Pty Ltd as trustee for Hanate Trust (**Hanate**) and Limited Liability Company <<RDIF Investment Management>> (**RDIF**) (BVMHL, Hanate and RDIF together, the **Underwriters**), pursuant to an underwriting agreement dated 29 June 2016 between the Company, each Underwriter and Pine Ridge Holdings Pty Ltd as trustee for Pine Ridge Superannuation Fund (**Pine Ridge Holdings**) (**Underwriting Agreement**).

The Entitlement Offer closed at 5.00pm on 26 July 2016. The Company has received valid applications from Eligible Shareholders for 593,601,293 New Shares. This includes valid applications from the Underwriters and Pine Ridge Holdings for their respective full Entitlements under the Entitlement Offer, of which 23,501,472 New Shares will be issued to BVMHL subject to shareholder approval under Resolution 1.

The Underwriters have agreed to subscribe for their respective proportion of the 302,233,642 Shortfall Shares under the Entitlement Offer, subject to the terms and conditions set out in the Underwriting Agreement (as described below). Hanate has already been issued 44,900,743 Shortfall Shares pursuant to its underwriting commitment, because the acquisition of such Shortfall Shares did not require Underwriting Shareholder Approval. The issue of 120,893,457 Shortfall Shares to BVMHL, and the issue of 75,992,714 Shortfall Shares to Hanate, is subject to Underwriting Shareholder Approval under Resolution 2.

#### 1.2 Underwriting Agreement

Pursuant to the Underwriting Agreement:

- (a) each Underwriter and Pine Ridge Holdings had agreed (severally) with the Company to take up their respective full Entitlements under the Entitlement Offer; and
- (b) each Underwriter had agreed (severally) with the Company to underwrite its respective proportion of any Shortfall Shares under the Entitlement Offer, on the terms and conditions set out in the Underwriting Agreement (as described below).

A summary of the material terms of the Underwriting Agreement is set out in section 3.5 of this Explanatory Memorandum.

### 1.3 **Resolution 1 - Conditionality of BVMHL's obligation to subscribe for the remainder of its Entitlement**

Pursuant to the Underwriting Agreement, BVMHL has agreed with the Company to take up its full Entitlement under the Entitlement Offer, being 219,263,985 New Shares.

BVMHL has already been issued 195,762,513 New Shares pursuant to its Entitlement under the Entitlement Offer, on the basis that the acquisition of such New Shares is permitted under item 9 of section 611 of the Corporations Act (**3% Creep Exception**).

Having regard to the level of participation by other Eligible Shareholders under the Entitlement Offer, shareholder approval in accordance with item 7 of section 611 of the Corporations Act will be required so that the acquisition by BVMHL of its remaining Entitlement to New Shares (being 23,501,472 New Shares) (**BVMHL Entitlement Shares**) does not breach section 606 of the Corporations Act (being the approval sought pursuant to Resolution 1) (**Entitlement Shareholder Approval**).

Other than for Entitlement Shareholder Approval for the BVMHL Entitlement Shares, the obligations of each Underwriter and Pine Ridge Holdings to (severally) take up their respective full Entitlements under the Entitlement Offer are not subject to FIRB Approval, Underwriting Shareholder Approval or the RDIF Investment Mandate Requirements.

### 1.4 **Resolution 2 - Conditionality of underwriting obligations**

In accordance with the Underwriting Agreement, BVMHL and Hanate's respective obligations to underwrite their respective proportion of any Shortfall Shares under the Entitlement Offer are each subject to shareholder approval in accordance with item 7 of section 611 of the Corporations Act if, and to the extent, required so that such acquisition by either BVMHL or Hanate pursuant to their respective underwriting obligations does not breach section 606 of the Corporations Act (being the approval sought pursuant to Resolution 2) (**Underwriting Shareholder Approval**).

Hanate has already been issued 44,900,743 Shortfall Shares pursuant to its underwriting commitment, because the acquisition of such Shortfall Shares did not require Underwriting Shareholder Approval.

For completeness, it is noted that, in accordance with the Underwriting Agreement, RDIF's obligation to underwrite its respective proportion of any Shortfall Shares under the Entitlement Offer (being 60,446,728 Shortfall Shares) (**RDIF Underwritten Shares**) is subject to FIRB Approval and satisfaction of the RDIF Investment Mandate Requirements (as described below).

### 1.5 **RDIF Investment Mandate Requirements**

RDIF is a wholly owned subsidiary of the Russian Direct Investment Fund, which was established by the Russian Government for the purpose of attracting foreign capital into the Russian economy. RDIF's investment mandate only allows it to invest in transactions where a qualified co-investor invests at least the same amount (or such greater amount as may be provided by a decision of the RDIF Investment Committee for that transaction) (**RDIF Investment Mandate**).

In relation to the Company and the Entitlement Offer, and in accordance with the RDIF Investment Mandate, BVMHL is the only Underwriter which satisfies the criteria for a qualified co-investor and the RDIF Investment Committee has approved the acquisition by RDIF of New Shares (including

the RDIF Underwritten Shares) up to a maximum of 50% of the total number of New Shares acquired by that qualified co-investor under the Entitlement Offer.

For this reason, RDIF's obligation to underwrite the RDIF Underwritten Shares is subject to Underwriting Shareholder Approval in respect of BVMHL and BVMHL satisfying its obligation to subscribe for its full Entitlement and its respective proportion of any Shortfall Shares in accordance with the Underwriting Agreement (**RDIF Investment Mandate Requirements**).

## 1.6

### **FIRB Approval for RDIF**

As noted above, RDIF is a wholly owned subsidiary of the Russian Direct Investment Fund, which was established by the Russian Government. Accordingly, RDIF is a "foreign government investor" within the meaning of the FATA and, in accordance with Australia's foreign investment laws, RDIF requires FIRB Approval to acquire any Shortfall Shares pursuant to its obligation to underwrite its respective proportion of the Entitlement Offer.

RDIF applied to FIRB for the FIRB Approval on 1 July 2016. FIRB Approval for RDIF to acquire the RDIF Underwritten Shares was obtained on 3 August 2016.

## 1.7

### **Respective proportion of each Underwriter**

As noted above:

- (a) the Company has received valid applications from Eligible Shareholders for 593,601,293 New Shares (including 23,501,472 BVMHL Entitlement Shares which are subject to Entitlement Shareholder Approval under Resolution 1), resulting in 302,233,642 Shortfall Shares under the Entitlement Offer; and
- (b) RDIF has obtained FIRB Approval to acquire the RDIF Underwritten Shares.

Accordingly, in accordance with the Underwriting Agreement, the Underwriters will subscribe for the Shortfall Shares in the following proportions and subject to the following terms and conditions:

- (a) BVMHL has agreed with the Company to underwrite 40% of the Shortfall Shares under the Entitlement Offer. BVMHL's obligation to subscribe for its respective proportion of the Shortfall Shares (being 120,893,457 Shortfall Shares) is subject to Underwriting Shareholder Approval under Resolution 2.
- (b) Hanate has agreed with the Company to underwrite 40% of the Shortfall Shares under the Entitlement Offer. In respect of Hanate's underwriting obligations:
  - (i) 44,900,743 Shortfall Shares did not require Underwriting Shareholder Approval - because the acquisition of such Shortfall Shares did not cause Hanate to breach the Takeovers Prohibition; and
  - (ii) 75,992,714 Shortfall Shares are subject to Underwriting Shareholder Approval under Resolution 2.
- (c) RDIF has agreed with the Company to underwrite 20% of the Shortfall Shares under the Entitlement Offer (the RDIF Underwritten Shares). RDIF's obligation to subscribe for the 60,446,728 RDIF Underwritten Shares is subject to the RDIF Investment Mandate Requirements being satisfied.

If Underwriting Shareholder Approval of Resolution 2 is not obtained:

- (a) Hanate would not be able to subscribe for any Shortfall Shares (in addition to the 44,900,743 Shortfall Shares that have already been issued to Hanate and for which Underwriting Shareholder Approval was not required);
- (b) BVMHL would not be able to subscribe for any Shortfall Shares, because such acquisition would cause BVMHL to exceed the Takeovers Prohibition; and

- (c) RDIF would not be required to subscribe for the RDIF Underwritten Shares.

For details on how each of the Proposed BVMHL Entitlement Transaction and Proposed Underwriting Transaction would impact the shareholding and voting power of each of Hanate (individually and when aggregated with Pine Ridge Holdings) and BVMHL (and its Associates) in the Company, please refer to section 3.2 of this Explanatory Memorandum.

## 1.8 **Key advantages and disadvantages of the Proposed BVMHL Entitlement Transaction and the Proposed Underwriting Transaction**

A summary of the key advantages and disadvantages of the Proposed BVMHL Entitlement Transaction and the Proposed Underwriting Transaction are set out in sections 4.1 and 4.2 of this Explanatory Memorandum.

## 1.9 **Purpose of the Resolutions**

The Purpose of:

- (a) Resolution 1 is to seek Entitlement Shareholder Approval for the issue of 23,501,472 BVMHL Entitlement Shares to BVMHL at the Issue Price (**Proposed BVMHL Entitlement Transaction**); and
- (b) Resolution 2 is to seek:
  - (i) Underwriting Shareholder Approval for the issue of 120,893,457 New Shares to BVMHL at the Issue Price; and
  - (ii) Underwriting Shareholder Approval, and shareholder approval under ASX Listing Rule 10.11, for the issue of 75,992,714 New Shares to Hanate at the Issue Price,

**(Proposed Underwriting Transaction),**

in each case, in connection with the Entitlement Offer, and in accordance with their respective obligations pursuant to the Underwriting Agreement.

For the reasons set out in section 2.1 of this Explanatory Memorandum, shareholder approval of the Proposed BVMHL Entitlement Transaction and the Proposed Underwriting Transaction is being sought in accordance with item 7 of section 611 of the Corporations Act. In addition, for the reasons set out in section 5 of this Explanatory Memorandum, shareholder approval is being sought under ASX Listing Rule 10.11 for the issue of 75,992,714 New Shares to Hanate.

RDIF does not require shareholder approval under item 7 of section 611 of the Corporations Act to acquire the RDIF Underwritten Shares, on the basis that RDIF's maximum relevant interest in the Company following completion of the Entitlement Offer will be less than 20% (i.e. RDIF will not breach the Takeovers Prohibition (as described below) by acquiring the RDIF Underwritten Shares).

## 1.10 **Independent Expert's Report**

In accordance with ASIC Regulatory Guide 74, the Directors have commissioned the Independent Expert to provide an Independent Expert's Report on whether or not each of the Proposed BVMHL Entitlement Transaction and the Proposed Underwriting Transaction is fair and reasonable to Non-Interested Shareholders.

The Independent Directors recommend that you vote in favour of Resolution 1 and Resolution 2 (see section 6 below).

The Independent Expert has opined that the Proposed BVMHL Entitlement Transaction is not fair but reasonable to Non-Interested Shareholders and that the Proposed Underwriting Transaction is not fair but reasonable to Non-Interested Shareholders. Section 7 provides more detail in relation



to the findings of the Independent Expert. A copy of the Independent Expert's Report is annexed to this Explanatory Memorandum.

## 2. Why is Entitlement Shareholder Approval (under Resolution 1) and Underwriting Shareholder Approval (under Resolution 2) being sought?

### 2.1 Reasons for seeking Entitlement Shareholder Approval and Underwriting Shareholder Approval

Section 606 of the Corporations Act provides that a person must not acquire a relevant interest in the issued voting shares of a company if, because of that acquisition, that person's or someone else's voting power in the company: (i) increases from 20% or below to more than 20%; or (ii) increases from a starting point that is above 20% and below 90% (**Takeovers Prohibition**).

Section 611 of the Corporations Act sets out certain circumstances in which an acquisition of a relevant interest in voting shares will be exempt from the Takeovers Prohibition. For example:

- (a) Item 7 of section 611 of the Corporations Act provides an exemption to the Takeovers Prohibition where the acquisition is approved (by ordinary resolution) at a general meeting of shareholders.
- (b) Item 9 of section 611 of the Corporations Act provides an exemption to the Takeovers Prohibition if, throughout the 6 months prior to the acquisition, the person's or someone else's voting power was at least 19%, and the acquisition would not result in that person or that other person's voting power increasing by more than 3% higher than their voting power 6 months prior to the acquisition.
- (c) Item 10 of section 611 of the Corporations Act provides an exemption to the Takeovers Prohibition in circumstances where the acquisition results from a pro rata entitlement offer. Such exemption also extends to an acquisition by a person as an underwriter to the pro rata entitlement offer (**Rights Issue Exemption**).

The Company and the Underwriters could have sought to rely on the Rights Issue Exemption for the issue of any New Shares to Eligible Shareholders pursuant to their Entitlements under the Entitlement Offer (including the issue of the BVMHL Entitlement Shares to BVMHL) or the issue of any Shortfall Shares to the Underwriters under the Underwriting Agreement.

However, for the following reasons, the Company has decided not to seek to rely on the Rights Issue Exception and has determined to instead seek shareholder approval for the Proposed BVMHL Entitlement Transaction and the Proposed Underwriting Transaction under item 7 of section 611 of the Corporations Act:

- (a) by seeking the shareholder approvals, the Company is giving its shareholders the opportunity to consider and approve each of the Proposed BVMHL Entitlement Transaction and the Proposed Underwriting Transaction;
- (b) for the reasons set out in the Notice of Meeting, each Underwriter and their respective Associates will be excluded from voting on the Resolutions. Accordingly, the decision on whether or not to approve each of the Proposed BVMHL Entitlement Transaction and the Proposed Underwriting Transaction will represent the "will" of the majority of Non-Interested Shareholders;
- (c) the Notice of Meeting and this Explanatory Memorandum is required by the Corporations Act and ASIC Regulatory Guide 74 to include detailed information about the Proposed BVMHL Entitlement Transaction and the Proposed Underwriting Transaction, to ensure that shareholders are given enough information to assess the merits of the Proposed BVMHL Entitlement Transaction and the Proposed Underwriting Transaction. The disclosure of such information will enable shareholders to vote on the Resolutions on an informed basis;
- (d) in deciding on how to vote on each Resolution, shareholders will have the benefit of an Independent Expert's Report on whether each of the Proposed BVMHL Entitlement

Transaction and the Proposed Underwriting Transaction is fair and reasonable to Non-Interested Shareholders;

- (e) the Proposed BVMHL Entitlement Transaction will result in an increase in BVMHL's shareholding and voting power in the Company and may therefore have a potential impact on the control of the Company. For further details, see section 3.2 of this Explanatory Memorandum;
- (f) the Proposed Underwriting Transaction will result in an increase in each of the Underwriter's shareholding and voting power in the Company and may therefore have a potential impact on the control of the Company. For further details, see section 3.2 of this Explanatory Memorandum; and
- (g) for the reasons set out above, the Company believes that seeking shareholder approval for the Proposed BVMHL Entitlement Transaction (under Resolution 1) and the Proposed Underwriting Transaction (under Resolution 2) promotes (and is consistent with) good corporate governance and transparency.

As noted above, the acquisition by BVMHL of 195,762,513 New Shares pursuant to its Entitlement under the Entitlement Offer did not require Entitlement Shareholder Approval (because such acquisition did not result in BVMHL exceeding the 3% Creep Exception). Accordingly, Entitlement Shareholder Approval under Resolution 1 is only being sought for the acquisition by BVMHL of the 23,501,472 BVMHL Entitlement Shares. In addition, Underwriting Shareholder Approval under Resolution 2 is being sought in respect of the acquisition by BVMHL of all of its Shortfall Shares.

As also noted above, the acquisition by Hanate of some of its Shortfall Shares did not require Underwriting Shareholder Approval (because such acquisition did not result in Hanate breaching the Takeovers Prohibition). Accordingly, Underwriting Shareholder Approval under Resolution 2 is only being sought to the extent that an acquisition of Shortfall Shares by Hanate would breach the Takeovers Prohibition.

Further information regarding the impact on the voting power of each of Hanate (individually and when aggregated with Pine Ridge Holdings) and BVMHL (and its Associates) if Entitlement Shareholder Approval and Underwriting Shareholder Approval are obtained is set out in section 3.2 of this Explanatory Memorandum.

## 2.2

### **Why is Underwriting Shareholder Approval under Resolution 2 being sought pursuant to a single Resolution?**

The Proposed Underwriting Transaction will not proceed if Shareholders do not approve both Hanate and BVMHL acquiring their full respective proportion of any Shortfall Shares under the Entitlement Offer (to the extent such Shortfall Shares require Underwriting Shareholder Approval).

Having regard to the impact that the Proposed Underwriting Transaction (if approved by Shareholders) would have on the Company, the Independent Directors consider that the Proposed Underwriting Transaction should not proceed unless both Hanate and BVMHL are able to fully participate in the underwriting of the Shortfall Shares to ensure that:

- (a) the underwriting is being provided (in aggregate) for the full amount of the Shortfall Shares; and
- (b) the control effect of any one Underwriter acquiring its respective proportion of the Shortfall Shares is not unnecessarily increased due to the other Underwriter not being able to participate.

## 3.

### **Additional information required by the Corporations Act and ASIC Regulatory Guide 74**

For the purposes of Resolution 1 and Resolution 2, the following additional information is provided to shareholders in accordance with the requirements of the Corporations Act and ASIC Regulatory Guide 74.

### 3.1

#### Identity

##### Resolution 1

The following table sets out the identity of the person proposing to acquire New Shares under the Proposed BVMHL Entitlement Transaction and its Associates:

Acquirer	Associates
BVMHL	<p>Certain entities relating to Baring Vostok Private Equity Fund V.</p> <p>See BVMHL change in substantial holding notice dated 21 March 2016 for further details.</p>

##### Resolution 2

The following table sets out the identity of each person proposing to acquire New Shares under the Proposed Underwriting Transaction and their Associates:

Acquirer	Associates
BVMHL	<p>Certain entities relating to Baring Vostok Private Equity Fund V.</p> <p>See BVMHL change in substantial holding notice dated 21 March 2016 for further details.</p>
Hanate	Pine Ridge Holdings

### 3.2

#### Shareholding and voting power

The following table sets out:

- (a) **Prior to Entitlement Offer** - the shareholding and voting power of each of Hanate (individually and when aggregated with Pine Ridge Holdings) and BVMHL (and its Associates) in the Company, prior to the issue of any New Shares under the Entitlement Offer;
- (b) **Entitlement and Shortfall Shares that do not require Entitlement Shareholder Approval or Underwriting Shareholder Approval** - the maximum extent of the increase in, and total, shareholding and voting power of each of Hanate (individually and when aggregated with Pine Ridge Holdings) and BVMHL (and its Associates) in the Company, as a result of:
  - (i) Hanate having taken up its full Entitlement under the Entitlement Offer, being 107,151,515 New Shares;
  - (ii) BVMHL having taken up 195,762,513 New Shares pursuant to its Entitlement, being the maximum number of New Shares permitted by the 3% Creep Exemption; and
  - (iii) Hanate having acquired 44,900,743 Shortfall Shares - being the maximum number of Shortfall Shares (up to the total number of Shortfall Shares which it has agreed to subscribe for under the Underwriting Agreement) that did not require Underwriting Shareholder Approval because the acquisition did not cause Hanate to breach the Takeovers Prohibition;

- (c) **Entitlement Shareholder Approval (Resolution 1) but no Underwriting Shareholder Approval (Resolution 2)** - the maximum extent of the increase in, and total shareholding and voting power of each of Hanate (individually and when aggregated with Pine Ridge Holdings) and BVMHL (and its Associates) in the Company, if Entitlement Shareholder Approval is obtained but Underwriting Shareholder Approval is not obtained (which would result in the RDIF Investment Mandate Requirements not being satisfied);
- (d) **Underwriting Shareholder Approval (Resolution 2) but no Entitlement Shareholder Approval (Resolution 1)** - the maximum extent of the increase in, and total shareholding and voting power of each of Hanate (individually and when aggregated with Pine Ridge Holdings) and BVMHL (and its Associates) in the Company, if Underwriting Shareholder Approval is obtained but Entitlement Shareholder Approval is not obtained (which would result in the RDIF Investment Mandate Requirements not being satisfied);
- (e) **Entitlement Shareholder Approval and Underwriting Shareholder Approval (both Resolutions approved)** - the maximum extent of the increase in, and total, shareholding and voting power of each of Hanate (individually and when aggregated with Pine Ridge Holdings) and BVMHL (and its Associates) in the Company, if Entitlement Shareholder Approval and Underwriting Shareholder Approval are obtained and the RDIF Investment Mandate Requirements are satisfied; and
- (f) **No Entitlement Shareholder Approval and no Underwriting Shareholder Approval (neither Resolutions approved)** - the maximum extent of the increase in, and total, shareholding and voting power of each of Hanate (individually and when aggregated with Pine Ridge Holdings) and BVMHL (and its Associates) in the Company, if both Entitlement Shareholder Approval and Underwriting Shareholder Approval are not obtained and the RDIF Investment Mandate Requirements are not satisfied. The shareholding and voting power of each of BVMHL (and its Associates) and Hanate (and its Associates) in the Company, in this circumstance, would be the same as for section 3.2(b) above.

	BVMHL and its Associates		Hanate			Pine Ridge Holdings (Associate of Hanate)		
	Shares	% Holding / Voting power	Shares	% Holding	Voting power (being Hanate and Pine Ridge Holdings on an aggregated basis)	Shares	% Holding	Voting power (being Hanate and Pine Ridge Holdings on an aggregated basis)
<b>(a) Prior to Entitlement Offer</b>								
Prior to Entitlement Offer	219,263,985	24.48%	107,151,515	11.96%	14.35%	21,402,689	2.39%	14.35%
<b>(b) After the issue of New Shares arising from Entitlements and Shortfall Shares that do not require Entitlement Shareholder Approval or Underwriting Shareholder Approval</b>								
Maximum extent of increase	195,762,513	2.99%	152,052,258	5.20%	5.64%	21,402,689	0.44%	5.64%
Total	415,026,498	27.47%	259,203,773	17.16%	19.99%	42,805,378	2.83%	19.99%
<b>(c) Entitlement Shareholder Approval is obtained but Underwriting Shareholder Approval is not obtained (resulting in the RDIF Investment Mandate Requirements not being satisfied)</b>								
Maximum extent of increase	219,263,985	4.11%	152,052,258	4.93%	5.33%	21,402,689	0.40%	5.33%
Total	438,527,970	28.58%	259,203,773	16.89%	19.68%	42,805,378	2.79%	19.68%

	BVMHL and its Associates		Hanate			Pine Ridge Holdings (Associate of Hanate)		
<b>(d) Underwriting Shareholder Approval is obtained but Entitlement Shareholder Approval is not obtained (resulting in the RDIF Investment Mandate Requirements not being satisfied)</b>								
Maximum extent of increase	316,655,970	6.91%	228,044,972	7.67%	7.78%	21,402,689	0.12%	7.78%
Total	535,919,955	31.38%	335,196,487	19.63%	22.13%	42,805,378	2.51%	22.13%
<b>(e) Entitlement Shareholder Approval and Underwriting Shareholder Approval are obtained and the RDIF Investment Mandate Requirements are satisfied</b>								
Maximum extent of increase	340,157,442	6.74%	228,044,972	6.75%	6.75%	21,402,689	0.00%	6.75%
Total	559,421,427	31.22%	335,196,487	18.71%	21.10%	42,805,378	2.39%	21.10%
<b>(f) Entitlement Shareholder Approval and Underwriting Shareholder Approval are not obtained and the RDIF Investment Mandate Requirements are not satisfied</b>								
Maximum extent of increase	195,762,513	2.99%	152,052,258	5.20%	5.64%	21,402,689	0.44%	5.64%
Total	415,026,498	27.47%	259,203,773	17.16%	19.99%	42,805,378	2.83%	19.99%

### 3.3 Reasons for the Proposed BVMHL Entitlement Transaction and the Proposed Underwriting Transaction

The proceeds of the Entitlement Offer will be used for continued exploration and development of the Company's projects in Chukotka, Russian Federation, including but not limited to:

- (a) commencing phase 1 of development and construction of Project F;
- (b) general corporate purposes and working capital; and
- (c) undertaking compliance works to ensure continued tenure of the Company's exploration and mining licences.

As described in the Offer Documents for the Entitlement Offer, it is proposed that the proceeds of the Entitlement Offer will be allocated as follows:

Use of Funds	Amount (A\$ million)
Commencing phase 1 of development and construction of Project F	16.4
General corporate purposes and working capital	4.4
Undertaking compliance works to ensure continued tenure of the Company's exploration and mining licences	2.0
Costs of the Entitlement Offer	0.5

As described in the Offer Documents and the Company's various corporate updates released to ASX, the Company continues to make progress in relation to the development of Project F.

However, further capital expenditure is required in the immediate future to continue to advance the project.

The Company has explored a number of alternative ways to potentially fund the development of Project F. However, the Company ultimately formed the view that the Entitlement Offer was the most appropriate funding solution for the Company, because it gives Eligible Shareholders the opportunity to participate in the capital raising on a pro rata basis and because of the relatively short time frame in which the funding may be raised.

To provide greater certainty in relation to the amount of funds raised (and having regard to recent volatility of global markets), the Company has determined that it would be appropriate (and prudent) for the Entitlement Offer to be underwritten.

In this regard, the Company approached a number of professional underwriters and existing shareholders of the Company (including the Underwriters), on a confidential basis, to potentially underwrite the Entitlement Offer.

On the basis of those discussions and the terms (if any) upon which those parties expressed an interest in underwriting the Entitlement Offer, the Company determined that it would be the best interests of the Company for the Entitlement Offer to be underwritten by the Underwriters on the terms and conditions of the Underwriting Agreement (as summarised in section 3.5 of this Explanatory Memorandum).

BVMHL requires Entitlement Shareholder Approval in order to subscribe for the remainder of its Entitlement under the Entitlement Offer (23,501,472 BVMHL Entitlement Shares), being the approval sought pursuant to Resolution 1.

BVMHL and Hanate each require Underwriting Shareholder Approval in order to subscribe for all or a portion (as applicable) of their respective Shortfall Shares under the Entitlement Offer (that is, 120,893,457 Shortfall Shares for BVMHL and 75,992,714 Shortfall Shares for Hanate), being the approval sought pursuant to Resolution 2.

### **3.4 Expected timing for the Proposed BVMHL Entitlement Transaction and the Proposed Underwriting Transaction**

If shareholders approve Resolution 1, the BVMHL Entitlement Shares will be issued six business days after the Meeting. If not approved, those shares will not be issued.

If shareholders approve Resolution 2, the New Shares the subject of Resolution 2 will be issued six business days after the Meeting. If not approved, those shares will not be issued.

If shareholders approve Resolutions 1 and 2, the RDIF Underwritten Shares will also be issued six business days after the Meeting.

If shareholders approve one Resolution (but not both Resolutions), then the RDIF Underwritten Shares will not be issued because RDIF's underwriting obligations are subject to satisfaction of the RDIF Investment Mandate Requirements (which includes Underwriting Shareholder Approval under Resolution 2 in respect of BVMHL and BVMHL satisfying its obligation to subscribe for its full Entitlement and its respective proportion of any Shortfall Shares in accordance with the Underwriting Agreement).

For completeness, all other New Shares under the Entitlement Offer (comprising New Shares arising from Entitlements (other than the BVMHL Entitlement Shares) and Shortfall Shares that are not subject to FIRB Approval, the RDIF Investment Mandate Requirements or Underwriting Shareholder Approval) were issued on 3 August 2016.

### **3.5 Material terms of the Underwriting Agreement**

The Entitlement Offer is underwritten by the Underwriters pursuant to the Underwriting Agreement dated 29 June 2016 between the Company, each Underwriter and Pine Ridge Holdings.

Set out below is a summary of the material terms of the Underwriting Agreement.

- (a) Each Underwriter and Pine Ridge Holdings has agreed (severally) with the Company to take up their respective full Entitlements under the Entitlement Offer;
- (b) If there is a shortfall under the Entitlement Offer because Eligible Shareholders (other than the Underwriters and Pine Ridge Holdings) do not participate in the Entitlement Offer:
  - (i) if FIRB Approval is obtained by RDIF and the RDIF Investment Mandate Requirements are satisfied (which effectively includes that shareholder approval is obtained under Resolution 1 and Resolution 2), each Underwriter has agreed with the Company to subscribe for the Shortfall Shares in its respective proportion under the Underwriting Agreement - being BVMHL (40%), Hanate (40%) and RDIF (20%); or
  - (ii) if FIRB Approval is obtained by RDIF, but Underwriting Shareholder Approval is not obtained (and therefore the RDIF Investment Mandate Requirements are not satisfied), then:
    - A. each Underwriter (other than RDIF) has agreed with the Company that it will acquire a number of Shortfall Shares (up to the number of Shortfall Shares which it has agreed to subscribe for under the Underwriting Agreement) that would not cause that Underwriter to breach section 606 of the Corporations Act; and
    - B. RDIF would not be required to subscribe for the RDIF Underwritten Shares.
- (c) As noted in section 1.4 of this Explanatory Memorandum:
  - (i) RDIF's obligation to underwrite the RDIF Underwritten Shares is subject to FIRB Approval (which has been satisfied) and satisfaction of the RDIF Investment Mandate Requirements (which effectively includes that shareholder approval is obtained for Resolution 1 and Resolution 2); and
  - (ii) BVMHL and Hanate's respective obligations to underwrite their respective proportion of any Shortfall Shares under the Entitlement Offer are each subject to the Underwriting Shareholder Approval.
- (d) As is customary with these types of underwriting arrangements:
  - (i) the Company has given certain representations and warranties in connection with the conduct of the Entitlement Offer;
  - (ii) the Company has (subject to certain limitations) agreed to indemnify each Underwriter and Pine Ridge Holdings and their respective directors, officers, employees and agents against losses in connection with the Entitlement Offer; and
  - (iii) the Underwriters will receive underwriting fees of up to \$234,000 (in aggregate). The final underwriting fee payable (and the relevant fee received by each Underwriter) will depend upon the number of Shortfall Shares for which each Underwriter subscribes (including as a result of whether FIRB Approval and Underwriting Shareholder Approval is obtained).
- (e) Each Underwriter may terminate the Underwriting Agreement and be released from its obligations under the Underwriting Agreement, on the occurrence of certain events, including where:
  - (i) a material statement in the Offer Documents is false, misleading or deceptive or a material matter is omitted from the Offer Documents;

- (ii) the Entitlement Offer or any of the Offer Documents do not comply with any applicable law or regulatory requirement, or there is any contravention by the Company of the Corporations Act, the ASX Listing Rules or the Company's constitution;
- (iii) a cleansing notice issued by the Company under section 708AA(2)(f) of the Corporations Act is defective (within the meaning of section 708AA(11) of the Corporations Act), or a corrective statement is issued or required to be issued in accordance with section 708AA(12) of the Corporations Act;
- (iv) ASIC makes a determination, exemption or order which would prevent the Company from making the Entitlement Offer under section 708AA of the Corporations Act;
- (v) the ASIC relief referred to in section 4.2 of the Entitlement Offer Booklet that was released to ASX on 29 June 2016 is not obtained, or is subsequently withdrawn, or is varied in a way that would have a material adverse effect on the success of the Entitlement Offer;
- (vi) in relation to the Entitlement Offer or an Offer Document, ASIC:
- A. applies for an injunction order or compensation orders under section 1324, section 1325 or Part 9.5 of the Corporations Act or gives notice of an intention to prosecute the Company or any of its Directors;
  - B. holds, or gives notice of intention to hold, a hearing or investigation under Part 3 of the Australian Securities and Investments Commission Act 2001 (Cth); or
  - C. prosecutes or gives notice of an intention to prosecute, or commences proceedings against, or gives notice of an intention to commence proceedings against, or commences or threatens to commence any inquiry or investigation into, the Company or any of its representatives;
- (vii) the Company is prevented from issuing and allotting the New Shares in accordance with the Corporations Act, the ASX Listing Rules, applicable laws, an order of a court of competent jurisdiction, the Takeovers Panel or a government authority;
- (viii) quotation approval of ASX is not granted by the time required by the Offer Documents and the Underwriting Agreement or, if granted, is subsequently withdrawn or withheld, or ASX removes the Company from the official list of ASX or suspends or ceases trading in its securities;
- (ix) the Company withdraws the Entitlement Offer or the Entitlement Offer fails to proceed;
- (x) an insolvency event occurs in relation to the Company or any of its subsidiaries or there is an act or omission which would result in such an insolvency event occurring;
- (xi) the Company is in default of any of the terms and conditions of the Underwriting Agreement;
- (xii) there is an adverse change in the assets, liabilities, financial position or performance, profits, losses or prospects of the Company, including:
- A. an adverse change in the assets, liabilities, financial position or performance, profits, losses or prospects of the Company from those disclosed in the Offer Documents; or



- B. an adverse change in the earnings, future prospects or forecasts of the Company from those disclosed in the Offer Documents;
- (xiii) a representation and warranty given by the Company under the Underwriting Agreement is not true or correct;
- (xiv) a review, inquiry or investigation is undertaken by ASIC, ASX, the Australian Taxation Office, the Takeovers Panel or any other regulatory or government agency in relation to the Entitlement Offer or the Offer Documents;
- (xv) an obligation arises on the Company to provide ASIC with a corrective notice under the Corporations Act, or a new circumstance arises which, if known at the time of the issue of the Investor Presentation to ASX on 29 June 2016, would have been required to be included in that presentation or the cleansing statement released to ASX under section 708AA(2)(f) of the Corporations Act;
- (xvi) the results of the due diligence investigations undertaken by the Company in connection with the Entitlement Offer are false, misleading or deceptive;
- (xvii) a statement in the certificate to be issued by the Company to the Underwriters under the Underwriting Agreement is untrue or incorrect, or misleading or deceptive (including by omission); or
- (xviii) there is:
  - A. an adverse change or disruption to the political or economic conditions or financial markets of Australia, the Russian Federation, the United Kingdom, the United States of America or the international financial markets or any change or development involving a prospective change in national or international political, financial or economic conditions;
  - B. a general moratorium on commercial banking activities in Australia, the United States of America or the Russian Federation declared by the relevant central banking authority in any of those countries, or there is a material disruption in commercial banking or security settlement or clearance services in any of those countries; or
  - C. trading in all securities quoted or listed on ASX, the Moscow Stock Exchange, the London Stock Exchange or the New York Stock Exchange is suspended or limited in a material respect.
- (f) The Underwriting Agreement provides that:
  - (i) all rights and obligations of the Underwriters under the Underwriting Agreement are several and independent, and not joint or several; and
  - (ii) no Underwriter is responsible or liable for the acts or omissions of any other Underwriter.

The ability of the Underwriters to terminate the Underwriting Agreement in respect of certain events will depend on whether the Underwriters have reasonable and bona fide grounds to believe, and they do believe that the event has, or is likely to have, a material adverse effect on the success or settlement of the Entitlement Offer; or could give rise to a material liability of the Underwriters under any law or regulation.

The Company considers the Underwriting Agreement to be on arms-length terms, and each Underwriter and Pine Ridge Holdings has acted (severally) in its capacity as an arm's length contractual counterparty to the Company in respect of the Entitlement Offer.

### 3.6 Other relevant agreements

There is no other relevant agreement between the Company and BVMHL or Hanate (or Pine Ridge Holdings) that is conditional on (or directly or indirectly depends on) Entitlement Shareholder Approval of the Proposed BVMHL Entitlement Transaction or Underwriting Shareholder Approval of the Proposed Underwriting Transaction.

### 3.7 Present intentions regarding the future of the Company

#### ***BVMHL***

As at the date of this Explanatory Memorandum, BVMHL has advised the Company that it does not presently intend to:

- (a) make any changes to the business of the Company;
- (b) inject any further capital into the Company;
- (c) make any changes to the future employment of the present employees of the Company;
- (d) transfer any assets or property between the Company and BVMHL or any person Associated with BVMHL;
- (e) redeploy the fixed assets of the Company; or
- (f) change the financial or dividend policies of the Company,

if Entitlement Shareholder Approval and Underwriting Shareholder Approval are obtained (or even if such approvals are not obtained).

The Company understands that BVMHL supports the Board's current strategy for the Company.

#### ***Hanate***

As at the date of this Explanatory Memorandum, Hanate has advised the Company that it does not presently intend to:

- (a) make any changes to the business of the Company;
- (b) inject any further capital into the Company;
- (c) make any changes to the future employment of the present employees of the Company;
- (d) transfer any assets or property between the Company and Hanate or any person Associated with Hanate;
- (e) redeploy the fixed assets of the Company; or
- (f) change the financial or dividend policies of the Company,

if Underwriting Shareholder Approval and shareholder approval under ASX Listing Rule 10.11 are obtained (or even if such approvals are not obtained).

The Company understands that Hanate supports the Board's current strategy for the Company.

### 3.8 Director interests in the Proposed BVMHL Entitlement Transaction, the Proposed Underwriting Transaction and the Underwriting Agreement

Mr. Craig Wiggill and Mr. Owen Hegarty (the Independent Directors) do not have a material personal interest in the Proposed BVMHL Entitlement Transaction, the Proposed Underwriting Transaction, the outcome of the Resolutions or the Underwriting Agreement.

Mr. Ralph (Tav) Morgan and Mr. Tagir Sitdekov do not have a material personal interest in the Proposed BVMHL Entitlement Transaction, the Proposed Underwriting Transaction, the outcome of the Resolutions or the Underwriting Agreement. However, the Company does not consider Messrs. Morgan and Sitdekov to be independent, on the basis that they are representatives of BVMHL and RDIF (respectively) on the Board of the Company.

Dr. Bruce Gray has a material personal interest in the Proposed BVMHL Entitlement Transaction, the Proposed Underwriting Transaction, the outcome of the Resolutions and the Underwriting Agreement, because he controls Hanate and Pine Ridge Holdings.

The Directors (and their Associates) had or have (as applicable) the following relevant interest in the Company (i) prior to the issue of any New Shares under the Entitlement Offer; and (ii) as at the date of this Explanatory Memorandum (i.e. after the issue of New Shares arising from Entitlements (other than the BVMHL Entitlement Shares) and the issue of 44,900,743 Shortfall Shares to Hanate that did not require Underwriting Shareholder Approval):

Name of Director	Associates	Shareholding in the Company (prior to Entitlement Offer)	Shareholding in the Company (as at the date of this Explanatory Memorandum)
Mr. Craig Wiggill	N/A	600,000	1,200,000
Mr. Owen Hegarty	Shimmering Bronze Pty Ltd	17,290,482	19,213,559
Mr. Ralph (Tav) Morgan	N/A	0	0
Mr. Tagir Sitdekov	N/A	0	0
Dr. Bruce Gray	Hanate and Pine Ridge Holdings	128,554,204	302,009,151
<b>Total</b>		<b>146,444,686</b>	<b>322,422,710</b>

### 3.9 Details of any person who is intended to become a Director if the Resolutions are passed

No person will be appointed as a Director of the Company if the Resolutions are passed.

## 4. Key advantages and disadvantages of the Proposed BVMHL Entitlement Transaction and the Proposed Underwriting Transaction

Set out below are the key advantages and disadvantages of the Proposed BVMHL Entitlement Transaction and the Proposed Underwriting Transaction, to assist shareholders in deciding whether to approve the Resolutions.

Except where otherwise stated, the key advantages and disadvantages are applicable to both the Proposed BVMHL Entitlement Transaction and the Proposed Underwriting Transaction.

### 4.1 Key advantages

- (a) Approval of the Resolutions will ensure that the Company raises the full amount that is sought to be raised under the Entitlement Offer (A\$23.3 million) - even though there is a shortfall under the Entitlement Offer as a consequence of certain Eligible Shareholders not participating in the Entitlement Offer.
- (b) If shareholders approve one Resolution (but not both Resolutions), then the RDIF Underwritten Shares will not be issued because RDIF's underwriting obligations are subject to satisfaction of the RDIF Investment Mandate Requirements (which includes Underwriting Shareholder Approval under Resolution 2 in respect of BVMHL and BVMHL satisfying its obligation to subscribe for its full Entitlement and its respective proportion of any Shortfall Shares in accordance with the Underwriting Agreement).
- (c) The Company will be able to apply the proceeds of the Entitlement Offer in accordance with the proposed use of funds described in the Offer Documents (as summarised in section 3.3 of this Explanatory Memorandum) - including to commence phase 1 of construction and development of Project F.
- (d) As described in section 3.3 of this Explanatory Memorandum, the Company has explored a number of alternative ways to potentially fund the development of Project F and believes that the Entitlement Offer was the most appropriate funding solution for the Company, because it gives Eligible Shareholders (other than BVMHL) the opportunity to participate in the capital raising on a pro rata basis and because of the relatively short time frame in which the funding may be raised.
- (e) Approval of Resolution 1 will enable BVMHL to subscribe for its full Entitlement under the Entitlement Offer, being the same opportunity that was provided to other Eligible Shareholders under the Entitlement Offer.
- (f) It is important for the Company to be able to secure funds quickly, to avoid any delay in commencing and developing phase 1 of Project F (including because of the seasonal nature of the Company's operations).
- (g) As a consequence of the level of participation by Eligible Shareholders under the Entitlement Offer (and therefore the shortfall under the Entitlement Offer), if shareholders do not approve the Resolutions, there is a risk that the development of phase 1 of Project F (and the Company's projects more generally) may be delayed until such time as such funds are raised. This is particularly acute in respect of Resolution 2 (which seeks Underwriting Shareholder Approval to issue 196,886,171 New Shares to raise approximately A\$5.1 million) which, if not approved, could have a material adverse effect on the financial performance and profitability of the Company, because the Company believes that phase 1 of Project F is the key strategic option that is available to the Company.

There is no guarantee (having regard to the recent volatility of global markets and the Company's previous endeavours to seek alternative ways to potentially fund the development of Project F) that the Company would be able to secure such funding on terms that are acceptable to the Company, or at all.

- (h) The Company has structured the capital raising as a pro rata offer to minimise the potential dilution of the Entitlement Offer to Eligible Shareholders, and is seeking Entitlement Shareholder Approval of the Proposed BVMHL Entitlement Transaction, and Underwriting Shareholder Approval of the Proposed Underwriting Transaction, because it promotes (and is consistent with) good corporate governance and transparency.
- (i) The Independent Expert has opined that the Proposed BVMHL Entitlement Transaction is reasonable (but not fair) to Non-Interested Shareholders.
- (j) The Independent Expert has opined that the Proposed Underwriting Transaction is reasonable (but not fair) to Non-Interested Shareholders.

## 4.2 Key disadvantages

- For personal use only
- (a) The shareholding and voting power of BVMHL (and its Associates) will increase as a consequence of the Proposed BVMHL Entitlement Transaction. For further details, see section 3.2 of this Explanatory Memorandum.
  - (b) The shareholding and voting power of Hanate (individually and when aggregated with Pine Ridge Holdings) and BVMHL (and its Associates) will increase as a consequence of the Proposed Underwriting Transaction. For further details, see section 3.2 of this Explanatory Memorandum.
  - (c) Eligible Shareholders who do not take up their full Entitlement under the Entitlement Offer (and shareholders who are not eligible to participate in the Entitlement Offer) will be diluted by the issue of New Shares pursuant to the Proposed BVMHL Entitlement Transaction and the Proposed Underwriting Transaction.
  - (d) Even if Entitlement Shareholder Approval and Underwriting Shareholder Approval are not obtained, the Company has still raised A\$15,990,015 under the Entitlement Offer. This is on the basis that RDIF, Hanate and Pine Ridge Holdings did not require shareholder approval to subscribe for their full Entitlement under the Entitlement Offer, BVMHL did not require shareholder approval to subscribe for 195,762,513 New Shares pursuant to its Entitlement and the acquisition by Hanate of 44,900,743 Shortfall Shares did not require Underwriting Shareholder Approval (because such acquisition did not result in Hanate breaching the Takeovers Prohibition. For further details, see section 2.1 of this Explanatory Memorandum.
  - (e) If Entitlement Shareholder Approval and Underwriting Shareholder Approval are not obtained and the full amount that is sought to be raised under the Entitlement Offer is not raised, the amounts raised would still be applied to each of the proposed use of funds (as summarised in section 3.3 of this Explanatory Memorandum). In that circumstance, the funds raised would be allocated to each proposed use on a pro rata basis.
  - (f) The Independent Expert has opined that the Proposed BVMHL Entitlement Transaction is not fair (but reasonable) to Non-Interested Shareholders.
  - (g) The Independent Expert has opined that the Proposed Underwriting Transaction is not fair (but reasonable) to Non-Interested Shareholders.

## **5. ASX Listing Rule 10.11**

### **5.1 ASX Listing Rule 10.11**

Pursuant to ASX Listing Rule 10.11, the Company must not issue, or agree to issue, any equity securities to any of the following persons without shareholder approval (unless an exception applies):

- (a) a related party.
- (b) a person whose relationship with the Company or a related party is, in ASX's opinion, such that approval should be obtained.

ASX Listing Rule 10.12 sets out certain exceptions to ASX Listing Rule 10.11, including:

- (a) Exception 1 - where the person receives the equity securities under an entitlement offer.
- (b) Exception 2 - where the person receives the equity securities under an underwriting agreement in relation to an entitlement offer, provided that the person receives the securities not later than 15 business days after the close of the entitlement offer.

### **5.2 Application to Hanate**

Dr. Bruce Gray is a Director of the Company. Hanate is controlled by Dr. Bruce Gray, and is therefore a related party of the Company.

The 75,992,714 New Shares to be issued to Hanate pursuant to Resolution 2 will, if approved by shareholders at the Meeting, be issued later than 15 business days after the close of the Entitlement Offer. On that basis, Exception 2 of ASX Listing Rule 10.12 will not apply and shareholder approval will be required for that issue of shares, in accordance with ASX Listing Rule 10.11.

We note that shareholder approval under ASX Listing Rule 10.11 was not required for:

- (a) the issue of New Shares to Hanate pursuant to its Entitlement under the Entitlement Offer, because Exception 1 of ASX Listing Rule 10.12 applied to such issue; or
- (b) the issue of 44,900,743 Shortfall Shares to Hanate (being an issue that did not cause Hanate to breach the Takeovers Prohibition), because those Shortfall Shares were issued within 15 business days of the close of the Entitlement Offer. Accordingly, Exception 2 of ASX Listing Rule 10.12 applied to such issue.

For completeness, we note that Pine Ridge Holdings is also controlled by Dr. Bruce Gray and is therefore also a related party of the Company. However, shareholder approval under ASX Listing Rule 10.11 was not required for the issue of New Shares to Pine Ridge Holdings pursuant to its Entitlement under the Entitlement Offer, because Exception 1 of ASX Listing Rule 10.12 applied to such issue.

### 5.3

#### **Additional information required by ASX Listing Rule 10.13**

The following additional information is provided to shareholders in accordance with the requirements of ASX Listing Rule 10.13:

- (a) the New Shares (for which shareholder approval is being sought under ASX Listing Rule 10.11) will be issued to Hanate.
- (b) a maximum of 75,992,714 New Shares will be issued to Hanate under Resolution 2.
- (c) the New Shares to be issued to Hanate under Resolution 2 will be issued six business days after shareholder approval at the Meeting (being a date which is not more than 1 month after the date of the Meeting).
- (d) Hanate is controlled by Dr. Bruce Gray (a Director of the Company) and is therefore a related party of the Company.
- (e) the Issue Price for the New Shares is \$0.026 per New Share. Each New Share will be a fully paid ordinary share in the Company.
- (f) the voting exclusion statement is set out in the Notice of Meeting.
- (g) the intended use of funds is described in section 3.3 of this Explanatory Memorandum.

### 6.

#### **Directors' recommendation**

The Independent Directors believe that:

- (a) the potential benefits of the Proposed BVMHL Entitlement Transaction outweigh any potential disadvantages; and
- (b) the potential benefits of the Proposed Underwriting Transaction outweigh any potential disadvantages.

Having regard to the above, the Independent Directors unanimously recommend that shareholders vote in favour of the Resolution 1 and Resolution 2.

As noted above, Dr. Bruce Gray has a material personal interest in the Resolutions and each of Messrs. Morgan and Sitdekov are not considered to be independent, because they are representatives of BVMHL and RDIF (respectively) on the Board of the Company. For these reasons, Dr Gray and Messrs. Morgan and Sitdekov do not consider it appropriate to provide a recommendation in relation to the Resolutions.

In respect of their shareholdings in the Company, Mr. Craig Wiggill and Mr. Owen Hegarty intend to vote in favour of the Resolutions. For the reasons set out in the Notice of Meeting, the Company will disregard any votes cast by Dr. Bruce Gray on Resolution 1. Further, in accordance with item 7 of section 611 of the Corporations Act and ASX Listing Rule 14.11, Dr. Bruce Gray is excluded from voting on Resolution 2. Mr. Ralph Morgan and Mr. Tagir Sitdekov do not currently hold any shares in the Company.

Details of the Directors' (and their Associates') relevant interest in the Company is described in section 3.8 of this Explanatory Memorandum.

## 7. Independent Expert's Report

### Resolution 1

The Independent Expert has opined in the Independent Expert's Report that the Proposed BVMHL Entitlement Transaction is not fair but reasonable to Non-Interested Shareholders.

A summary of the opinion reached by the Independent Expert, as set out on page 6 of the Independent Expert's Report, is as follows:

*The Independent Expert has assessed that the Proposed BVMHL Entitlement Transaction is not fair however it is reasonable to Non-Interested Shareholders.*

The primary reasons for reaching this opinion are set out below:

#### (a) Assessment of fairness

Based on the share price valuation methodology, the Independent Expert concluded that the Company's shares have a value in the range of \$29,100,000 to \$31,800,000 or \$0.032 to \$0.035 per share before the Entitlement Offer on a control basis.

In the Independent Expert's Report, the Independent Expert assessed the value of the Company to be in a range of \$51,892,000 to \$54,592,000 on a control basis. As the Non-Interested Shareholders (including ineligible shareholders under the Entitlement Offer) will have their interests diluted from 50.75% to 39.56% they will have collective minority interests after Resolution 1 is passed and it is therefore necessary to reduce these values by eliminating a 'control premium' factor. The end result is that the Independent Expert has determined that the Non-Interested Shareholders interests will be valued in a range of \$0.024 to \$0.026 per share after the Entitlement Offer.

As the minority value of the Company's shares after the Entitlement Offer (\$0.024 to \$0.026) is less than the control value of the Company's shares immediately prior to the Entitlement Offer (\$0.032 to \$0.035), the Proposed BVMHL Entitlement Transaction is not fair to Non-Interested Shareholders.

#### (b) Assessment of reasonableness

In the Independent Expert's Report, the Independent Expert analysed a number of other factors that shareholders need to be aware of and the Independent Expert concluded that the Proposed BVMHL Entitlement Transaction is reasonable.

The Independent Expert's principal reason for this conclusion is that the Entitlement Offer has been made to raise up to \$23.3 million, however there was a shortfall of 302,233,642 shares (\$7.858 million) under the Entitlement Offer. Such shortfall did not include the BVMHL Entitlement Shares that are subject to the Entitlement Shareholder Approval. The Company requires the full \$23.3 million to fulfil the stated objectives of

the Entitlement Offer in section 1 of the Independent Expert's Report and this is the key reason why the Company's 3 major shareholders have committed to underwrite any shortfall. After considering all of the information available to the Independent Expert in respect of the Proposed BVMHL Entitlement Transaction, the Independent Expert has opined that the Proposed BVMHL Entitlement Transaction is not fair but reasonable to Non-Interested Shareholders.

## Resolution 2

The Independent Expert has opined in the Independent Expert's Report that the Proposed Underwriting Transaction is not fair but reasonable to Non-Interested Shareholders.

A summary of the opinion reached by the Independent Expert, as set out on page 6 of the Independent Expert's Report, is as follows:

*The Independent Expert has assessed that the Proposed Underwriting Transaction is not fair however it is reasonable to Non-Interested Shareholders.*

The primary reasons for reaching this opinion are set out below:

(a) Assessment of fairness

Based on the share price valuation methodology, the Independent Expert concluded that the Company's shares have a value in the range of \$29,100,000 to \$31,800,000 or \$0.032 to \$0.035 per share before the Entitlement Offer on a control basis.

In the Independent Expert's Report, the Independent Expert assessed the value of the Company to be in a range of \$51,892,000 to \$54,592,000 on a control basis. As the Non-Interested Shareholders (including ineligible shareholders under the Entitlement Offer) will have their interests diluted from 50.75% to 33.88% they will have collective minority interests after both Resolutions are passed and it is therefore necessary to reduce these values by eliminating a 'control premium' factor. The end result is that the Independent Expert has determined that the Non-Interested Shareholders interests will be valued in a range of \$0.024 to \$0.026 per share after the Entitlement Offer.

As the minority value of the Company's shares after the Entitlement Offer (\$0.024 to \$0.026) is less than the control value of the Company's shares immediately prior to the Entitlement Offer (\$0.032 to \$0.035), the Entitlement Offer is not fair to Non-Interested Shareholders.

(b) Assessment of reasonableness

In the Independent Expert's Report, the Independent Expert analysed a number of other factors that shareholders need to be aware of and the Independent Expert concluded that the Proposed Underwriting Transaction is reasonable.

The Independent Expert's principal reason for this conclusion is that the Entitlement Offer has been made to raise \$23.3 million, however there was a shortfall of 302,233,642 shares (\$7.858 million) under the Entitlement Offer. Such shortfall did not include the BVMHL Entitlement Shares that is subject to the Entitlement Shareholder Approval. The Company requires the full \$23.3 million to fulfil the stated objectives of the Entitlement Offer in section 1 of the Independent Expert's Report and this is the key reason why the Company's 3 major shareholders have committed to underwrite any shortfall.

After considering all of the information available to the Independent Expert in respect of the Proposed Underwriting Transaction, the Independent Expert has opined that the Proposed Underwriting Transaction is not fair but reasonable to Non-Interested Shareholders.

For the purposes of Resolution 1 and Resolution 2, shareholders are encouraged to read the full text of the Independent Expert's Report, a copy of which is annexed to this Explanatory Memorandum.



## GLOSSARY

**3% Creep Exemption** has the meaning given in section 1.3 of this Explanatory Memorandum.

**ASIC** means the Australian Securities and Investments Commission.

**Associates** has the meaning given in the Corporations Act.

**ASX** means ASX Limited (ACN 008 624 691).

**Board** means the board of Directors of the Company.

**BVMHL** means BV Mining Holding Limited.

**BVMHL Entitlement Shares** has the meaning given in section 1.3 of this Explanatory Memorandum.

**Company** means Tigers Realm Coal Limited (ACN 146 752 561).

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

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

**Directors** means the directors of the Company from time to time.

**Eligible Shareholders** means persons who:

- are registered as a holder of a fully paid ordinary share in the Company as at the Record Date;
- have a registered address on the Company's share register in Australia, New Zealand or certain other foreign jurisdictions into which the Company has decided to extend the Entitlement Offer (including the Cayman Islands, Cyprus, Guernsey, Hong Kong, Netherlands, United Kingdom, Singapore and Russia);
- are not in the United States; and
- are eligible under all applicable securities laws to receive an offer under the Entitlement Offer without any requirement for a prospectus or offer document to be lodged or registered.

**Entitlement** means an Eligible Shareholder's entitlement to participate in the Entitlement Offer.

**Entitlement Offer** has the meaning given in section 1.1 of this Explanatory Memorandum.

**Entitlement Shareholder Approval** has the meaning given in section 1.3 of this Explanatory Memorandum.

**FATA** means the Foreign Acquisitions and Takeovers Act 1975 (Cth).

**FIRB** means the Foreign Investment Review Board.

**FIRB Approval** means the Treasurer of the Commonwealth of Australia either:

- provides written notice which is unconditional or subject only to conditions acceptable to the Company and RDIF (acting reasonably) that there is no objection under the FATA or Australian foreign investment policy to the proposed acquisition by RDIF of the RDIF Underwritten Shares under the Underwriting Agreement; or
- being precluded from exercising any power to make an order under the FATA in relation to the proposed acquisition by RDIF of the RDIF Underwritten Shares under the Underwriting Agreement.

**Hanate** means Hanate Pty Ltd as trustee for Hanate Trust, which is an entity controlled by Dr. Bruce Gray (a Director of the Company).

**Independent Directors** means Mr. Craig Wiggill and Mr. Owen Hegarty.

**Independent Expert** means DMR Corporate Pty Ltd.

**Independent Expert's Report** means the written report by the Independent Expert on whether or not each of the Proposed BVMHL Entitlement Transaction and Proposed Underwriting Transaction is fair and reasonable to Non-Interested Shareholders, a copy of which is annexed to this Explanatory Memorandum.

**Issue Price** means \$0.026 per New Share.

**Meeting** means the general meeting of shareholders of the Company to be held at 2.30 pm (Melbourne time) on Monday 19 September 2016 at the Rendezvous Hotel, Davies Room, 328 Flinders Street, Melbourne. Victoria . 3000

**New Shares** has the meaning given in section 1.1 of this Explanatory Memorandum.

**Non-Interested Shareholders** means shareholders of the Company other than:

- BVMHL and its Associates;
- Hanate and its Associates, including Pine Ridge Holdings, who is an Associate of Hanate through their common control by Dr. Bruce Gray (a Director of the Company); and
- RDIF and its Associates,

for the reasons set out in the Notice of Meeting.

**Notice of Meeting** means the Notice of Meeting which this Explanatory Memorandum accompanies.

**Offer Documents** means the offer documents for the Entitlement Offer that were lodged with ASX on 29 June 2016, comprising an ASX announcement of the Entitlement Offer, an Investor Presentation, an Entitlement Offer Booklet and a cleansing notice under section 708AA of the Corporations Act.

**Pine Ridge Holdings** means Pine Ridge Holdings Pty Ltd as trustee for Pine Ridge Superannuation Fund, which is an entity controlled by Dr. Bruce Gray (a Director of the Company).

**Project F** means the Company's Project F in the Amaam North Coal Basin.

**Proposed BVMHL Entitlement Transaction** has the meaning given in section 1.9 of this Explanatory Memorandum.

**Proposed Underwriting Transaction** has the meaning given in section 1.9 of this Explanatory Memorandum.

**RDIF** means Limited Liability Company <<RDIF Investment Management>>.

**RDIF Investment Mandate** has the meaning given in section 1.5 of this Explanatory Memorandum.

**RDIF Investment Mandate Requirements** means the requirements of the RDIF Investment Mandate which, for the purposes of RDIF's obligation to underwrite the RDIF Underwritten Shares, means:

- Underwriting Shareholder Approval under Resolution 2 in respect of BVMHL; and
- BVMHL satisfying its obligation to subscribe for its full Entitlement and its respective proportion of any Shortfall Shares in accordance with the Underwriting Agreement.

**RDIF Underwritten Shares** has the meaning given in section 1.4 of this Explanatory Memorandum.

**Record Date** means the 7.00pm on 4 July 2016.

**Resolutions** means Resolution 1 and Resolution 2 as set out in the Notice of Meeting.

**Rights Issue Exemption** has the meaning given in section 2.1(c) of this Explanatory Memorandum.

**Shortfall Shares** means the number of New Shares for which valid applications (and subscription monies) are not received by 5.00pm on the closing date of the Entitlement Offer.

**Takeovers Prohibition** has the meaning given in section 2.1 of this Explanatory Memorandum.

**Underwriters** means BVMHL, Hanate and RDIF.

**Underwriting Agreement** means the Underwriting Agreement dated 29 June 2016 between the Company, each Underwriter and Pine Ridge Holdings.

**Underwriting Shareholder Approval**, in respect of BVMHL and Hanate, has the meaning given in section 1.4 of this Explanatory Memorandum, which is being sought pursuant to Resolution 2.

**ANNEXURE - INDEPENDENT EXPERT'S REPORT**

For personal use only

15 August 2016

Mr. D Forsyth  
Company Secretary  
Tigers Realm Coal Limited  
333 Collins Street  
Melbourne  
VIC 3000

Dear Sirs,

**Re: Independent Expert's Report**

## 1. Introduction

The directors of Tigers Realm Coal Limited (Tigers Realm Coal" or "the Company") have requested DMR Corporate Pty Ltd ("DMR Corporate") to prepare an independent expert's report in respect of a 1 for 1 pro rata non-renounceable entitlement offer to the shareholders of Tigers Realm Coal Limited registered as at 4 July 2016 ("Tigers Realm Coal" or the "Company") at an offer price of \$0.026 per share to raise up to \$23.3 million ("Entitlement Offer").

We understand that the proceeds from the Entitlement Offer will be used for continued exploration and development of the Company's projects in Chukotka, Russian Federation, including but not limited to:

- commencing phase 1 of development and construction of Project F;
- general corporate purposes and working capital; and
- undertaking compliance works to ensure continued tenure of the Company's exploration and mining licences.

In addition to the above capital raising the Company has also signed a binding Heads of Agreement with its joint venture partners to:

- increase its percentage ownership of the Amaam North Project from 80% to 100%;
- reduce annual joint venture payments, compared to current royalties, on the Amaam North (including Project F) coal revenues, including lower payments during the startup phase;
- reduce the total amount of, and duration of, joint venture payments attributable to coal revenues from Amaam North; and
- amend the Shareholders' Agreement for the Amaam Project ("Amaam SHA") to streamline the approval processes for the Amaam Project.

These new terms will improve Amaam North Project's value and fundability, and simplify ongoing corporate and approval processes for the Amaam Project.

The Entitlement Offer is being underwritten by the Company's substantial shareholders BV Mining Holding Limited ("BVMHL"), Hanate Pty Ltd (an entity controlled by Bruce Gray – a non-executive director of Tigers Realm Coal) as trustee for the Hanate Trust ("Hanate") and Limited Liability Company <<RDIF Investment Management>> ("RDIF")(together, the Underwriters), part of which is subject to shareholder approval, FIRB approval and the RDIF Investment Mandate Requirements.

ACN 063 564 045  
AFSL No. 222050

DMR Corporate Pty LtdMelbourne  
Level 12, 440 Collins Street  
Melbourne VIC 3000 Australia

In association with PKF

p (03) 9679 2350  
(03) 96792351

PKF International Limited administers a network of legally independent firms which carry on separate businesses under the PKF Name.  
PKF International Limited is not responsible for the acts or omissions of individual member firms of the network.

For office locations visit [www.pkf.com.au](http://www.pkf.com.au)

The Company, each Underwriter and Pine Ridge Holdings Pty Ltd (an entity controlled by Bruce Gray) as trustee for Pine Ridge Superannuation Fund ("Pine Ridge Holdings") have entered into an underwriting agreement ("Underwriting Agreement") under which each Underwriter and Pine Ridge Holdings has agreed (severally) with the Company to take up their respective Entitlements as shareholders under the Entitlement Offer and each Underwriter has agreed (severally) with the Company to underwrite its respective proportion of any shortfall pursuant to the Entitlement Offer, part of which is subject to shareholder approval and FIRB approval and the RDIF Investment Mandate Requirements – refer to Appendix B for more details of the Underwriting Agreement. The shortfall underwriting commitments are BVMHL (40%), Hanate (40%) and RDIF (20%).

The Entitlement Offer closed on 26 July 2016 and there was a shortfall of 302,233,642 shares.

Pursuant to the Underwriting Agreement, BVMHL has agreed with the Company to take up its full entitlement under the Entitlement Offer, being 219,263,985 New Shares. BVMHL has already been issued 195,762,513 shares pursuant to its entitlement, on the basis that the acquisition of such shares is permitted under item 9 of section 611 of the Act (3% Creep Exception).

Having regard to the level of participation by other eligible shareholders under the Entitlement Offer, shareholder approval in accordance with item 7 of section 611 of the Act will be required so that the acquisition by BVMHL of its remaining entitlement to shares under the Entitlement Offer (being 23,501,472 shares) does not breach section 606 of the Act (being the approval sought pursuant to Resolution 1).

Hanate, Pine Ridge Holdings and Bruce Gray are all associates and are hereinafter referred to as "the Hanate Group" where applicable throughout the remainder of this report.

Hanate is permitted to take up a portion of its commitment to the underwriting shortfall without shareholder approval to enable the Hanate Group to increase its aggregate interests up to 19.99%. On 3 August 2016 Hanate was issued with 44,900,743 shares pursuant to part of its underwriting commitment taking the interests of the Hanate Group to 19.99%.

Following completion of the above share issues the shareholder interests will be as follows:

<b>Table 1</b>								
<b>Shareholder Interests</b> With FIRB approval for RDIF, RDIF Investment Mandate Requirements	<b>Current Shareholdings</b>		<b>Total Permitted Without</b>		<b>Final Shareholdings After</b>		<b>Final Shareholdings After</b>	
	<b>Actual</b>	<b>Actual</b>	<b>Breaching S 611</b>		<b>Resolution 1 is Approved</b>		<b>Resolutions 1 &amp; 2 are Approved</b>	
	<b>Ordinary</b>	<b>%</b>	<b>Entitlement</b>	<b>%</b>	<b>Shares</b>	<b>%</b>	<b>Shares</b>	<b>%</b>
	<b>Shares</b>	<b>Interests</b>	<b>Offer</b>	<b>Interests</b>				
BVMHL	219,263,985	24.48%	415,026,498	27.47%	438,527,970	28.581%	559,421,427	31.22%
Hanate	107,151,515	11.96%	259,203,773	17.16%	259,203,773	16.89%	335,196,487	18.71%
Pine Ridge Holdings	21,402,689	2.39%	42,805,378	2.83%	42,805,378	2.79%	42,805,378	2.39%
The Hanate Group	128,554,204	14.35%	302,009,151	19.99%	302,009,151	19.68%	378,001,865	21.10%
RDIF	93,396,204	10.43%	186,792,408	12.36%	186,792,408	12.17%	247,239,136	13.80%
RDIF Co-Investment P'ships	5,603,796	0.63%	11,207,592	0.74%	11,207,592	0.73%	11,207,592	0.63%
Total RDIF Interests	99,000,000	11.05%	198,000,000	13.11%	198,000,000	12.90%	258,446,728	14.42%
<b>Total Underwriter interests</b>	<b>446,818,189</b>	<b>49.88%</b>	<b>915,035,649</b>	<b>60.56%</b>	<b>938,537,121</b>	<b>61.17%</b>	<b>1,195,870,020</b>	<b>66.75%</b>
<b>Non-Interested shareholders</b>	<b>445,570,205</b>	<b>49.74%</b>	<b>445,570,205</b>		<b>445,570,205</b>		<b>445,570,205</b>	
Entitlement Offer			146,783,104		146,783,104		146,783,104	
<b>Total Non-Interested shareholders</b>	<b>445,570,205</b>	<b>49.74%</b>	<b>592,353,309</b>	<b>39.21%</b>	<b>592,353,309</b>	<b>38.61%</b>	<b>592,353,309</b>	<b>33.06%</b>
Ineligible shareholders	3,446,541	0.38%	3,446,541	0.23%	3,446,541	0.22%	3,446,541	0.19%
<b>Total issued capital</b>	<b>895,834,935</b>	<b>100.0%</b>	<b>1,510,835,499</b>	<b>100.0%</b>	<b>1,534,336,971</b>	<b>100.0%</b>	<b>1,791,669,870</b>	<b>100.0%</b>

**Note** - The Non-Interested Shareholders are all shareholders other than each Underwriter and its associates

To the extent that an eligible shareholder did not take up all or some of their entitlement, the percentage holding of such shareholders will be diluted as a result of the Entitlement Offer.

The percentage holding of shareholders who are not eligible shareholders will be diluted because such shareholders are not entitled to participate in the Entitlement Offer

The assumptions we have used in Table 1 above assume the Entitlement Offer shortfall is taken up by BVMHL (40%), Hanate (40%) and RDIF (20%).

The change in the shareholders' voting power as a result of the Entitlement Offer and Non-Interested shareholder approval of Resolutions 1 and 2 may be as follows:

- a. BVHML will increase its voting power from 24.48% to 31.22%;
- b. The Hanate Group will increase its voting power from 14.35% to 21.10%; and
- c. RDIF and associated entities will increase its voting power from 11.05% to 14.42%.

BVMHL's obligation to subscribe for the remainder of its entitlement under the Entitlement Offer is subject to shareholder approval in accordance with S611 of the Act (Resolution 1).

BVMHL and Hanate's obligations to underwrite their respective proportion of any shortfall shares under the Entitlement Offer are each subject to shareholder approval in accordance with S611 of the Corporations Act 2001 (the "Act") to the extent that such acquisitions of shares by either BVMHL or Hanate would otherwise breach S606 of the Act (Resolution 2).

For further details regarding the impact on the voting power of each of BVMHL and the Hanate Group in circumstances where shareholder approval in respect of one, or both, of Resolutions 1 and 2 is not obtained please refer to Section 2.2 below.

The purpose of this report is to advise shareholders whether the acquisition of those shares contemplated by each of Resolution 1 and Resolution 2 is "fair and reasonable".

## 2. The Proposed Transaction

### 2.1 Definition of the Proposed Transaction

Shareholders are being asked to vote on the following resolution:

That, for the purposes of item 7 of section 611 of the Corporations Act and for all other purposes approval be given for:

#### Resolution 1

*..for the issue of 23,501,472 fully paid ordinary shares in the Company to BVMHL at an issue price of \$0.026 per share, in connection with the Company's non-renounceable entitlement offer announced to ASX on 29 June 2016, which represents the remaining shares which BVMHL is required to subscribe for pursuant to its obligation to subscribe for its full entitlement under the Entitlement Offer, in accordance with the Underwriting Agreement dated 29 June 2016.*

#### Resolution 2

- (a) *the issue of 120,893,457 fully paid ordinary shares in the Company to BVMHL at an issue price of \$0.026 per share in accordance with BVMHL's obligation to underwrite its respective proportion of the Entitlement Offer pursuant to the Underwriting Agreement; and*
- (b) *the issue of 75,992,714 fully paid ordinary shares in the Company to Hanate at an issue price of \$0.026 per share in accordance with Hanate's obligation to underwrite its respective proportion of the Entitlement Offer pursuant to the Underwriting Agreement.*

Resolution 2(b) also seeks shareholder approval under ASX Listing Rule 10.11 for the issue of shares to Hanate.

Each of the above 2 resolutions contain the same control and valuation issues and for these reasons we have referred to both Resolutions as "the Proposed Transaction" in the remainder of this report.

The directors have requested DMR Corporate to prepare an independent expert's report in accordance with ASIC Regulatory Guide 111 – Content of expert reports. ASIC Regulatory Guide 111 requires the Independent Expert to advise shareholders whether the Proposed Transaction is fair and reasonable, when considered in the context of the interests of the Non-Interested Shareholders – i.e. all of those shareholders who are entitled to vote on the Proposed Transaction.

## 2.2 Impact of the Proposed Transaction on Voting Power

2.2.1 BVMHL prior to the Entitlement Offer held 219,263,985 Tigers Realm Coal shares, representing 24.48% of the voting power. Pursuant to item 9 of S611 of the Act BVMHL may not increase its voting power in the Company by more than 3% without shareholder approval. On 3 August 2016, BVMHL was issued with 195,762,513 Tigers Realm Coal shares on the basis that such acquisition was permitted under item 9 of S611 of the Act. Resolution 1 has been proposed to seek shareholder approval by Non-Interested shareholders for the issue of a further 23,501,472 shares to BVMHL, to enable it to take up its full entitlement pursuant to the Entitlement Offer.

In addition, BVMHL has agreed with the Company to underwrite its respective proportion (40%) of the shortfall under the Entitlement Offer (subject to Non-Interested shareholder approval of Resolution 2).

2.2.2 The Hanate Group prior to the Entitlement Offer held 128,554,204 Tigers Realm Coal shares, representing 14.35% of the voting power. As the Entitlement Offer is on a 1 for 1 basis the Hanate Group has increased its interests to 257,108,408 shares by taking up its full entitlements under the Entitlement Offer.

On 3 August 2016 Hanate was issued with 44,900,743 shares pursuant to part of its underwriting commitment taking the interests of the Hanate Group to 302,009,151 shares or 19.99% of Tigers Realm Coals' voting power.

2.2.3 Resolutions 1 and 2 are seeking the Non-Interested shareholders to approve specific share issues involved with the Entitlement Offer and the Underwriting Agreement however shareholders may accept or reject either one or both of these resolutions. Table 2 discloses the total shareholding and voting power of each of Hanate (individually and when aggregated with Pine Ridge Holdings) and BVMHL (and its Associates) in Tigers Realm Coal in each of the following circumstances:

- a. following the issue of shares not requiring shareholder approval pursuant to Resolutions 1 and 2;
- b. Resolution 1 is passed, but Resolution 2 is not passed;
- c. Resolution 1 is not passed, but Resolution 2 is passed;
- d. both Resolutions 1 and 2 are passed;
- e. where neither Resolution 1 nor 2 are passed.



**Table 2 Impact on the Voting Power****Issue of shares not requiring shareholder approval pursuant to Resolutions 1 and 2**

	Prior to Entitlement Offer		After Issue of Shares not Requiring Shareholder Approval	
	Shares	Voting Power	Shares	Voting Power
BVMHL	219,263,985	24.48%	415,026,498	27.47%
Hanate	107,151,515	11.96%	259,203,773	17.16%
Pine Ridge Holdings	21,402,689	2.39%	42,805,378	2.83%
The Hanate Group	<u>128,554,204</u>	<u>14.35%</u>	<u>302,009,151</u>	<u>19.99%</u>

**Resolution 1 is passed but Resolution 2 is not passed**

	Prior to Entitlement Offer		After Resolution 1 is passed but Resolution 2 not passed	
	Shares	Voting Power	Shares	Voting Power
BVMHL	219,263,985	24.48%	438,527,970	28.58%
Hanate	107,151,515	11.96%	259,203,773	16.89%
Pine Ridge Holdings	21,402,689	2.39%	42,805,378	2.79%
The Hanate Group	<u>128,554,204</u>	<u>14.35%</u>	<u>302,009,151</u>	<u>19.68%</u>

**Resolution 1 is not passed but Resolution 2 is passed**

	Prior to Entitlement Offer		After Resolution 1 not Passed but Resolution 2 is Passed	
	Shares	Voting Power	Shares	Voting Power
BVMHL	219,263,985	24.48%	535,919,955	31.38%
Hanate	107,151,515	11.96%	335,196,487	19.63%
Pine Ridge Holdings	21,402,689	2.39%	42,805,378	2.51%
The Hanate Group	<u>128,554,204</u>	<u>14.35%</u>	<u>378,001,865</u>	<u>22.13%</u>

**Resolutions 1 and 2 are both passed**

	Prior to Entitlement Offer		Both Resolution 1 and 2 are passed	
	Shares	Voting Power	Shares	Voting Power
BVMHL	219,263,985	24.48%	559,421,427	31.22%
Hanate	107,151,515	11.96%	335,196,487	18.71%
Pine Ridge Holdings	21,402,689	2.39%	42,805,378	2.39%
The Hanate Group	<u>128,554,204</u>	<u>14.35%</u>	<u>378,001,865</u>	<u>21.10%</u>

**Resolutions 1 and 2 are not passed**

	Prior to Entitlement Offer		After both Resolutions are not passed by Shareholders	
	Shares	Voting Power	Shares	Voting Power
BVMHL	219,263,985	24.48%	415,026,498	27.47%
Hanate	107,151,515	11.96%	259,203,773	17.16%
Pine Ridge Holdings	21,402,689	2.39%	42,805,378	2.83%
The Hanate Group	<u>128,554,204</u>	<u>14.35%</u>	<u>302,009,151</u>	<u>19.99%</u>

Source: DMR Corporate

### 3. Summary Opinions

#### Resolution 1

In our opinion, the Resolution 1 set out in Section 2 above is **not fair however it is reasonable to the Non-Interested Shareholders**. Our principal reason for reaching the above opinion is:

##### Fairness

In Section 7.7, based on the share price valuation methodology, we concluded that the Tigers Realm Coal shares have value in the range of \$29,100,000 to \$31,800,000 or \$0.032 to \$0.035 per share before the Proposed Transaction on a control basis.

In Section 8.2, we assessed the value of Tigers Realm Coal to be in a range of \$51,892,000 to \$54,592,000 on a control basis. As the Non-Interested Shareholders (including ineligible shareholders) will have their interests diluted from 50.12% to 38.83% they will have collective minority interests after Resolution 1 is passed and we therefore have to reduce these values by eliminating a 'control premium' factor. The end result is that we have determined that the Non-Interested Shareholders interests will be valued in a range of \$0.024 to \$0.026 per share after the Entitlement Offer.

As the minority value of the Tigers Realm Coal shares after the Entitlement Offer (\$0.024 to \$0.026) and approval of Resolution 1 is less than the control value of the Tigers Realm Coal shares immediately prior to the Entitlement Offer (\$0.032 to \$0.035), the Resolution 1 is **not fair to the Non-Interested Shareholders**.

##### Reasonableness

In Section 10 we analysed a number of other factors that shareholders need to be aware of and we concluded that the Resolution 1 is reasonable.

Our principal reason for this conclusion is that the Entitlement Offer has been made to raise \$23.3 million, however there was a shortfall of 302,233,642 shares or a \$7.858 million shortfall in monies received. This shortfall does not include the remainder of BVMHL's entitlement that is subject to the approval of Resolution 1. The Company requires the full \$23.3 million to fulfil the stated objectives of the Entitlement Offer in Section 1 of this report and this is the key reason why the Company's 3 major shareholders have committed to underwrite any shortfall.

##### Overall Conclusion

After considering the information available to us in respect of Resolution 1, we consider that the Resolution 1 is **not fair but is reasonable** when considered in the context of the interests of the Company's Non-Interested Shareholders.

#### Resolution 2

In our opinion, the Resolution 2 set out in Section 2 above is **not fair however it is reasonable to the Non-Interested Shareholders**. Our principal reason for reaching the above opinion is:

##### Fairness

In Section 7.7, based on the share price valuation methodology, we concluded that the Tigers Realm Coal shares have value in the range of \$29,100,000 to \$31,800,000 or \$0.032 to \$0.035 per share before the Proposed Transaction on a control basis.

In Section 8.2, we assessed the value of Tigers Realm Coal to be in a range of \$51,892,000 to \$54,592,000 on a control basis. As the Non-Interested Shareholders (including ineligible shareholders) will have their interests diluted from 50.12% to 33.25% they will have collective minority interests after both Resolutions are passed and we therefore have to reduce these values by eliminating a 'control premium' factor. The end result is that we have determined

that the Non-Interested Shareholders interests will be valued in a range of \$0.024 to \$0.026 per share after the Entitlement Offer.

As the minority value of the Tigers Realm Coal shares after the Entitlement Offer (\$0.024 to \$0.026) and approval of Resolution 2 is less than the control value of the Tigers Realm Coal shares immediately prior to the Entitlement Offer (\$0.032 to \$0.035), Resolution 2 is **not fair to the Non-Interested Shareholders**.

### Reasonableness

In Section 10 we analysed a number of other factors that shareholders need to be aware of and we concluded that Resolution 2 is reasonable.

Our principal reason for this conclusion is that the Entitlement Offer has been made to raise \$23.3 million, however there was a shortfall of 302,233,642 shares or a \$7.858 million shortfall in monies received. This shortfall does not include the remainder of BVMHL's entitlement that is subject to the approval of Resolution 1. The Company requires the full \$23.3 million to fulfil the stated objectives of the Entitlement Offer in Section 1 of this report and this is the key reason why the Company's 3 major shareholders have committed to underwrite any shortfall.

### Overall Conclusion

After considering the information available to us in respect of Resolution 2, we consider that the Resolution 2 is **not fair but is reasonable** when considered in the context of the interests of the Company's Non-Interested Shareholders.

## 4. Structure of this Report

This report is divided into the following Sections:

<u>Section</u>		<u>Page</u>
5	Purpose of the Report	7
6	Tigers Realm Coal - Key Information	10
7	Valuation of Tigers Realm Coal before the Proposed Entitlement Offer	16
8	Valuation of Tigers Realm Coal after the Proposed Entitlement Offer	21
9	Assessment as to Fairness	22
10	Other Significant Factors	22
11	Financial Services Guide	23

### Appendix

A	Sources of Information	26
B	Extracts from the Underwriting Agreement	27
C	Declarations, Qualifications and Consents	28

## 5. Purpose of the Report

This report has been prepared to meet the following regulatory requirements:

- **Corporations Act 2001**

Section 606 of the Act contains a general prohibition on the acquisition of shares in a company if as a result of the acquisition any person increases his or her voting power in the company:

- (a) from 20% or below to more than 20%; or
- (b) from a starting point that is above 20% and below 90%.

Section 611 of the Act contains various exceptions to the Section 606 prohibition. For an acquisition of shares, pursuant to the Proposed Transaction, to fall within the exceptions, the acquisition must be:

- (a) an acquisition that increases a shareholder's voting power by not more than 3% in each 6 month period; or
- (b) an acquisition that results from an issue of securities that satisfies all of the following conditions:
  - a company offers to issue securities in a particular class;
  - offers are made to every person who holds securities in that class to issue them with the percentage of the securities to be issued that is the same as the percentage of the securities in that class that they hold before the issue;
  - all of those persons have a reasonable opportunity to accept the offers made to them;
  - agreements to issue are not entered into until a specified time for acceptances of offers has closed; and
  - the terms of the offers are the same; or
- (c) an acquisition approved in advance by a resolution passed at a general meeting of the company, subject to the applicable voting restrictions.

Tigers Realm Coal is seeking shareholder approval under item 7 of Section 611 of the Act (exception (c)) for the Proposed Transaction.

- **ASIC Regulatory Guides**

This report has been prepared in accordance with the ASIC Regulatory Guides and more particularly:

**RG 111 – Content of Expert Reports (“RG111”)**

RG 111.24 An issue of shares by a company otherwise prohibited under S606 may be approved under item 7 of S611 and the effect on the company's shareholding is comparable to a takeover bid. Examples of such issues approved under item 7 of S611 that are comparable to takeover bids under Ch 6 include:

- (b) a company issues securities in exchange for cash and, as a consequence, the allottee acquires over 20% of the company. The allottee could have achieved the same or a similar outcome by using a cash-rich entity to make a scrip takeover bid for the company.

RG111.27 There may be circumstances in which the allottee will acquire 20% or more of the voting power of the securities in the company following the allotment or increase an existing holding of 20% or more, but does not obtain a practical measure of control or increase its practical control over that company. If the expert believes that the allottee has not obtained or increased its control over the company as a practical matter, then the expert could take this outcome into account in assessing whether the issue price is 'reasonable' if it has assessed the issue price as being 'not fair' applying the test in RG111.11.

RG111.10 It has long been accepted in Australian mergers and acquisitions practice that the words 'fair and reasonable' in S640 established two distinct criteria for an expert analysing a control transaction:

- (a) is the offer 'fair'; and
- (b) is it 'reasonable'?

That is, 'fair and reasonable' is not regarded as a compound phrase.

RG111.11 Under this convention, an offer is 'fair' if the value of the offer price or consideration is equal to or greater than the value of the securities the subject of the offer. This comparison should be made:

- (a) assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length; and
- (b) assuming 100% ownership of the 'target' and irrespective of whether the consideration is scrip or cash. The expert should not consider the percentage holding of the 'bidder' or its associates in the target when making this comparison. For example, in valuing securities in the target entity, it is inappropriate to apply a discount on the basis that the shares being acquired represent a minority or 'portfolio' parcel of shares.

RG111.12 An offer 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 before the close of the offer.

As illustrated in Table 1 above, the Proposed Transaction may result in the following if both Resolutions are passed:

- a. BVMHL could increase its voting power from 24.48% to 31.22%.
- b. The Hanate Group could increase its voting power from 14.35% to 21.10%.

As BVMHL (24.48%) may increase its interests up to 31.22% and as the Hanate Group (14.35%) may increase its interests past 20% to 22.78% without making a formal takeover offer, ASIC Regulatory Guide 111 requires that the Proposed Transaction be assessed as if it was a takeover of Tigers Realm Coal.

In assessing a takeover bid Regulatory Guide 111 states that the expert should consider whether the Proposed Transaction (for each of Resolutions and 2) is both "fair" and "reasonable".

#### **ASX Listing Rule 10.11**

Listing Rule 10.11 states that an entity must not issue or agree to issue equity securities to any of the following persons without the approval of holders of ordinary securities:

- (a) A related party; or
- (b) A person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained.

Dr. Bruce Gray is a Director of the Company. As Hanate is controlled by Dr. Bruce Gray, it is therefore a related party of the Company and the 75,992,714 shares to be issued to Hanate pursuant to Resolution 2 will, if approved by shareholders at the Meeting, be issued later than 15 business days after the close of the Entitlement Offer. On that basis, Exception 2 of ASX Listing Rule 10.12 will not apply and shareholder approval will be required for that issue of shares, in accordance with ASX Listing Rule 10.11.

- **General**

The terms "fair" and "reasonable" are not defined in the Act, however guidance as to the meaning of these terms is provided by ASIC in Regulatory Guide 111. For the purpose of this report, we have defined them as follows:

- Fairness - the Proposed Transaction is “fair” if the value of the minority shares held by the Non-Interested Shareholders’ in Tigers Realm Coal after the Proposed Transaction is greater than the control value of their shares in Tigers Realm Coal before the Proposed Transaction.
- Reasonableness - the Proposed Transaction is “reasonable” if it is fair. It may also be “reasonable” if, despite not being “fair” but after considering other significant factors, shareholders should vote in favour of the Proposed Transaction in the absence of a superior proposal being received.

In determining whether the Proposed Transaction is fair, we have:

- valued Tigers Realm Coal before the Proposed Transaction and determined the control value of one Tigers Realm Coal share;
- valued Tigers Realm Coal after the Proposed Transaction and determined the minority value of one Tigers Realm Coal share; and
- compared the control value of one Tigers Realm Coal share before the Proposed Transaction with the minority value of one Tigers Realm Coal share after the Proposed Transaction.

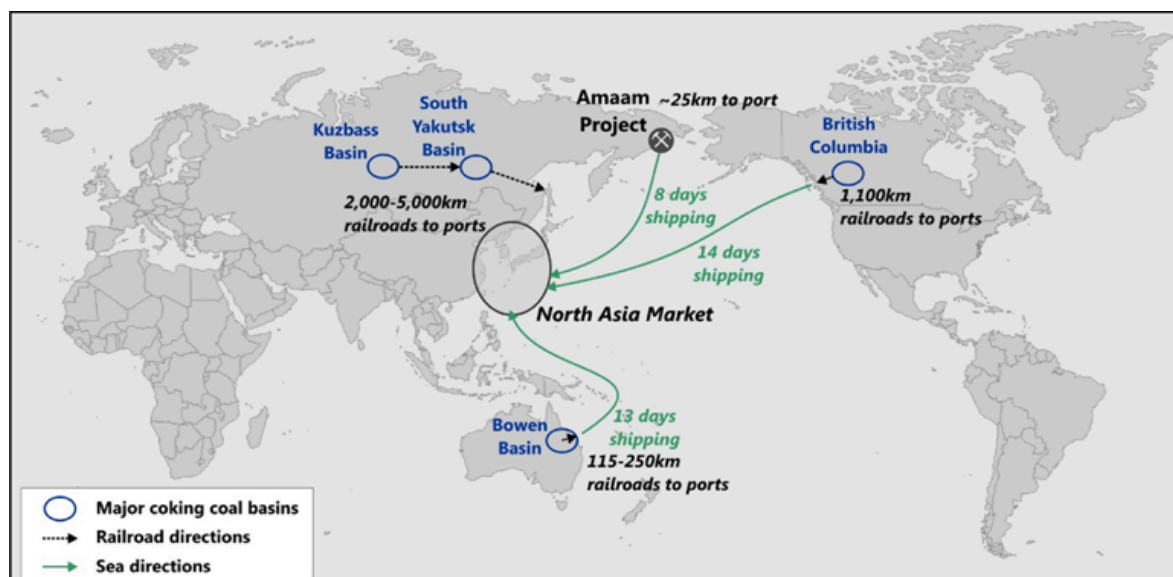
In determining whether the Proposed Transaction is reasonable we have analysed other significant factors that the Non-Interested Shareholders should consider prior to accepting or rejecting the Proposed Transaction.

## 6. Tigers Realm Coal - Key Information

### 6.1 Background

Tigers Realm Coal was incorporated on 8 October 2010 and it was listed on the ASX on 29 August 2011 and currently owns a controlling interest in 2 projects based in the eastern part of the Russian Federation.

Tigers Realm Coal is an emerging global coking coal company focused on development of its Amaam and Amaam North coking coal projects in eastern Russia, on the coast of the Pacific Ocean. These resources are located very close to key Asian steel markets.



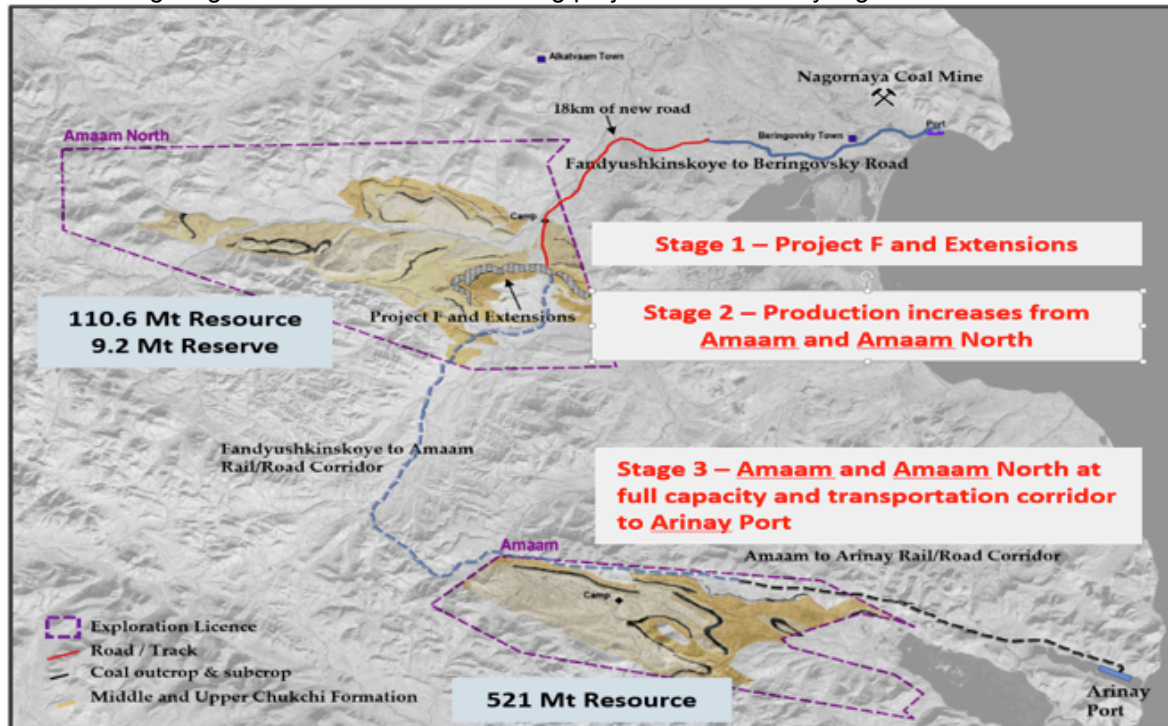
Source: Annual Report – December 2015



Amaam and Amaam North have combined coal resources of 632 million tonnes (Mt) with the majority of these resources being of coking coal quality. Project F within Amaam North has 110.6 Mt, 16.1 Mt of which have been classified as Product Reserves (in accordance with the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ("JORC") Code).

The recently completed Project F Feasibility Study supports the establishment of a 20 year, 1 Mt per annum low cost mining operation with potential to more than double output with open pit expansions and underground mining.

The following diagram references the 2 existing projects controlled by Tigers Realm Coal:



Source: Annual Report – December 2015

In December 2015 SRK Consulting prepared a report for Tigers Realm Coal following the completion of another drilling program during the 2014 - 2015 winter season. Following the updated drilling results SRK Consulting reassessed the coal resources in accordance with the Australian JORC Code, together with the Australian Guidelines for the Estimation and Classification of Coal Resources, 2014 Edition (Coal Guidelines). The SRK report summarised the coal resources as follows:

**Table 3****Mineral Resource Statement for the Amaan North Coal Deposit - November 2015**

Classification	Coal Type	Tonnage Mt
Measured	Thermal OP	0.0
	Coking OP	22.0
	Coking UG	0.0
Measured sub total		<u>22.0</u>
Indicated	Thermal OP	3.7
	Coking OP	46.3
	Coking UG	5.7
Indicated sub total		<u>55.7</u>
Inferred	Thermal OP	1.3
	Coking OP	14.0
	Coking UG	17.6
Inferred sub total		<u>32.9</u>
Total	Thermal OP	5.0
	Coking OP	82.3
	Coking UG	23.3
Grand total		<u>110.6</u>

Source – SRK Report and ASX announcement dated 22 December 2015

## 6.2 Directors

Tigers Realm Coal's Board of Directors at the date of this report comprises:

Craig Wiggill	Non Executive Chairman	Owen Hegarty	Non Executive
Bruce Gray	Non Executive	Ralph Morgan	Non Executive
Tagir Sitdekov	Non Executive		

## 6.3 Share Capital

Tigers Realm Coal had 895,834,935 fully paid ordinary shares on issue and the top 10 largest shareholders on the share register on 4 July 2016 were as follows:

<b>Tabel 4</b>		
<b>Largest 10 registered shareholders</b>		
	<b>Ordinary Shares</b>	<b>Percentage Interest</b>
BV MINING HOLDING LIMITED	219,263,985	24.48%
TIGERS REALM MINERALS PTY LTD	119,923,830	13.39%
HANATE PTY LTD	107,151,515	11.96%
RDIF INVESTMENT MANAGEMENT	93,396,204	10.43%
NAMARONG INVESTMENTS PTY LTD <HANSEN INVESTMENT FUND A/C>	28,918,939	3.23%
PINE RIDGE HOLDINGS PTY LTD <PINE RIDGE SUPERANNUATION FUND A/C>	20,206,120	2.26%
NAMARONG INVESTMENTS PTY LTD <THE HANSEN INVESTMENT A/C>	18,567,040	2.07%
J P MORGAN NOMINEES AUSTRALIA LIMITED	18,307,843	2.04%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	15,821,885	1.77%
REGENT PACIFIC GROUP LTD	12,700,000	1.42%
Total shares held by top 10 shareholders	<u>654,257,361</u>	<u>73.0%</u>

As at 4 July 2016 the top 10 largest shareholders held 73% of the Company's issued share capital.

In addition to the issued share capital on 4 July 2016 Tigers Realm Coal also has the following outstanding options on issue:



Table 5

## Options on issue

Expiry Date	Exercise Price	Number of Shares
22 February 2017	0.50	1,267,000
28 March 2017	0.75	1,000,000
15 February 2018	0.26	150,000
15 February 2018	0.26	150,000
15 February 2018	0.34	1,525,000
22 March 2018	0.34	200,000
3 May 2018	0.50	1,000,000
3 May 2018	0.60	1,000,000
3 May 2018	0.50	2,000,000
4 June 2019	0.23	4,201,000
28 February 2019	0.17	4,201,000
28 February 2019	0.23	5,356,000
17 April 2020	0.17	5,356,000
17 April 2020	0.50	2,000,000
11 June 2020	0.23	2,000,000
11 June 2020		
		<u>31,406,000</u>

Source: Annual Report – December 2015

**Capital Raisings**

There have been no new capital raisings in the last 18 months.

**6.4 Financial Statements**

The following comparative statements for the year ended 31 December 2014 and the opening balance at 1 January 2014 have been restated to show the effects of the voluntary change in accounting policy in respect of exploration and evaluation expenditures.

The new exploration and evaluation policy is to charge exploration and evaluation expenditure against profit and loss as incurred, except for expenditure incurred after a decision to proceed to development is made, in which case the expenditure is capitalised as an asset – referenced as Note 1 in the following Tables.

**6.4.1 Balance Sheets**

The Company's audited statement of financial position as at 31 December 2014 and 2015 together with the pro forma management accounts for the half-year ended 30 June 2016 are as follows:

Table 6

<b>Tigers Realm Coal Limited Statement Of Financial Position As At:</b>	<b>1 January 2014 \$'000 Note 1</b>	<b>31 December 2014 \$'000 Note 1</b>	<b>31 December 2015 \$'000</b>	<b>Pro Forma 30 June 2016 \$'000</b>
<b>Current assets</b>				
Cash and cash equivalents	3,749	20,465	7,074	2,398
Trade and other receivables	1,602	3,541	1,428	924
Prepayments	3,964	4,432	578	578
Other current assets	492	667	857	857
<b>Total current assets</b>	<b>9,807</b>	<b>29,105</b>	<b>9,937</b>	<b>4,757</b>
<b>Non-current assets</b>				
Other receivables	-	1,160	717	717
Property, plant and equipment	6,627	14,232	2,909	2,909
Intangible assets	127,073	141,120	-	-
<b>Total non-current assets</b>	<b>133,700</b>	<b>156,512</b>	<b>3,626</b>	<b>3,626</b>
<b>Total assets</b>	<b>143,507</b>	<b>185,617</b>	<b>13,563</b>	<b>8,383</b>
<b>Current liabilities</b>				
Trade and other payables	3,747	848	410	410
Employee liabilities	-	1,131	2,296	2,455
Finance lease liability	1,224	6,273	154	154
<b>Total current liabilities</b>	<b>4,971</b>	<b>8,252</b>	<b>2,860</b>	<b>3,019</b>
<b>Non-current liabilities</b>				
Finance lease liability	-	2,563	1,722	563
Deferred tax liabilities	20,628	22,441	-	-
Royalty agreement liability	19,994	37,261	-	-
<b>Total non-current liabilities</b>	<b>40,622</b>	<b>62,265</b>	<b>1,722</b>	<b>563</b>
<b>Total liabilities</b>	<b>45,593</b>	<b>70,517</b>	<b>4,582</b>	<b>3,582</b>
<b>Net assets</b>	<b>97,914</b>	<b>115,100</b>	<b>8,981</b>	<b>4,801</b>
<b>Equity</b>				
Share capital	94,416	151,185	151,185	151,185
Reserves	35,671	31,103	32,009	32,189
(Accumulated losses)	(31,164)	(60,793)	(146,963)	(150,454)
<b>Total equity attributable to equity holders of the Company</b>	<b>98,923</b>	<b>121,495</b>	<b>36,231</b>	<b>32,920</b>
Non-controlling interests	(1,009)	(6,395)	(27,250)	(28,119)
<b>Total equity</b>	<b>97,914</b>	<b>115,100</b>	<b>8,981</b>	<b>4,801</b>

Source: Annual Report – December 2015 and 30 June 2016 management accounts

Note 1 – Refer to Section 6.4 above

#### 6.4.2 Operating Performance

The Company's audited statement of comprehensive income for the financial years ended 31 December 2014 and 2015 together with the pro forma management accounts for the half-year to 30 June 2016 are as follows:

Table 7

**Tigers Realm Coal Limited**  
**Statement Of Comprehensive Income**  
**For Period Ended**

	Year Ended 31 December 2014 \$'000 Note 1	Year Ended 31 December 2015 \$'000	Pro Forma Half Year to 30 June 2016 \$'000
<b>Continuing operations</b>			
Other income	-	71	-
Operating activities	13	(281)	(40)
Share based payments	(524)	(1,120)	(180)
Exploration and evaluation expenditure	(15,733)	(7,297)	(2,049)
Administrative expenses	(7,295)	(5,113)	(1,983)
Write down of assets	-	(160,407)	-
Loss on sale of assets	-	(43)	-
Loss on sale of investments	(92)	-	-
Gain/(loss) on revaluation of royalty agreement liability	(14,017)	40,468	-
<b>Results from operating activities</b>	<b>(37,648)</b>	<b>(133,722)</b>	<b>(4,252)</b>
Net foreign exchange gain/(loss)	1,980	1,850	(108)
Finance income	35	3	-
<b>Net finance income/(expense)</b>	<b>2,015</b>	<b>1,853</b>	<b>(108)</b>
<b>(Loss) before income tax</b>	<b>(35,633)</b>	<b>(131,869)</b>	<b>(4,360)</b>
Income tax (expense)/benefit	577	23,899	-
<b>(Loss) from continuing operations</b>	<b>(35,056)</b>	<b>(107,970)</b>	<b>(4,360)</b>
<b>Other comprehensive income</b>			
Items that may subsequently be reclassified to the income statement			
Foreign currency translation differences for foreign operations	(5,051)	731	-
<b>Total comprehensive income for the period</b>	<b>(40,107)</b>	<b>(107,239)</b>	<b>(4,360)</b>
<b>Operating profit is attributable to:</b>			
Owners of the company	(29,629)	(86,170)	(3,491)
Non-controlling interest	(5,427)	(21,800)	(869)
<b>(Loss) for the period</b>	<b>(35,056)</b>	<b>(107,970)</b>	<b>(4,360)</b>
<b>Total comprehensive income is attributable to:</b>			
Owners of the company	(34,721)	(86,384)	(3,491)
Non-controlling interest	(5,386)	(20,855)	(869)
<b>Total comprehensive income for the period</b>	<b>(40,107)</b>	<b>(107,239)</b>	<b>(4,360)</b>

Source: Annual Report – December 2015 and 30 June 2016 pro forma management accounts

**Note 1** – Refer to Section 6.4 above

#### 6.4.3 Cash Flow Statements

The Company's audited cash flow statements for the financial years ended 31 December 2014 and 2015 together with the pro forma management accounts for the half-year to 30 June 2016 are as follows:

Table 8

<b>Tigers Realm Coal Limited</b>	<b>31 December</b>	<b>31 December</b>	<b>Pro Forma</b>
<b>Cash Flow Statements</b>	<b>2014</b>	<b>2015</b>	<b>30 June</b>
<b>For Year Ended:</b>	<b>\$'000</b>	<b>\$'000</b>	<b>2016</b>
			<b>\$'000</b>
<b>Cash flows from operating activities</b>			
Cash receipts from customers	13	71	-
Interest income	35	3	-
Cash paid to suppliers and employees	(5,447)	(5,715)	(341)
Exploration and evaluation expenditure	(20,073)	(6,247)	(3,022)
Income taxes paid	(15)	-	-
<b>Net cash from (used in) operating activities</b>	<b>(25,487)</b>	<b>(11,888)</b>	<b>(3,363)</b>
<b>Cashflows from investing activities</b>			
Acquisition of property, plant and equipment	(8,798)	(3,834)	(1,162)
Security deposit	(1,841)	896	-
Acquisition of a subsidiary (net of cash acquired)	(5,461)	-	-
<b>Net cash from (used in) investing activities</b>	<b>(16,100)</b>	<b>(2,938)</b>	<b>(1,162)</b>
<b>Cash flows from financing activities</b>			
Proceeds of issue of shares	60,973	-	-
Share issue costs	(4,204)	-	(42)
<b>Net cash from financing activities</b>	<b>56,769</b>	<b>-</b>	<b>(42)</b>
<b>Net movement in cash and cash equivalents</b>	<b>15,182</b>	<b>(14,826)</b>	<b>(4,567)</b>
Cash and cash equivalents at beginning of the period	3,749	20,465	7,074
Effects of exchange rate changes on cash and cash equivalents	1,534	1,435	(109)
<b>Cash and cash equivalents at the end of the period</b>	<b>20,465</b>	<b>7,074</b>	<b>2,398</b>

Source: Annual Report – December 2015 and 30 June 2016 pro forma management accounts

## 7. Valuation of Tigers Realm Coal before the Proposed Rights Issue

### 7.1 Value Definition

DMR Corporate's valuation of Tigers Realm Coal has been made on the basis of fair market value, defined as the price that could be realized in an open market over a reasonable period of time given the current market conditions and currently available information, assuming that potential buyers have full information, in a transaction between a willing but not anxious seller and a willing but not anxious buyer acting at arm's length.

### 7.2 Valuation Methodologies

In selecting appropriate valuation methodologies, we considered the applicability of a range of generally accepted valuation methodologies. These included:

- asset based methods;
- share price history;
- capitalisation of future maintainable earnings; and
- net present value of future cash flows.

### 7.3 Asset Based Methods

7.3.1 These methodologies are based on the realisable value of a company's identifiable net assets. Asset based valuation methodologies include:

#### (a) Net Assets

The net asset valuation methodology involves deriving the value of a company or business by reference to the value of its assets. This methodology is likely to be

appropriate for a business whose value derives mainly from the underlying value of its assets rather than its earnings, such as property holding companies and investment businesses. On a going concern basis the net asset valuation methodology does not take account of realisation costs.

**(b) Orderly Realisation of Assets**

The orderly realisation of assets method estimates the fair market value by determining the amount that would be distributed to shareholders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner.

**(c) Liquidation of Assets**

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

**7.3.2 Net Assets**

The net assets of Tigers Realm Coal as at 31 December 2015, per the audited financial statements, were \$8,981,000 and based on the management accounts as at 30 June 2016 they were \$4,801,000.

Shareholders should recognise that there are no carrying values for the Amaam and Amaam North projects in the balance sheet as at 31 December 2015 and 30 June 2016 as the developmental costs and holding costs of the 2 coal projects (previously capitalised at \$160.4 million) were expensed in the accounts of Tigers Realm Coal in the 2015 calendar year.

On the net asset basis the 895,834,935 ordinary shares on issue (on 4 July 2016) have a net asset backing of \$0.010 per share as at 31 December 2015 and a net asset backing of \$0.005 per share as at 30 June 2016.

As the developmental costs and holding costs of the 2 coal projects have been expensed in the accounts of Tigers Realm Coal, we do not consider that the net asset valuation is an applicable valuation methodology to value Tigers Realm Coal.

**7.3.3 Orderly Realisation of Net Assets**

We do not consider that it is possible to assess the value that may be obtained from an orderly realisation of the Company's net assets due to the following factors:

- a) The Amaam and Amaam North projects are both leasehold land and have specific licence entitlements and obligations, which make the transfer of these rights difficult. The existing exploration and mining rights are however held by special purpose vehicles ("SPVs") and the interests in the SPVs may be disposed. The leases may be transferred with the consent of the lessors, however as the mines and surrounding infrastructure still require significant capital expenditure before they become operational, it is unlikely that reasonable values could be obtained from a transfer of the leases. The disposal of an interest in these SPVs is a legal possibility however, management believe that, despite not having actively marketed an interest in either of Amaam or Amaam North, in the current stage of development the liquidity and value of such an interest is difficult to substantiate.
- b) The 'Property, plant and equipment' total of \$2.9 million is mainly located in Chukotka in the "Far East" of Russia and relates to mining equipment. We are unable to ascertain the value of this equipment and its alternative uses in the area in which it is currently operating are unknown.

We are unable to determine with reasonable certainty the value that the leases, plant and equipment may realise in an orderly realisation of assets and for this reason we have not continued with this valuation methodology.

#### 7.4 Share Price History

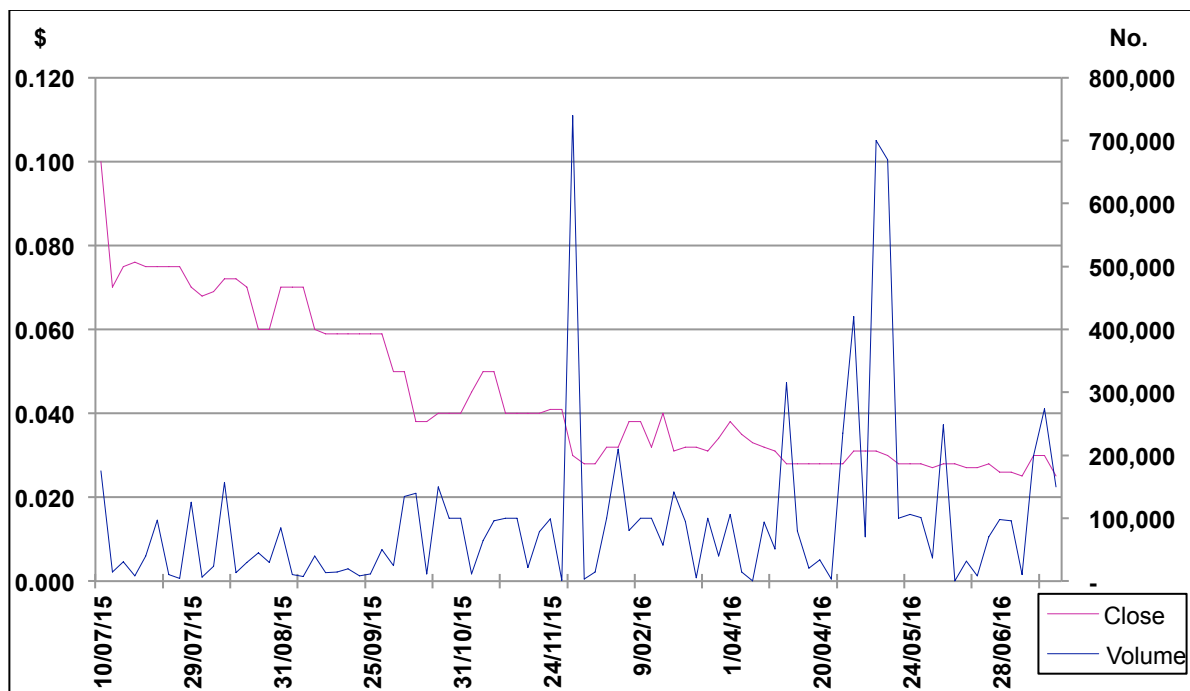
The share price history valuation methodology values a company based on the past trading in its shares. We normally analyse the share prices up to a date immediately prior to the date when a takeover, merger or other significant transaction is announced to remove any price speculation or price escalations that may have occurred subsequent to the announcement of a Proposed Transaction upon which we may be mandated to report. In this instance we have not evidenced any marked change in the trading of Tigers Realm Coal shares since the Entitlement Offer was announced so we have taken the share prices through to 8 July 2016.

A table of the trading history of Tigers Realm Coal shares from 9 July 2015 to 8 July 2016 is as follows:

Table 9					
Month	Share Price			Volume	Value
	High \$	Low \$	Average \$		
2015					
July 9 - 31	0.100	0.070	0.082	506,252	41,656
August	0.075	0.060	0.069	389,871	26,846
September	0.070	0.059	0.061	125,822	7,652
October	0.059	0.038	0.043	711,646	30,713
November	0.050	0.040	0.043	570,854	24,592
December	0.041	0.030	0.030	740,462	22,225
2016					
January	0.028	0.028	0.028	18,578	520
February	0.040	0.031	0.034	789,030	26,645
March	0.034	0.031	0.032	240,000	7,660
April	0.038	0.028	0.030	1,443,513	43,581
May	0.033	0.028	0.030	1,575,319	47,548
June	0.028	0.023	0.027	701,780	19,155
July 1 - 8	0.030	0.025	0.029	624,000	17,970
				8,437,127	316,762

Source: ASX and DMR Corporate

and graphically as:



Source: ASX and DMR Corporate

Over the 12-month period the shares traded from a high of \$0.10 on 10 July 2015 to a low of \$0.023 on 7 June 2016. The daily VWAP (volume weighted average price – based on daily closing volumes and daily closing prices) over this period was \$0.038 per share.

Up to 8 July 2016 the 30-day VWAP is \$0.028, the 60-day VWAP is \$0.029 and the 90-day VWAP is \$0.029.

In our opinion trading volumes are low (less than 1% of the Company's issued capital) so trading would be classified as "illiquid", however based on the above analysis we consider that the Tigers Realm Coal shares are valued in a range of \$0.028 to \$0.029 per share, on a minority basis (i.e. excluding a premium for control). These values extrapolate to a total value range of \$25,100,000 to \$26,200,000.

#### Control Premium

The ASX share prices upon which the above values are based represent the prices at which minority parcels of shares trade on a daily basis, so when we use ASX share prices as a valuation methodology we normally consider adjusting the valuation to include a control premium.

A control premium represents the difference between the price that would have to be paid for a share to which a controlling interest attaches and the price at which a share which does not carry with it control of the company could be acquired. Control premiums are normally in a range of 25% to 30%<sup>1</sup> above the value of a minority share. The RSM Bird Cameron Study considered 96 mining companies and determined that the average mining company control premium was in a range of 30.20% to 35.47% during the FY 2006 – FY2012 period. Since this study was conducted there has been a significant downturn in the mining industry and we would expect that these premiums would be substantially reduced as at the date of this report.

The actual control premium paid is transaction specific and depends on a range of factors, such as the level of synergies available to the purchaser, the level of competition for the assets and strategic importance of the assets. In this instance there are no synergies to be gained by gaining control of Tigers Realm Coal. The RSM Bird Cameron study analyses control premiums on an industry basis as well as the market capitalisation of the company.

<sup>1</sup> RSM Bird Cameron Control Premium Study –2013.

In this instance we consider that the average mining company premium for all takeovers in Australian listed companies is too high so we have selected the premium range of 16.1% to 21.4% (RSM page 16), which was determined for smaller ASX companies with a market capitalisation of less than \$500 million.

<b>Table 10</b>	<b>Control Premium</b>	<b>Low \$</b>	<b>High \$</b>
	Value per share price history - minority values	25,100,000	26,200,000
	Control premium	16.10%	21.40%
	Share price value adjusted for a control premium	29,141,100	31,806,800
	Say:	29,100,000	31,800,000

Based on the share price valuation methodology, we have valued Tigers Realm Coal in a range of \$29,100,000 to \$31,800,000.

## 7.5 Capitalisation of Future Maintainable Earnings

This methodology involves capitalising the estimated future maintainable earnings of a business at a multiple which reflects the risks of the business and its ability to earn future profits.

There are different definitions of earnings to which a multiple can be applied. The traditional method is to use net profit after tax – Price Earnings or PE. Another common method is to use Earnings Before Interest and Tax, or EBIT. One advantage of using EBIT is that it enables a valuation to be determined which is independent of the financing and tax structure of the business. Different owners of the same business may have different funding strategies and these strategies should not alter the fundamental value of the business.

Other variations to EBIT include 'Earnings Before Interest, Tax, Depreciation and Amortization' – EBITDA and 'Earnings Before Interest, Tax, and Amortization' – EBITA.

We have concluded that the capitalisation of future maintainable earnings methodology cannot be applied in valuing Tigers Realm Coal as it has historically incurred losses and its losses will continue until production and sales commence post Entitlement Offer.

## 7.6 Net Present Value of Future Cash Flows

An analysis of the net present value of the projected cash flows of a business (or discounted cash flow technique) is based on the premise that the value of the business is the net present value of its future cash flows. This methodology requires an analysis of future cash flows, the capital structure, the costs of capital and an assessment of the residual value of the business remaining at the end of the projection period.

In December 2015 the Company announced the completion of its 2015 Infill Drilling Program and the Project F and Extension Resource Review and Update to the ASX. The Company has a draft Feasibility Study completed in January 2016 and this was updated in March 2016 and a copy was provided to us for our review.

Many of the assumptions are extremely sensitive to macroeconomic factors not within the control of the Company and which are currently not possible to mitigate, including but not limited to the fluctuations of the currency in which the majority of capital and operating expenditure and operating revenues are expected to be incurred/generated, namely the US Dollar and the Russian Ruble. Furthermore, the forecasting of commodity prices in general and specifically coal prices is difficult in times of uncertainty and volatility.

In our opinion we cannot determine that many of the significant assumptions used in the feasibility study are 'reasonable' and there is little hard evidence to support other assumptions in relation to selling prices and costs.



After considering the above factors, we concluded that we cannot use the net present value of future cash flows methodology to value Tigers Realm Coal.

## 7.7 Conclusion

Based on the above analysis we consider that the share price valuation methodology is the most applicable valuation methodology to use to value Tigers Realm Coal and using this methodology in Section 7.4 we valued Tigers Realm Coal in a range of \$29,100,000 to \$31,800,000 on a control basis – this equates to a value range of \$0.032 to \$0.035 per share.

## 8. Valuation of Tigers Realm Coal after the Proposed Rights Issue

### 8.1 Value Definition and Methodologies

The definition of value and the valuation methodologies considered in this Section are the same as stated in Sections 7.1 and 7.2.

### 8.2 Valuation

In Section 7.7 we concluded that the share price valuation methodology was the only applicable valuation methodology that we could use to value Tigers Realm Coal before the Entitlement Offer and we are of the same opinion in valuing Tigers Realm Coal after the Entitlement Offer.

Using the capitalised value of the Company based on the share price we have determined that Tigers Realm Coal is valued in a range of \$29,100,000 to \$31,800,000 on a control basis.

We have then added the capital to be raised from the Entitlement Offer and deducted the costs of the capital raising to determine the net control value of Tigers Realm Coal on a control basis after the Entitlement Offer.

As the Non-Interested Shareholders will be in a minority position after the Entitlement Offer (refer to Tables 1 and 2 above) we have deducted the control premium to reduce the values to a minority value as follows:

<b>Table 11</b>			
	<b>Section</b>	<b>Low \$</b>	<b>High \$</b>
<b>Valuation of Tigers Realm Coal After the Entitlement Offer</b>			
Valuation before Entitlement Offer	7.7	29,100,000	31,800,000
Cash from Entitlement Offer		23,292,000	23,292,000
Less: Underwriting costs		(234,000)	(234,000)
Less: Other costs for Entitlement Offer		(266,000)	(266,000)
<b>Net control value after Entitlement Offer</b>		<b>51,892,000</b>	<b>54,592,000</b>
Less: discount to a minority value (Inverse of the Control Premium)		17.60%	13.90%
<b>Minority value after Entitlement Offer</b>		<b>42,759,008</b>	<b>47,003,712</b>
Number of shares on issue	1,791,669,870		
<b>Minority value per share after Entitlement Offer</b>		<b>\$ 0.024</b>	<b>\$ 0.026</b>

Source: DMR Corporate

Based on Table 11 above, we consider that the shares held by the Non-Interested Shareholders will have a value range of \$0.024 to \$0.026 per share.

## 9. Assessment as to Fairness

### Resolution 1

In Section 7.7, based on the share price valuation methodology, we concluded that the Tigers Realm Coal shares have value in the range of \$29,100,000 to \$31,800,000 or \$0.032 to \$0.035 per share before the Proposed Transaction on a control basis.

In Section 8.2, we assessed the value of Tigers Realm Coal to be in a range of \$51,892,000 to \$54,592,000 on a control basis. As the Non-Interested Shareholders (including the ineligible shareholders) will have their interests diluted from 50.12% to 38.83% they will have collective minority interests after Resolution 1 is passed and we therefore have to reduce these values by eliminating a 'control premium' factor. The end result is that we have determined that the Non-Interested Shareholders interests will be valued in a range of \$0.024 to \$0.026 per share after the Entitlement Offer.

As the minority value of the Tigers Realm Coal shares after the Entitlement Offer (\$0.024 to \$0.026) and approval of Resolution 1 is less than the control value of the Tigers Realm Coal shares immediately prior to the Entitlement Offer (\$0.032 to \$0.035), the Resolution 1 is not fair to the Non-Interested Shareholders.

### Resolution 2

In Section 7.7, based on the share price valuation methodology, we concluded that the Tigers Realm Coal shares have value in the range of \$29,100,000 to \$31,800,000 or \$0.032 to \$0.035 per share before the Proposed Transaction on a control basis.

In Section 8.2, we assessed the value of Tigers Realm Coal to be in a range of \$51,892,000 to \$54,592,000 on a control basis. As the Non-Interested Shareholders (including the ineligible shareholders) will have their interests diluted from 50.12% to 33.25% they will have collective minority interests after both Resolutions are passed and we therefore have to reduce these values by eliminating a 'control premium' factor. The end result is that we have determined that the Non-Interested Shareholders interests will be valued in a range of \$0.024 to \$0.026 per share after the Entitlement Offer.

As the minority value of the Tigers Realm Coal shares after the Entitlement Offer (\$0.024 to \$0.026) and approval of Resolution 2 is less than the control value of the Tigers Realm Coal shares immediately prior to the Entitlement Offer (\$0.032 to \$0.035), the Resolution 2 is not fair to the Non-Interested Shareholders.

## 10. Other Significant Factors

In our opinion there are no separate factors that can be distinguished between Resolutions 1 and 2 however shareholders should consider each of the following factors prior to deciding whether to approve or reject the proposed Resolutions:

- In Section 9 above, we concluded that the both Resolution 1 and 2 were not fair.
- Approval of the Proposed Transaction will enable Tigers Realm Coal to raise \$23.3 million (less capital raising costs) that is required to fund the continued exploration and development of the Company's projects in Chukotka as summarised in Section 1 above.
- in our experience new share issues are generally priced at a discount to market. For smaller companies such as Tigers Realm Coal this discount generally exceeds 10%.

The Entitlement Offer is being made at a discount of 4.4% to the 5 day VWAP of the Company's shares traded on the ASX over the 5 trading days up to and including 28 June 2016. This is a low discount and therefore we consider that the Entitlement Offer price is reasonable to all shareholders.

- In accordance with Australia's foreign investment laws, RDIF requires FIRB approval to

acquire any shortfall shares pursuant to its obligation to underwrite its respective proportion of the Entitlement Offer. FIRB approval was received on 3 August 2016 so this hurdle has been attained.

RDIF's obligation to subscribe for the 60,446,728 RDIF Underwritten Shares is now subject to the RDIF Investment Mandate Requirements being satisfied.

If the Non-Interested shareholders approve one Resolution (but not both Resolutions), then the RDIF Underwritten Shares will not be issued because RDIF's underwriting obligations are subject to satisfaction of the RDIF Investment Mandate Requirements (which includes Underwriting Shareholder Approval under Resolution 2 in respect of BVMHL and BVMHL satisfying its obligation to subscribe for its full entitlement and its respective proportion of any shortfall shares in accordance with the Underwriting Agreement).

- Approval of the Proposed Transaction may result in the following increases in shareholder interests:

BVMHL from 24.48% up to a maximum of 31.22%

The Hanate Group from 14.35% up to a maximum of 21.10%

If both Resolutions are not approved by the shareholders then the increases in shareholder interests:

BVMHL from 24.48% up to a maximum of 27.47%

The Hanate Group from 14.35% up to a maximum of 19.99%

- Without the support of BVMHL and the Hanate Group, it is unlikely that the Entitlement Offer would raise the necessary capital for Tigers Realm Coal to continue trading and developing the projects for the next 6 months. Tigers Realm Coal would have to find an alternative source of financial support if it wanted to do so. This would prove to be extremely difficult given the location of the mine tenements, the regional and global political and macroeconomic environments and the fact that Tigers Realm Minerals Pty Ltd, BVMHL, the Hanate Group and RDIF control approximately 62.5% of the issued capital prior to the Entitlement Offer.
- The directors have presented terms of the Entitlement Offer with the expectation that the funding will potentially enhance shareholder value in the foreseeable future.
- If either Resolution 1 or Resolution 2 are not approved then the RDIF investment mandate requirements specified in the Underwriting Agreement are not satisfied and RDIF would be released from its commitment to underwrite its 20% share of the 302,233,642 shortfall from the Entitlement Offer.
- If the Proposed Transaction is not approved the Company:
  - will not raise sufficient funds required to commence production and sales at the production rates planned or within the expected timeframe of 12 months and will need to seek alternative sources of funding, requiring extensive management focus and expense. Furthermore, the commitments to vendors of equipment and the hiring of staff necessary to commence production will most likely be delayed until the middle of 2017, or to such time as the necessary funding commitment is obtained, if at all, from alternative sources;
  - will be required to manage insufficient financial resources, which will not enhance its ability to meet its ongoing working capital requirements and remain solvent, whilst potentially not being sufficiently funded to enable it to execute the Company's stated strategy plan to move into production and sales in the near future with a view to potentially increasing shareholder value through this process;
  - if alternative funding sources are not obtained at some time in the foreseeable future Tigers Realm Coal could potentially be placed into administration.

After reviewing the above significant factors we consider that **Resolution 1 and Resolution 2 are reasonable.**

## **11. Financial Services Guide**

### **11.1 Financial Services Guide**

This Financial Services Guide provides information to assist retail and wholesale investors in making a decision as to their use of the general financial product advice included in the above report.

### **11.2 DMR Corporate**

DMR Corporate holds Australian Financial Services Licence No. 222050, authorizing it to provide general financial product advice in respect of securities to retail and wholesale investors.

### **11.3 Financial Services Offered by DMR Corporate**

DMR Corporate prepares reports commissioned by a company or other entity ("Entity"). The reports prepared by DMR Corporate are provided by the Entity to its members. All reports prepared by DMR Corporate include a description of the circumstances of the engagement and of DMR Corporate's independence of the Entity commissioning the report and other parties to the transactions.

DMR Corporate does not accept instructions from retail investors. DMR Corporate provides no financial services directly to retail investors and receives no remuneration from retail investors for financial services. DMR Corporate does not provide any personal retail financial product advice directly to retail investors nor does it provide market-related advice to retail investors.

### **11.4 General Financial Product Advice**

In the reports, DMR Corporate provides general financial product advice. This advice does not take into account the personal objectives, financial situation or needs of individual retail investors.

Investors should consider the appropriateness of a report having regard to their own objectives, financial situation and needs before acting on the advice in a report. Where the advice relates to the acquisition or possible acquisition of a financial product, an investor should also obtain a product disclosure statement relating to the financial product and consider that statement before making any decision about whether to acquire the financial product.

### **11.5 Independence**

At the date of this report, none of DMR Corporate, Derek M Ryan nor Mr Paul Lom has any material interest in the outcome of the Proposed Transaction, nor any relationship with Tigers Realm Coal, BVMHL, the Hanate Group, RDIF or their directors or associates.

Drafts of this report were provided to and discussed with executives of Tigers Realm Coal and its advisers. Certain changes were made to factual statements in this report as a result of the reviews of the draft reports. There were no alterations to the methodology, valuations or conclusions that have been formed by DMR Corporate.

DMR Corporate and its related entities do not have any material shareholding in or other relationship with Tigers Realm Coal, BVMHL, the Hanate Group or RDIF that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Proposed Transaction.

DMR Corporate had no part in the formulation of the Proposed Transaction. Its only role has been the preparation of this report.

DMR Corporate considers itself to be independent in terms of Regulatory Guide 112 issued by ASIC on 30 March 2011.

**11.6 Remuneration**

DMR Corporate is entitled to receive a fee of approximately \$30,000 for the preparation of this report, plus out of pocket expenses. With the exception of the above, DMR Corporate will not receive any other benefits, whether directly or indirectly, for or in connection with the making of this report.

Except for the fees referred to above, neither DMR Corporate, nor any of its directors, employees or associated entities will receive any fees or other benefits, directly or indirectly, for or in connection with the provision of any report about, in respect of, or incorporated into the Entitlement Offer or any documents relating to the Entitlement Offer.

**11.7 Complaints Process**

As the holder of an Australian Financial Services Licence, DMR Corporate is required to have suitable compensation arrangements in place. In order to satisfy this requirement DMR Corporate holds a professional indemnity insurance policy that is compliant with the requirements of Section 912B of the Act.

DMR Corporate is also required to have a system for handling complaints from persons to whom DMR Corporate provides financial services. All complaints must be in writing and sent to DMR Corporate at the above address.

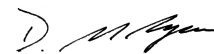
DMR Corporate will make every effort to resolve a complaint within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Ombudsman Service Limited – GPO Box 3, Melbourne Vic 3000.

Yours faithfully

**DMR Corporate Pty Ltd**



**Paul Lom**  
Director



**Derek Ryan**  
Director

**Tigers Realm Coal Limited****Sources of Information**

- The Notice of General Meeting and the Explanatory Memorandum which this report accompanies;
- Audited financial statements of Tigers Realm Coal for the financial years ended 31 December 2014 and 2015;
- Management accounts for the 6 months ended 30 June 2016;
- ASX announcements from 1 July 2015;
- SRK Consulting report titled 'A Mineral Resource Estimate on the Amaam North Coal Project, Chukotka, Russian Federation' dated December 2015;
- Tigers Realm Coal 'Project F Feasibility Study Update' dated March 2016;
- Copy of the 4 July 2016 Tigers Realm Coal share register;
- Copy of ASIC search dated 7 July 2016 of Tigers Realm Coal; and
- Discussions with Tigers Realm Coal executives.

## Appendix B

## Underwriting Agreement

Tigers Realm Coal has entered into an Underwriting Agreement with each of BVMHL, the Bruce Gray entities and RDIF. Under the Underwriting Agreement:

- each of the Underwriters and Pine Ridge Holdings has agreed with Tigers Realm Coal to subscribe for their full Entitlement under the Entitlement Offer; and
- to the extent there is a shortfall under the Entitlement Offer because Eligible Shareholders (other than the Underwriters and Pine Ridge Holdings) do not participate in the Entitlement Offer:
  - if FIRB approval is obtained by RDIF, the RDIF Investment Mandate Requirements are satisfied and Shareholder Approval is obtained, each Underwriter has agreed with the Company that it will subscribe for that shortfall in its respective proportion under the Underwriting Agreement - being BVMHL (40.00%); Hanate (40.00%); and RDIF (20.00%);
  - if FIRB approval is not obtained by RDIF, and Shareholder Approval is obtained, BVMHL and Hanate have each agreed with the Company that they will subscribe for:
    - that shortfall in their respective proportions under the Underwriting Agreement - being BVMHL (40.00%) and Hanate (40.00%); and
    - RDIF's proportion of that shortfall (the RDIF Underwritten Shares) in the following proportions - BVMHL (50%) and Hanate (50%); or
  - if:
    - FIRB approval is obtained by RDIF, the RDIF Investment Mandate Requirements are not satisfied, and Shareholder Approval is not obtained in respect of Hanate; or
    - FIRB approval is not obtained by RDIF, and Shareholder Approval is not obtained,

each Underwriter (other than RDIF) has agreed with the Company that it will subscribe for its respective Unconditional Underwritten Shares (but no Conditional Underwritten Shares) and RDIF will not be required to subscribe for the RDIF Underwritten Shares (refer to Section 4.10 of this Offer Booklet for further details).

As noted above:

- RDIF's obligation to underwrite the RDIF Underwritten Shares is subject to FIRB approval and satisfaction of the RDIF Investment Mandate Requirements; and
- the Underwriters' (other than RDIF) obligation to underwrite their respective Conditional Underwritten Shares is subject to Shareholder Approval.

Furthermore, in accordance with the Underwriting Agreement, as is customary with these types of underwriting arrangements:

- Tigers Realm Coal has given certain representations and warranties in connection with the conduct of the Entitlement Offer.
- Tigers Realm Coal has (subject to certain limitations) agreed to indemnify each Underwriter, their respective directors, officers, employees and agents against losses in connection with the Entitlement Offer.
- Each Underwriter may terminate the Underwriting Agreement and be released from its obligations on the occurrence of certain events (subject to the materiality of the relevant event). For details, please refer to the "Summary of Key Risks" section of the Investor Presentation.

The Underwriters will receive underwriting fees of up to \$234,000 (in aggregate). The final underwriting fee payable (and the relevant fee received by each Underwriter) will depend upon the number of Shortfall Shares for which each Underwriter subscribes (including as a result of whether FIRB approval and Shareholder Approval is obtained). The Company will also pay for the costs of RDIF's FIRB application.



**Declarations, Qualifications and Consents****1. Declarations**

This report has been prepared at the request of the Directors of Tigers Realm Coal pursuant to Section 611 of the Act and Chapter 10 of the ASX Listing Rules to accompany the notice of meeting of shareholders to approve the Proposed Transaction. It is not intended that this report should serve any purpose other than as an expression of our opinion as to whether or not the Proposed Transaction is fair and reasonable.

This report has also been prepared in accordance with the Accounting Professional and Ethical Standards Board professional standard APES 225 – Valuation Services.

The procedures that we performed and the enquiries that we made in the course of the preparation of this report do not include verification work nor constitute an audit in accordance with Australian Auditing Standards.

**2. Qualifications**

Mr Derek M Ryan and Mr Paul Lom, directors of DMR Corporate prepared this report. They have been responsible for the preparation of many expert reports and are involved in the provision of advice in respect of valuations, takeovers and capital reconstructions and reporting on all aspects thereof.

Mr Ryan has had over 40 years experience in the accounting profession and he is a Fellow of the Institute of Chartered Accountants in Australia and an accredited Business Valuation Specialist. He was a partner of KPMG and Touche Ross/Deloitte between 1977 and 1994, specialising in audit and corporate advisory services. He has been responsible for the preparation of many expert reports and is involved in the provision of advice in respect of valuations, takeovers and capital reconstructions and reporting on all aspects thereof.

Mr Lom is a Fellow of the Institute of Chartered Accountants in Australia, an accredited Business Valuation Specialist and a Registered Company Auditor with more than 35 years experience in the accounting profession. He was a partner of KPMG and Touche Ross between 1989 and 1996, specialising in audit. He has extensive experience in business acquisitions, business valuations and privatisations in Australia and Europe.

**3. Consent**

DMR Corporate consents to the inclusion of this report in the form and context in which it is included in the Explanatory Memorandum.



### LODGE YOUR VOTE



#### ONLINE

[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)



#### BY MAIL

Tigers Realm Coal Limited  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235 Australia



#### BY FAX

+61 2 9287 0309



#### BY HAND

Link Market Services Limited  
Level 12, 680 George Street, Sydney NSW 2000



#### ALL ENQUIRIES TO

Telephone: +61 1300 880 472



X99999999999

## PROXY FORM

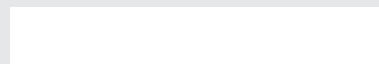
I/We being a member(s) of Tigers Realm Coal Limited and entitled to attend and vote hereby appoint:

### APPOINT A PROXY



the Chairman of the Meeting (mark box)

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy



or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the General Meeting of the Company to be held at [Time] on [Day], [XX XX 2016] at [Venue] (the **Meeting**) and at any postponement or adjournment of the Meeting.

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

### VOTING DIRECTIONS

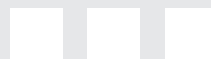
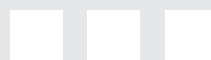
Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting.

Please read the voting instructions overleaf before marking any boxes with an ☒

#### Resolutions

- Approval for a proposed issue of 23,501,472 New Shares to BV Mining Holding Limited, which represents the remainder of its Entitlement under the Entitlement Offer
- Approval for a proposed issue of 120,893,457 New Shares to BV Mining Holding Limited and 75,992,714 New Shares to Hanate Pty Ltd as trustee for Hanate Trust, pursuant to their respective obligations to underwrite their respective proportions of the Entitlement Offer

For Against Abstain\*



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

### SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)



Joint Shareholder 2 (Individual)



Joint Shareholder 3 (Individual)



Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

This form should be signed by the shareholder. If a joint holding, all shareholders must sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

## HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

### YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

### APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

### DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Form.

### VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses (subject to any voting exclusions). If you mark more than one box on an item your vote on that item will be invalid.

### APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- return both forms together.

### SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

**Individual:** where the holding is in one name, the holder must sign.

**Joint Holding:** where the holding is in more than one name, all shareholders must sign.

**Power of Attorney:** to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

### CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au).

### LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **[Time] on [Day], [XX XX 2016]**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:



#### ONLINE

[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Proxy Form).



#### BY MAIL

Tigers Realm Coal Limited  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235  
Australia



#### BY FAX

+61 2 9287 0309



#### BY HAND

delivering it to Link Market Services Limited\*  
Level 12  
680 George Street  
Sydney NSW 2000

\* During business hours (Monday to Friday, 9:00am–5:00pm)

**IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE GENERAL MEETING, PLEASE BRING THIS FORM WITH YOU.  
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.**