

This Scheme Booklet is important and requires your immediate attention. You should read it in its entirety. If you are in any doubt as to how to deal with this document, please consult your financial, legal or other professional adviser.



**Dominion**  
Mining Limited  
ABN 37 000 060 864



**Kingsgate**  
Consolidated Limited

## Explanatory Statement for Scheme Meetings

to be held on Wednesday, 2 February 2011

For the schemes of arrangement in relation to the proposed acquisition of all of **Dominion Mining Limited's** ordinary shares by **Kingsgate Consolidated Limited** and in relation to the proposed cancellation of all of the options to acquire Dominion Mining Limited ordinary shares

Your Dominion Directors  
**unanimously recommend**  
that you vote in favour of the  
Schemes, in the absence  
of a superior proposal.

The Independent Expert has concluded that the Share Scheme and Option Scheme are, in the absence of a superior proposal, in the best interests of Dominion Shareholders and Dominion Optionholders, respectively.

If you have any questions about the Schemes, please call the Dominion Scheme Information Line on 1300 034 846 (free call from within Australia) or +61 2 9191 5968 (from outside Australia).



Financial Adviser  
to Dominion



Legal Adviser  
to Dominion



# Important notices and disclaimers

## Important document

This Scheme Booklet is an important document and should be read in its entirety. If you are in any doubt as to the course you should follow, you should seek independent professional advice.

## Date

This Scheme Booklet is dated 16 December 2010.

## Explanatory statement

This Scheme Booklet includes an explanatory statement for each Scheme which has been prepared pursuant to section 412(1) of the Corporations Act to explain the effect of the Schemes and provide information which is material to the making of a decision by Dominion Shareholders and Dominion Optionholders about whether or not to vote in favour of the relevant Scheme.

## Role of ASIC and the ASX

A copy of this Scheme Booklet has been examined by ASIC pursuant to section 411(2)(b) of the Corporations Act and registered by ASIC under section 412(6) of the Corporations Act. ASIC has been requested to provide a statement in accordance with section 411(7)(b) of the Corporations Act that ASIC has no objection to the Schemes. If ASIC provides that statement, it will be produced to the Court at the Second Court Hearing. Neither ASIC nor any of its officers takes any responsibility for the contents of this Scheme Booklet. A copy of this Scheme Booklet has been lodged with the ASX. Neither the ASX nor any of its officers takes any responsibility for the contents of this Scheme Booklet.

## Important notice associated with Court order under subsection 411(1) of the Corporations Act

The fact that under subsection 411(1) of the Corporations Act the Court has ordered that the Scheme Meetings be convened and has approved the Scheme Booklet required to accompany the notice of the Scheme Meetings does not mean that the Court:

- (a) has formed any view as to the merits of the Schemes or as to how Dominion Shareholders or Dominion Optionholders should vote on the relevant Scheme (on this matter Dominion Shareholders and Dominion Optionholders must reach their own decision); or
- (b) has prepared, or is responsible for the content of, this Scheme Booklet.

## Responsibility for information in this Scheme Booklet

Dominion, its Related Entities and each of their respective officers, employees, professional advisers and agents are not responsible for, and do not assume responsibility for, any information contained in this Scheme Booklet other than the Dominion Scheme Booklet Information.

Kingsgate, its Related Entities and each of their respective officers, employees, professional advisers and agents are not responsible for, and do not assume responsibility for, any information contained in this Scheme Booklet other than the Kingsgate Scheme Booklet Information.

KPMG Corporate Finance (Aust) Pty Ltd has prepared the Independent Expert's Report and is responsible for that report. None of Dominion, Kingsgate, their respective Related Entities and their respective directors, officers, employees and advisers assumes any responsibility for the accuracy or completeness of the information in the Independent Expert's Report except, in the case of Dominion and Kingsgate, in relation to information given by them, respectively, to the Independent Expert.

PricewaterhouseCoopers Securities Ltd has prepared the Investigating Accountant's Report and is responsible for that report. None of Dominion, Kingsgate, their respective Related Entities and their respective directors, officers, employees and advisers (other than PricewaterhouseCoopers Securities Ltd) assumes any responsibility for the accuracy or completeness of the information in the Investigating Accountant's Report except, in the case of Dominion

and Kingsgate, in relation to information given by them, respectively, to PricewaterhouseCoopers Securities Ltd.

## Investment decisions

This Scheme Booklet does not take into account your individual investment objectives, financial situation, taxation position or particular needs. The information in this Scheme Booklet should not be relied on as the sole basis for any decision in relation to your Dominion Shares or your Dominion Options (as applicable). You should seek independent professional advice before making any investment decision in relation to your Dominion Shares or your Dominion Options (as applicable) or how to vote on the Scheme relevant to you.

## Forward looking statements

This Scheme Booklet contains forward looking statements which are not based solely on historical facts but are based on current expectations about future events and results. These forward looking statements are subject to inherent risks and uncertainties. Such risks and uncertainties include factors and risks specific to the industry in which Dominion and Kingsgate operate, as well as general economic conditions, prevailing exchange rates and interest rates, conditions in the financial markets, government policies and regulations, competitive pressures and changes in technology. Actual events or results may differ materially from the expectations expressed or implied in such forward looking statements.

None of Dominion, Kingsgate, their respective Related Entities or their respective directors, officers, employees and advisers makes any representation or warranty (express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement, except to the extent required by law. Accordingly, you are cautioned about placing undue reliance on forward looking statements contained in this Scheme Booklet.

## Note to foreign shareholders

This Scheme Booklet complies with Australian disclosure requirements and accounting standards. These requirements and standards may be different to those in jurisdictions outside Australia. Restrictions in jurisdictions outside Australia may make it impractical or unlawful for New Kingsgate Shares to be offered or issued under the Schemes to Dominion Shareholders or Dominion Optionholders located in those jurisdictions, or for Dominion Shareholders or Dominion Optionholders located in those jurisdictions to receive New Kingsgate Shares under the relevant Scheme.

Any Dominion Shareholder whose address shown in the Dominion Share Register or any Dominion Optionholder whose address shown in the Dominion Option Register on the relevant Scheme Record Date is a place outside Australia and its external territories, Hong Kong, Ireland, New Zealand, the United Kingdom or the United States of America will be an "Ineligible Foreign Holder" for the purpose of the relevant Scheme, unless Kingsgate determines that it is lawful and not unduly onerous or impracticable to provide that Dominion Shareholder or Dominion Optionholder with New Kingsgate Shares following implementation of the relevant Scheme.

Dominion Shareholders and Dominion Optionholders whose address, as shown in the Dominion Share Register and Dominion Option Register, respectively, on the relevant Scheme Record Date is in Hong Kong, Ireland, New Zealand, the United Kingdom or the United States of America and the ADR Custodian should refer to Section 6.8 of this Scheme Booklet for specific disclosures regarding the issue of New Kingsgate Shares in those jurisdictions.

New Kingsgate Shares which Ineligible Foreign Holders would be entitled to as their Scheme Consideration will not be issued to them but will instead be dealt with under the Sale Facility. Further information regarding the Sale Facility is set out in Section 6.8 of this

Scheme Booklet and the detailed provisions governing the Sale Facility are set out in clause 5.7 of the Share Scheme and clause 5.5 of the Option Scheme.

Subject to the foregoing, this Scheme Booklet and the Schemes do not, either individually or in combination, constitute an offer or invitation to issue or sell any securities in Dominion or Kingsgate to any person in any jurisdiction outside of Australia and its external territories.

Dominion Shareholders and Dominion Optionholders who are not Australian resident taxpayers or who are liable for tax outside of Australia should seek specific tax advice in relation to the Australian and overseas tax consequences of the transactions contemplated by this Scheme Booklet.

## Privacy

Dominion and Kingsgate may collect personal information about you in connection with the Schemes. The personal information may include the names, contact details and details of shareholdings of Dominion Shareholders or optionholdings of Dominion Optionholders, together with the names and contact details of individuals appointed to act as proxies, attorneys or corporate representatives to vote at the Scheme Meetings.

Such information will be collected for the purpose of the Scheme Meetings and implementing the Schemes. The information may be disclosed to Dominion, Dominion's advisers and service providers, Kingsgate and Kingsgate's advisers and service providers, to the extent necessary in connection with the Scheme Meetings and implementing the Schemes. You may have certain rights to access personal information which is collected about you. You should contact Dominion's share registry, Registries, in the first instance should you wish to exercise these rights. You can contact Registries by telephone on 1300 737 760 (from within Australia) or +61 2 9290 9600 (from outside Australia).

Dominion Shareholders and Dominion Optionholders who appoint a named person as their proxy, attorney or corporate representative to vote at the relevant Scheme Meeting should inform that individual of the matters outlined above.

## Definitions

Capitalised terms used in this Scheme Booklet are defined in Section 16 of this Scheme Booklet.

## References to time

All references to time in this Scheme Booklet are to the time in Sydney, Australia unless expressly indicated otherwise.

## Effect of rounding

A number of figures, amounts, percentages, prices, estimates, calculations of value and fractions in this Scheme Booklet, including those in respect of the Scheme Consideration, are subject to the effect of rounding. Accordingly, their actual calculation may differ from the calculations set out in this Scheme Booklet.

## Currency

All references in this Scheme Booklet to "\$", "A\$" and "cents" are references to Australian currency, unless otherwise specified.

## Questions

If you have any questions in relation to the Schemes or this Scheme Booklet, please call the Dominion Scheme Information Line on 1300 034 846 (free call from within Australia) or +61 2 9191 5968 (from outside Australia) between 9.00am and 5.00pm (Sydney time), Monday to Friday.

A copy of this Scheme Booklet can be found on Dominion's website at [www.dml.com.au](http://www.dml.com.au).

## No Internet site forms part of this document

Dominion and Kingsgate maintain Internet websites. Material available on any website referred to in this Scheme Booklet is not incorporated by reference into this Scheme Booklet and does not form part of this Scheme Booklet.





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Your Dominion Directors  
**UNANIMOUSLY RECOMMEND**  
that you vote in favour of the Schemes,  
in the absence of a superior proposal.





## Key dates and events

Deadline for receipt of Proxy Forms for Share Scheme Meeting and Option Scheme Meeting	Monday, 31 January 2011 (10.00am)
Record date for determining entitlement to vote at the Share Scheme Meeting and Option Scheme Meeting	Monday, 31 January 2011 (7.00pm)
Share Scheme Meeting to be held at the Metcalfe Auditorium, State Library of NSW, Macquarie Street, Sydney, New South Wales	Wednesday, 2 February 2011
Option Scheme Meeting to be held at the Metcalfe Auditorium, State Library of NSW, Macquarie Street, Sydney, New South Wales	Wednesday, 2 February 2011
<i>If the resolutions considered at the Scheme Meetings are approved by Dominion Shareholders and Dominion Optionholders (as applicable):</i>	
Court hearing to approve the Share Scheme and the Option Scheme	Friday, 4 February 2011
Effective Date of Share Scheme and Option Scheme	Monday, 7 February 2011
Suspension of trading in Dominion Shares	Close of trading on Monday, 7 February 2011
Commencement of trading in New Kingsgate Shares on deferred settlement basis on the ASX	Tuesday, 8 February 2011
Scheme Record Date for determining entitlements to Share Scheme Consideration and Option Scheme Consideration	Monday, 14 February 2011 (7.00pm)
Implementation Date <ul style="list-style-type: none"> <li>• Transfer of Dominion Shares to Kingsgate and issue of New Kingsgate Shares to Dominion Shareholders</li> <li>• Dominion Options cancelled by Dominion and New Kingsgate Shares issued to Dominion Optionholders</li> </ul>	Monday, 21 February 2011
Commencement of despatch of certificates and holding statements for New Kingsgate Shares	Monday, 21 February 2011
Last day of trading in New Kingsgate Shares on deferred settlement basis on the ASX	Monday, 21 February 2011
Commencement of trading in New Kingsgate Shares on the ASX on a normal settlement basis	Tuesday, 22 February 2011

Unless stated otherwise, all times in this Scheme Booklet are references to Sydney time.

These dates and times are indicative only. The actual times and dates will depend on many factors outside the control of Dominion, including the Court approval process and the satisfaction or, where applicable, waiver of the conditions precedent in the Scheme Implementation Agreement. Any changes will be notified on Dominion's website at [www.dml.com.au](http://www.dml.com.au) and announced to the ASX.





16 December 2010

### Dear Dominion Shareholders and Dominion Optionholders

#### Background

On 20 October 2010, the Boards of Dominion Mining Limited (**Dominion**) and Kingsgate Consolidated Limited (**Kingsgate**) announced that the companies had signed a Scheme Implementation Agreement, under which Kingsgate proposes to acquire all outstanding Dominion Shares by way of a scheme of arrangement between Dominion and the Dominion Shareholders (**Share Scheme**). Kingsgate also proposes that all outstanding Dominion Options will be cancelled in return for Kingsgate Shares under a separate scheme of arrangement between Dominion and the Dominion Optionholders (**Option Scheme**).

Under the Share Scheme, each Dominion Shareholder will receive 0.31 New Kingsgate Shares for each Dominion Share held on the Share Scheme Record Date (subject to rounding). Under the Option Scheme, each Dominion Optionholder will receive the Option Scheme Consideration for the cancellation of the Dominion Options held on the Option Scheme Record Date, being between 0.023 and 0.085 New Kingsgate Shares per Dominion Option depending on the exercise price and expiry date of the options held (subject to rounding). Following successful completion of the Schemes, Dominion Shareholders and Dominion Optionholders will hold approximately 24% of Kingsgate.

If the Schemes are successfully implemented, Peter Alexander, a Dominion non-executive director, will join the Board of Kingsgate. I will also be retained as an adviser to the Kingsgate Board.

#### Dominion Directors' recommendation

The Dominion Directors unanimously recommend that you vote in favour of the Schemes, in the absence of a superior proposal. In addition, each Dominion Director who holds or controls the voting rights attached to Dominion Shares or Dominion Options intends to vote those shares or options, or procure that those shares or options are voted, in favour of the relevant Scheme, in the absence of a superior proposal. Between them, the Dominion Directors control 9.5% of the Dominion Shares.

#### Benefits of the Schemes

Your Board's recommendation to vote in favour of the Schemes is based on the following considerations:

- the attractive upfront premium offered to Dominion Shareholders;
- the ability for Dominion Shareholders and Dominion Optionholders to participate in the benefits resulting from the combination with Kingsgate. The Schemes will:
  - create a substantially larger mid-tier gold producer listed on the ASX, with 2.4 million ounces of reserves, 5.3 million ounces of resources and potential production of up to 300,000 ounces per year (assuming the Chatree North Processing Plant is completed and becomes operational);
  - provide Dominion Shareholders and Dominion Optionholders with operational and growth diversification through exposure to Kingsgate's Chatree operations and broader exploration projects in Thailand;



- provide a stronger financial platform for growth;
- combine complementary management and operational teams, each with a track record of shareholder value creation; and
- be likely to result in increased stock market appeal through enhanced scale, market presence and liquidity.

Further details concerning the Dominion Directors' recommendations are set out on pages 10 to 21 of this Scheme Booklet.

#### **Independent Expert**

The Dominion Board commissioned KPMG Corporate Finance (Aust) Pty Ltd to prepare an Independent Expert's Report on the Schemes. The Independent Expert has concluded that the Schemes are, in the absence of a superior proposal, in the best interests of Dominion Shareholders and Dominion Optionholders, respectively. A copy of the Independent Expert's Report is set out in Appendix 1 to this Scheme Booklet. I encourage you to read the Independent Expert's Report before voting on the Scheme relevant to you.

#### **Next steps and Scheme Meetings**

Your vote is important in determining whether or not the Schemes proceed. I encourage you to read this Scheme Booklet carefully as it contains important information in relation to the Schemes and will assist you in making an informed decision. In particular, there are certain risks that you would be exposed to as a Kingsgate Shareholder which are described in Section 10 of this Scheme Booklet. Please also consider consulting your financial, legal or other professional adviser.

The Notice of Meeting for the Scheme Meeting relevant to you accompanies this Scheme Booklet. If you wish the Schemes to proceed, it is important that you vote in favour of the resolution at the Scheme Meeting relevant to you.

The Share Scheme Meeting has been convened for **10.00am (Sydney time) on Wednesday, 2 February 2011** at the Metcalfe Auditorium, State Library of NSW, Macquarie Street, Sydney, New South Wales.

The Option Scheme Meeting has been convened for **11.15am (Sydney time) on Wednesday, 2 February 2011** at the Metcalfe Auditorium, State Library of NSW, Macquarie Street, Sydney, New South Wales or as soon thereafter as the Share Scheme Meeting is concluded.

If you are unable to attend the Scheme Meeting relevant to you, you can vote by completing and returning the Proxy Form by 10.00am (Sydney time) on Monday, 31 January 2011 in accordance with the instructions set out on the Proxy Form.

Further details on how you can vote at the Scheme Meeting relevant to you are set out in Section 4 of this Scheme Booklet.

#### **Further information**

If, after reading this Scheme Booklet, you have any questions about the Schemes, please call the Dominion Scheme Information Line on 1300 034 846 (free call from within Australia) or +61 2 9191 5968 (from outside Australia) between 9.00 and 5.00pm (Sydney time), Monday to Friday.

Yours sincerely



**Peter C Joseph AM**  
Chairman  
Dominion Mining Limited



## Letter from the Chairman of Kingsgate



16 December 2010

**Dear Dominion Shareholders and Dominion Optionholders,**

On behalf of the Board and management of Kingsgate, I am pleased to provide you with the opportunity to participate in the combination of Kingsgate and Dominion, creating one of the premier ASX listed mid-tier gold producers.

The Dominion Board has unanimously recommended that you vote in favour of the Schemes, in the absence of a superior proposal. The Independent Expert has also concluded that the Schemes are, in the absence of a superior proposal, in the best interests of Dominion Shareholders and Dominion Optionholders, respectively. As such, I encourage you to read this Scheme Booklet in full and then to vote in favour of the Schemes at the Scheme Meetings on Wednesday, 2 February 2011.

Kingsgate is a highly regarded gold mining and exploration company with a history of low cost gold production and delivering high total shareholder returns. If the transaction is completed, Dominion Shareholders and Dominion Optionholders will gain immediate exposure to Kingsgate's Chatree operations and highly prospective exploration projects in Thailand. In the year to 30 June 2010, Kingsgate produced 132,628 ounces of gold at a cash cost of US\$335 per ounce.

As a Dominion Shareholder or Dominion Optionholder, your vote is very important to ensure that the combination of Kingsgate and Dominion proceeds and the benefits of the transaction are unlocked for all shareholders. On behalf of the Kingsgate Board, I encourage you to vote in favour of the Schemes.

We look forward to welcoming you as a Kingsgate Shareholder following the successful implementation of the Schemes.

Yours sincerely



**Ross Smyth-Kirk**  
Chairman  
Kingsgate Consolidated Limited









# What you should do

## STEP 1: READ THE SCHEME BOOKLET IN ITS ENTIRETY

You should read this Scheme Booklet in its entirety before deciding whether or not to vote in favour of the Scheme relevant to you.

If you have any questions, please contact the Dominion Scheme Information Line on 1300 034 846 (free call from within Australia) or +61 2 9191 5968 (from outside Australia) between 9.00am and 5.00pm (Sydney time), Monday to Friday.

## STEP 2: VOTE ON THE SCHEME RELEVANT TO YOU

Vote on the Scheme relevant to you by doing one of the following:

- **send in the Proxy Form** – complete and return the Proxy Form in accordance with the instructions set out on the Proxy Form so that it is received by no later than 10.00am (Sydney time) on Monday, 31 January 2011;
- **vote in person** – attend the Scheme Meeting relevant to you in person as follows:
  - **Share Scheme Meeting:** to be held at the Metcalfe Auditorium, State Library of NSW, Macquarie Street, Sydney, New South Wales on Wednesday, 2 February 2011, commencing at 10.00am (Sydney time); and/or
  - **Option Scheme Meeting:** to be held at the Metcalfe Auditorium, State Library of NSW, Macquarie Street, Sydney, New South Wales on Wednesday, 2 February 2011, commencing at 11.15am (Sydney time) or as soon thereafter as the Share Scheme Meeting is concluded;
- **attorney** – have your duly authorised attorney attend the Scheme Meeting relevant to you, in person and vote on your behalf. The power of attorney, or a certified copy of the power of attorney, should be lodged with Registries before the meetings or be brought to the meetings; or
- **corporate representative** – corporate representative – Dominion Shareholders which are bodies corporate can also vote at the Share Scheme Meeting by having your corporate representative attend the Share Scheme Meeting in person and voting on your behalf. A copy of the certificate of appointment of the representative should be lodged with Registries before the meeting or be brought to the meeting.

Your Dominion Directors **UNANIMOUSLY RECOMMEND** that you vote in favour of the Schemes relevant to you, in the absence of a superior proposal.

If you wish the Schemes to proceed, it is important that you vote in favour of the resolution at the Scheme Meeting relevant to you. The Schemes will not proceed unless the Share Scheme is approved by Dominion Shareholders and the Option Scheme is approved by Dominion Optionholders (unless, in the case of the Share Scheme, Kingsgate waives the conditions relating to the Option Scheme).

Please refer to Section 4 of this Scheme Booklet for further information regarding how to vote at the Scheme Meetings.



## Why you should vote in favour of the Schemes

This Section should be read in conjunction with pages 18 to 21 of this Scheme Booklet, which set out a summary of the potential disadvantages associated with the Schemes, and page 22 of this Scheme Booklet, which sets out other relevant considerations.

### REASONS TO VOTE IN FAVOUR OF THE SHARE SCHEME

#### 1 Directors' recommendation

The Dominion Directors believe that the Share Scheme is in the best interests of Dominion Shareholders and unanimously recommend that Dominion Shareholders vote in favour of the Share Scheme, in the absence of a superior proposal.

Each Dominion Director who holds or controls the voting rights attached to Dominion Shares intends to vote those shares, or procure that those shares are voted, in favour of the Share Scheme, in the absence of a superior proposal. Between them, the Dominion Directors control 9.5% of the Dominion Shares. Further details about the interests of the Dominion Directors in Dominion Shares are detailed in Section 13.2 of this Scheme Booklet.

Though the Dominion Directors acknowledge that there are reasons to vote against the Share Scheme, they believe that the advantages of the Share Scheme significantly outweigh the disadvantages.

#### 2 Independent Expert's conclusion

KPMG Corporate Finance (Aust) Pty Ltd was commissioned by the Dominion Board as the Independent Expert to assess the merits of the Share Scheme. The Independent Expert's Report is set out in Appendix 1 to this Scheme Booklet and contains the evaluation of the Share Scheme and sets out the Independent Expert's opinion and conclusions.

The Independent Expert has assessed the underlying value of Dominion as a whole to lie in the range of \$2.67 to \$3.38 per Dominion Share on a 100% control basis, which includes a control premium. Based on this assessed valuation range, the value of a New Kingsgate Share should be at least \$8.61. Having regard to a number of benchmarks, the Independent Expert believes it is reasonable to expect that Kingsgate Shares are likely to trade in the immediate future at a price that is greater than \$8.61, all other things being equal.

On that basis, the Independent Expert has concluded that the Share Scheme is, in the absence of a superior proposal, in the best interests of Dominion Shareholders.

#### 3 Share Scheme Consideration represents an attractive upfront premium

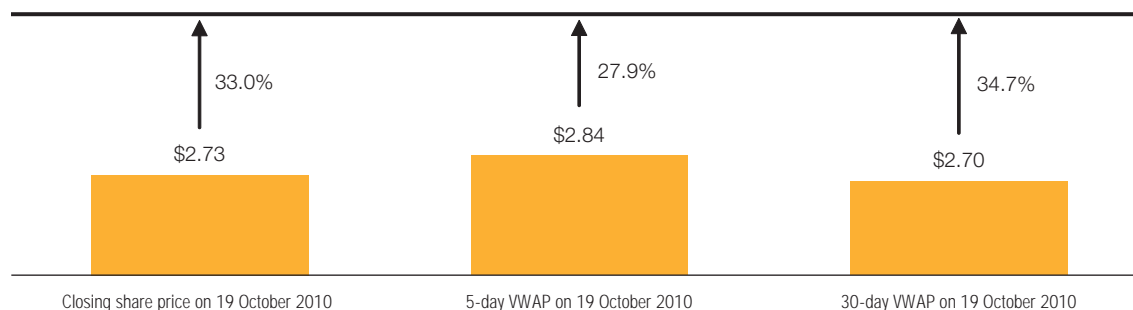
Based on the offer of 0.31 New Kingsgate Shares per Dominion Share and the Kingsgate closing share price of \$11.71 on 19 October 2010, being the last trading day before the Announcement Date, the Share Scheme Consideration implied a value of \$3.63 per Dominion Share, representing a:

- 33.0% premium to the closing price of \$2.73 per Dominion Share on the ASX on the last trading day before the Announcement Date;
- 27.9% premium to the five-day VWAP of \$2.84 per Dominion Share on the ASX on the last trading day before the Announcement Date; and
- 34.7% premium to the 30-day VWAP of \$2.69 per Dominion Share on the ASX on the last trading day before the Announcement Date.

## Why you should vote in favour of the Schemes

Implied premium to the Dominion Share trading price at the Announcement Date

IMPLIED VALUE OF SCHEME CONSIDERATION AT THE ANNOUNCEMENT DATE: \$3.63



Source: IRESS

Dominion Shareholders should note that the implied value of the Share Scheme Consideration will change from time to time based on movements in the Kingsgate Share price. Based on the closing Kingsgate Share price on the ASX of \$10.45 on 15 December 2010, being the latest practicable date prior to the finalisation of this Scheme Booklet, the implied value of the Share Scheme Consideration was \$3.24 per Dominion Share.

As the following chart illustrates, the implied value of the Share Scheme Consideration of \$3.63 per Dominion Share on the Announcement Date, is in excess of the value at which Dominion Shares have traded over the preceding six months.

Dominion share price for the 6 months prior to the Announcement Date



Source: IRESS

### 4 The ability to participate in the benefits resulting from the Combined Group

Dominion Shareholders will receive New Kingsgate Shares as their Share Scheme Consideration and will consequently have the ability to participate in the benefits resulting from the Combined Group. Detailed below are some of the benefits which Dominion has identified from the combination with Kingsgate.

#### (a) Increased scale

As a result of the successful implementation of the Share Scheme, the Combined Group will benefit from enhanced scale.

Taken at the Announcement Date, the Combined Group would have had a pro forma market capitalisation of approximately \$1.6 billion,<sup>1</sup> compared to Dominion's market capitalisation of approximately \$0.3 billion.<sup>2</sup> This would make the Combined Group the third largest gold company on the ASX, and the second largest gold producer on the ASX.

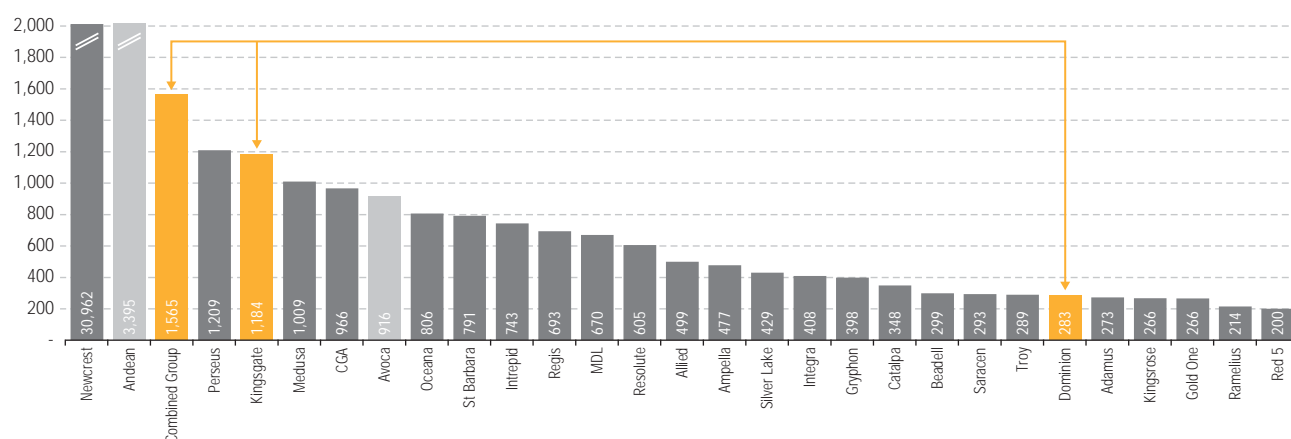
<sup>1</sup> Based on the Kingsgate closing share price of \$11.71 on 19 October 2010, being the last trading date before the Announcement Date, and Kingsgate's offer of 0.31 Kingsgate Shares for each Dominion Share.

<sup>2</sup> Based on the Dominion closing share price of \$2.73 on 19 October 2010, being the last trading date before the Announcement Date.



## Why you should vote in favour of the Schemes

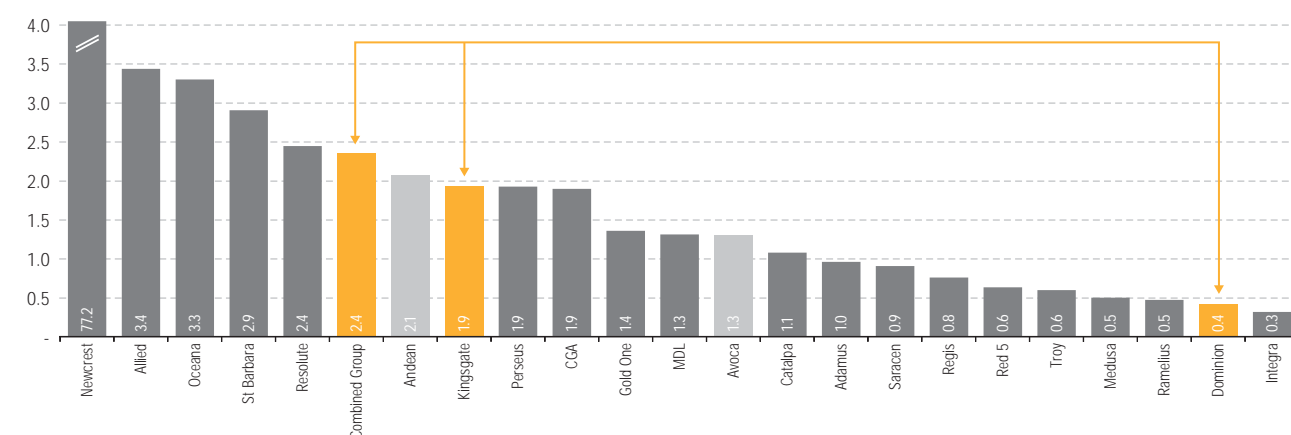
Gold companies listed on the ASX – market capitalisation (\$ million)<sup>3,4</sup>



Source: IRESS, as at 19 October 2010

The Combined Group will also have operations with the potential to produce up to 300,000 ounces of gold per annum following commissioning of the Chatree North Processing Plant, from a reserve and resource base of 2.4 million ounces and 5.3 million ounces, respectively. Following completion of the expansion in January 2010, Dominion's Challenger mine is expected to produce around 100,000 ounces of gold per annum. Gold production at Kingsgate's Chatree mine for FY2011 is expected to be within the range of 120,000 to 130,000 ounces. Assuming the Chatree North Processing Plant is completed and becomes fully operational, Chatree gold production levels have the potential to increase to a rate of up to 200,000 ounces per annum.

Attributable reserves (million ounces)<sup>5,6</sup>



Source: Company filings, as at 19 October 2010

<sup>3</sup> Andean and Avoca are shown in a different colour as they are currently under offer.

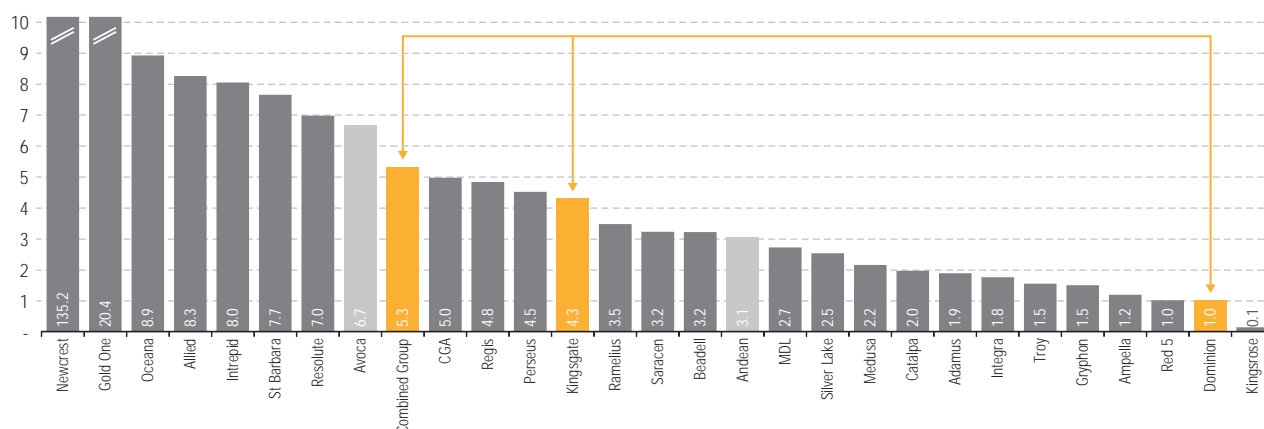
<sup>4</sup> Avoca market capitalisation is prior to merger with Anatolia.

<sup>5</sup> Reserves are presented on a gold only, attributable basis.

<sup>6</sup> Avoca reserves are prior to merger with Anatolia.

## Why you should vote in favour of the Schemes

Attributable resources (million ounces)<sup>7,8</sup>



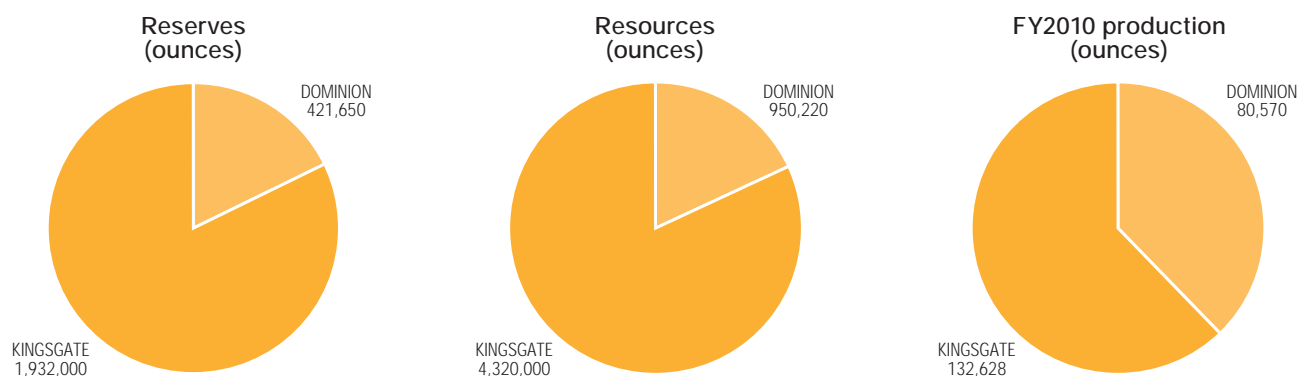
Source: Company filings, as at 19 October 2010

### (b) Operational and growth diversification

The Share Scheme provides Dominion Shareholders with the benefits of a larger and more diversified portfolio of assets, while retaining exposure to Dominion's Challenger operations.

On a standalone basis, Dominion currently has exposure to a single operating mine, Challenger, located in Australia. Upon implementation of the Share Scheme, Dominion Shareholders will gain exposure to Kingsgate's Chatree operations in Thailand.

Kingsgate's Chatree mine, owned and operated by its Thai subsidiary Akara Mining Limited, is the largest gold mine in Thailand in terms of ore mined and gold produced. It is located approximately 280 kilometres north of Bangkok, straddling the two provinces of Phichit and Phetchabun in central Thailand. Further information concerning Chatree is set out in Section 8 of this Scheme Booklet.



The Share Scheme will also create an enhanced exploration portfolio with a strong focus on the Asia Pacific region. Dominion currently has a large portfolio of exploration projects in Western Australia and South Australia. Dominion has also applied for three exploration licences totalling 1,500 square kilometres in the Laos People's Democratic Republic. Kingsgate has a broad portfolio of exploration tenements in Thailand.

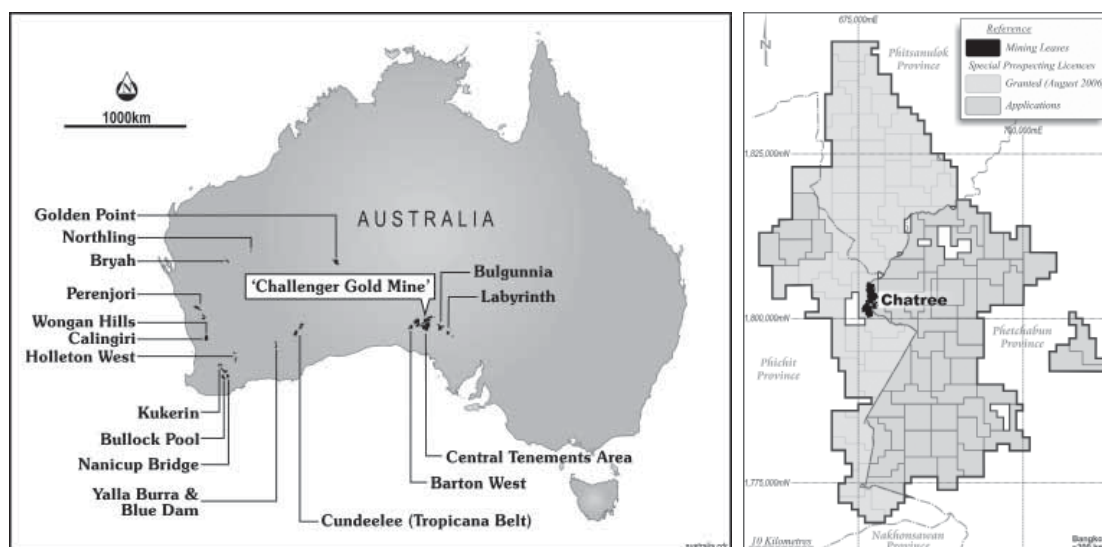
<sup>7</sup> Resources are presented on a gold only, attributable basis.

<sup>8</sup> Avoca resources are prior to merger with Anatolia.



## Why you should vote in favour of the Schemes

### Combined Group's exploration portfolio



### (c) Stronger financial platform for growth

The Combined Group will be in a stronger financial position to fund future growth opportunities. On a pro forma basis at 30 June 2010 (adjusted for final dividends of both companies but prior to transaction costs), the Combined Group would have had significant cash resources of \$44 million and no financial debt. As at 30 September 2010 (unaudited), the Combined Group would have had significant cash and bullion reserves of \$48.4 million (after payment of \$20.5 million in dividends) and no financial debt. However, Kingsgate intends to fund the construction of the Chatree North Processing Plant and the other expansion works at Chatree from a combination of an external debt facility, existing cash reserves and cash from existing operations. As at 30 November 2010, Kingsgate has begun to draw down on its \$60 million revolving credit facility which it has in place with Investec to meet its funding requirements at Chatree. It is the current intention of Kingsgate to arrange a debt facility of up to US\$100 million to complete the funding of the capital works at Chatree. See Section 8.5(b)(i) of this Scheme Booklet for further details.

The Combined Group's greater scale and scope are also expected to increase access to additional sources of capital in the equity and debt markets.

This greater financial capacity and flexibility will increase the Combined Group's ability to capitalise on its significant growth opportunities, as outlined above, and pursue other additional growth opportunities

### (d) Combination of complementary management and operational teams

The Combined Group will combine complementary management and operational teams, which will have the technical capabilities to drive the future growth of the Combined Group. In particular, Dominion's underground mining skills will complement Kingsgate's open cut capabilities.

If the Share Scheme is successfully implemented, Peter Alexander, a Dominion non-executive director, will join the Board of Kingsgate. Dominion's existing Chairman, Peter Joseph, will also be retained as an adviser to the Kingsgate Board.

As a result of the successful implementation of the Share Scheme, Dominion Shareholders will become shareholders of Kingsgate, a company with a management team that has a strong track record in creating shareholder value.

## 5 Potential availability of capital gains tax scrip for scrip roll-over relief for Dominion Shareholders

Generally, CGT roll-over relief will enable Australian tax resident Dominion Shareholders who receive New Kingsgate Shares under the Share Scheme to defer any CGT liability they would otherwise incur on any gains on the disposal of their Dominion Shares under the Share Scheme until the time they dispose of those New Kingsgate Shares.

See Section 11 of this Scheme Booklet for further details on certain Australian taxation considerations for Dominion Shareholders, including the availability of CGT roll-over relief.

## Why you should vote in favour of the Schemes

The Dominion Directors recommend that Dominion Shareholders obtain their own taxation advice that will take into account their own personal circumstances.

### **6 If the Share Scheme does not proceed, and no alternative proposal emerges, the Dominion Share price may fall**

If the Share Scheme does not proceed, Dominion Shareholders will not receive the Share Scheme Consideration but will retain their Dominion Shares, which will continue to be quoted on the ASX and Dominion will remain a standalone entity. Dominion Optionholders will also retain their Dominion Options and will not receive the Option Scheme Consideration.

If the Share Scheme does not proceed, the Dominion Directors expect that the Dominion Share price would be likely to trade below current trading levels (although it is difficult to predict the Dominion Share price movement with any degree of certainty).

In section 4.1.2.3 of the Independent Expert's Report, the Independent Expert states that "In the event the Share Scheme is not approved, Dominion's share price will likely fall".

### REASONS TO VOTE IN FAVOUR OF THE OPTION SCHEME

#### 1 Directors' recommendation

The Dominion Directors believe that the Option Scheme is in the best interests of Dominion Optionholders and unanimously recommend that Dominion Optionholders vote in favour of the Option Scheme, in the absence of a superior proposal.

The Dominion Director who holds or controls the voting rights attached to Dominion Options, namely Jonathan Shellabear, intends to vote those options in favour of the Option Scheme, in the absence of a superior proposal. Further details about the interests of the Dominion Directors in Dominion Options are detailed in Section 13.2 of this Scheme Booklet.

Though the Dominion Directors acknowledge that there may be reasons to vote against the Option Scheme, they believe that the advantages of the Option Scheme significantly outweigh the disadvantages.

#### 2 Independent Expert's conclusion

KPMG Corporate Finance (Aust) Pty Ltd was commissioned by the Dominion Board as the Independent Expert to assess the merits of the Option Scheme. The Independent Expert's Report is set out in Appendix 1 to this Scheme Booklet and contains the evaluation of the Option Scheme and sets out the Independent Expert's opinion and conclusions.

The Independent Expert has assessed a valuation range for each tranche of Dominion Options and has concluded that the implied values of the New Kingsgate Shares to be issued to Dominion Optionholders in consideration for the cancellation of their Dominion Options significantly exceed this valuation range.

On that basis, the Independent Expert has concluded that the Option Scheme is, in the absence of a superior proposal, in the best interests of Dominion Optionholders.

#### 3 The ability to participate in the benefits resulting from the Combined Group

The reasons to vote in favour of the Share Scheme, insofar as they relate to the potential benefits of holding Kingsgate Shares, are also applicable to Dominion Optionholders as they will receive Kingsgate Shares if the Option Scheme is implemented (see Reason 4 'The ability to participate in the benefits resulting from the Combined Group' under the heading 'Reasons to for to vote in favour of the Share Scheme' on pages 10 to 15 of this Scheme Booklet).

#### 4 Implications if the Option Scheme does not proceed but the Share Scheme is approved

If the Share Scheme proceeds but the Option Scheme does not, Dominion will cease to be listed on the ASX. In addition, it is likely that Kingsgate will seek to compulsorily acquire the Dominion Options. In this event, proceeds to Dominion Optionholders may be delayed, given the compulsory acquisition process may take up to three months to complete after implementation of the Share Scheme. Please refer to Section 1.3 of this Scheme Booklet for further details on compulsory acquisition.







## Why you may consider voting against the Schemes

This Section summarises the potential disadvantages to Dominion Shareholders and Dominion Optionholders if the Schemes are successfully implemented.

The Dominion Directors consider that these potential disadvantages are outweighed by the advantages of the Schemes proceeding (set out on pages 10 to 16 of this Scheme Booklet) and that the Schemes are in the best interests of Dominion Shareholders and Dominion Optionholders, in the absence of a superior proposal.

### REASONS YOU MAY DECIDE NOT TO VOTE IN FAVOUR OF THE SHARE SCHEME

#### 1 Change in risk profile and risks of investment

While Dominion and Kingsgate are both gold producers, the operational profile, capital structure, size and geography of the Combined Group will be different from that of Dominion on a standalone basis.

If the Share Scheme is implemented, Dominion will become part of the Combined Group and Dominion Shareholders will become Kingsgate Shareholders. As a result, Dominion Shareholders will be exposed to:

- new risks relating to Kingsgate including, but not limited to country risk in Thailand and risks specific to Kingsgate's projects, including the expansion of the Chatree mine (e.g. Thai economic and political risks, risks associated with the renewal of licences and permits, risks associated with Thai environmental and health laws and risks associated with the preference shareholder litigation) (see Section 8.12 of this Scheme Booklet for a description of the preference shareholder litigation and Section 10.3 of this Scheme Booklet for further information on new risks relating to Kingsgate); and
- a change in currency exchange risk profile.

It is possible that certain Dominion Shareholders may wish to maintain an interest in Dominion as a standalone entity because they are seeking an investment in a listed company with the specific characteristics and investment focus of Dominion. Implementation of the Share Scheme may represent a disadvantage for Dominion Shareholders who do not want a change in investment profile.

You should consider the risks associated with the Share Scheme set out in Section 10 of this Scheme Booklet.

#### 2 Dominion Shareholders will no longer have a 100% economic interest in Dominion

If the Share Scheme is implemented, Dominion Shareholders will no longer be members of Dominion. Dominion Shareholders will have a reduced interest in the business of, and reduced influence over, Dominion since they will form part of the enlarged shareholder base of the Combined Group. Following implementation of the Share Scheme, Dominion Shareholders will hold approximately 24% of Kingsgate.

#### 3 You might disagree with the recommendation of the Dominion Directors and the conclusion of the Independent Expert

The Dominion Directors have had regard to the considerations set out on pages 10 to 16 of this Scheme Booklet in recommending that Dominion Shareholders vote in favour of the Share Scheme. The Independent Expert has concluded that the Share Scheme is, in the absence of a superior proposal, in the best interests of Dominion Shareholders. However, you may hold a different view and are not obliged to follow the recommendation of the Dominion Directors and the conclusion of the Independent Expert.

#### 4 Dominion Shareholders may consider that the time is not yet right for the Share Scheme

Dominion Shareholders may consider that Dominion should continue to develop its existing asset portfolio and consider acquisitions before looking to secure a combination with another gold producer.



## **Why you may consider voting against the Schemes**

### **5 A superior proposal for Dominion may yet emerge**

It is possible that a superior proposal for Dominion which is more attractive for Dominion Shareholders than the Share Scheme may materialise in the future. The implementation of the Share Scheme would mean that Dominion Shareholders would not obtain the benefit of any such superior proposal.

The Dominion Board is not currently aware of any superior proposal and notes that there has been a significant period of time for an alternative proposal for Dominion (which provides a different outcome for Dominion Shareholders) to emerge since the announcement of the Share Scheme on 20 October 2010.

Dominion Shareholders should note that Dominion has agreed to certain exclusivity arrangements with Kingsgate. Please refer to Section 6.10 of this Scheme Booklet for further details.

### **6 Potential uncertainty in the value of the Scheme Consideration**

The exact value of the Scheme Consideration that would be realised by Dominion Shareholders and Dominion Optionholders on implementation of the Schemes is not certain because it will be dependent on the price at which Kingsgate Shares trade on or about that date.

Following implementation of the Schemes, the price of Kingsgate Shares received as Scheme Consideration may rise or fall depending on market conditions and other risk factors affecting relevant markets.

If the price of Kingsgate Shares falls, the value of the New Kingsgate Shares received by Dominion Shareholders and Dominion Optionholders as Scheme Consideration will decline in value. Accordingly, there is no guarantee that Dominion Shareholders and Dominion Optionholders will realise the implied value of the Scheme Consideration.

### **7 Individual taxation consequences**

Implementation of the Share Scheme may have varying tax consequences for Dominion Shareholders depending on their specific circumstances. Further information on the Australian tax consequences of the Share Scheme for certain Dominion Shareholders is outlined in Section 11 of this Scheme Booklet. While Dominion Shareholders who are Australian resident taxpayers are expected to be eligible to receive CGT roll-over relief on the disposal of Dominion Shares pursuant to the Share Scheme, all Dominion Shareholders should consult their own professional tax adviser regarding the tax consequences applicable in their specific circumstances.





## **Why you may consider voting against the Schemes**

### **REASONS YOU MAY DECIDE NOT TO VOTE IN FAVOUR OF THE OPTION SCHEME**

#### **1 You might disagree with the recommendation of the Dominion Directors and the conclusion of the Independent Expert**

The Dominion Directors have had regard to the considerations set out on pages 10 to 16 of this Scheme Booklet in recommending that Dominion Optionholders vote in favour of the Option Scheme. The Independent Expert has concluded that the Option Scheme is, in the absence of a superior proposal, in the best interests of Dominion Optionholders. However, you may hold a different view and are not obliged to follow the recommendation of the Dominion Directors and the conclusion of the Independent Expert.

#### **2 Individual taxation consequences**

Implementation of the Option Scheme may trigger taxation implications for Dominion Optionholders earlier than what would have otherwise been the case. Dominion Optionholders should read the taxation considerations outlined in Section 12 of this Scheme Booklet and seek professional taxation advice with respect to their individual tax situations.

#### **3 Other considerations**

The reasons why Dominion Shareholders may consider voting against the Share Scheme, insofar as they relate to the holding of Kingsgate Shares, are also applicable to Dominion Optionholders as they will receive Kingsgate Shares if the Option Scheme is implemented (see the Section headed "Reasons you may decide not to vote in favour of the Share Scheme" on pages 18 and 19 of this Scheme Booklet).

## Other relevant considerations

Dominion Shareholders and Dominion Optionholders should also take into account the following additional considerations in deciding whether to vote in favour of the Share Scheme or the Option Scheme.

### 1 If the Share Scheme does not proceed

If the Share Scheme does not proceed (e.g. because the Share Scheme is not approved by Dominion Shareholders or the approval of the Court is not obtained at the Second Court Hearing or the Scheme Implementation Agreement is terminated):

- Dominion Shareholders will continue to hold their Dominion Shares and the rights of Dominion Shareholders will not change;
- Dominion Shareholders will not receive the Share Scheme Consideration;
- the Dominion Option Scheme will not proceed and Dominion Optionholders will continue to hold their Dominion Options;
- Dominion Optionholders will not receive the Option Scheme Consideration;
- Dominion will continue to operate as a standalone entity listed on the ASX under the leadership of the current Dominion Board and management; and
- in the absence of a superior proposal, the market price for Dominion Shares may fall.

See section 4.1.2.3 of the Independent Expert's Report for the Independent Expert's assessment of the implications if the Share Scheme is not approved and does not proceed.

### 2 The Schemes may be implemented even if you do not vote, or you vote against the Scheme relevant to you

You should be aware that even if you do not vote, or you vote against the Scheme relevant to you, the Schemes may still be implemented if they are approved by the requisite majorities of Dominion Shareholders and Dominion Optionholders and by the Court.

If this occurs and you are a Dominion Shareholder, your Dominion Shares will be transferred to Kingsgate and you will receive the Share Scheme Consideration even though you did not vote on, or voted against, the Share Scheme. If you are a Dominion Optionholder, your Dominion Options will be cancelled and you will receive the Option Scheme Consideration even though you did not vote on, or voted against, the Option Scheme.

### 3 Conditionality of the Schemes

There are a number of conditions precedent which must be satisfied or waived prior to the Share Scheme and Option Scheme being implemented. Full details of these conditions are provided in Section 6.3 of this Scheme Booklet.

As at the date of this Scheme Booklet, neither Dominion nor Kingsgate is aware of any circumstances which would cause the outstanding conditions precedent not to be satisfied.

### 4 Break fees

Each of Dominion and Kingsgate has agreed to pay a break fee of \$3.75 million (excluding GST) in certain circumstances. Please refer to the summary of the break fee arrangements set out in Section 6.11 of this Scheme Booklet.

A copy of the Scheme Implementation Agreement is set out in Appendix 3 to this Scheme Booklet.

### 5 Board representation

Subject to the Schemes becoming Effective, Dominion must arrange for the members of the Board of Dominion and each subsidiary of Dominion to be replaced with Kingsgate nominees.

On implementation of the Schemes, Peter Alexander, a Dominion non-executive director, will join the Kingsgate Board. Dominion's existing Chairman, Peter Joseph, will also be retained as an adviser to the Kingsgate Board.



# 1 Overview of the Schemes

# 1 Overview of the Schemes

## 1.1 Background

On 20 October 2010, Dominion and Kingsgate jointly announced that they had signed a Scheme Implementation Agreement under which it is proposed that:

- (a) Kingsgate will acquire all of the Dominion Shares issued or outstanding on the Share Scheme Record Date under a scheme of arrangement for the Share Scheme Consideration pursuant to the Share Scheme; and
- (b) the Dominion Options will be cancelled under a scheme of arrangement for the Option Scheme Consideration pursuant to the Option Scheme.

Subject to the Schemes being implemented, the Dominion Performance Rights will also be cancelled.

The Schemes are subject to a number of conditions precedent, details of which can be found in Section 6.3 of this Scheme Booklet.

## 1.2 Summary of the Schemes

### Overview

The Schemes are proposed to be implemented by way of two schemes of arrangement, namely:

- the Share Scheme which involves the transfer of all the Dominion Shares to Kingsgate in consideration of the issue of 0.31 New Kingsgate Shares for each Dominion Share held on the Share Scheme Record Date;<sup>10</sup> and
- the Option Scheme which involves the cancellation of all the Dominion Options in consideration for the Option Scheme Consideration, being between 0.023 and 0.085 New Kingsgate Shares per Dominion Option depending on the exercise price and expiry date of the options held.<sup>11</sup>

### Inter-conditionality of the Schemes

The Share Scheme is conditional on the Option Scheme being implemented, unless Kingsgate waives the requirement for the Option Scheme to be implemented. Accordingly, if the Option Scheme is not approved by Dominion Optionholders, the Share Scheme may still proceed if Kingsgate waives the relevant condition.

The Option Scheme is, however, conditional on the Share Scheme being implemented. Accordingly, if the Option Scheme is approved by Dominion Optionholders but the Share Scheme is not approved by Dominion Shareholders or by the Court, then the Option Scheme will not proceed.

### Conditions for implementing the Schemes

Implementation of the Schemes is subject to a number of conditions precedent being satisfied or waived including, but not limited to:

- approval of the Share Scheme by Dominion Shareholders;
- approval of the Option Scheme by Dominion Optionholders;
- approval of the Share Scheme and the Option Scheme by the Court;
- Foreign Investment Review Board (**FIRB**) approval;
- ASIC, the ASX and other regulatory authorities providing such consents, approvals or waivers which Dominion and Kingsgate agree are necessary to implement the Share Scheme and the Option Scheme;
- no occurrence of a Target Material Adverse Change or Bidder Material Adverse Change;
- no occurrence of a Target Prescribed Occurrence or Bidder Prescribed Occurrence;
- the representations and warranties provided by Dominion and Kingsgate in the Scheme Implementation Agreement being true and correct in all material respects; and
- no temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction, no preliminary or final decision, determination or order issued by any regulatory authority and no other legal restraint preventing any aspect of the Share Scheme or the Option Scheme being in effect.

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<sup>10</sup> With the aggregate entitlement of a Dominion Shareholder rounded up or down to the nearest whole number of New Kingsgate Shares, with fractions of 0.5 or more being rounded up and fractions of less than 0.5 being rounded down, and subject to the share splitting provisions in clause 5.5 of the Share Scheme.

<sup>11</sup> With the aggregate entitlement of a Dominion Optionholder rounded up or down to the nearest whole number of New Kingsgate Shares, with fractions of 0.5 or more being rounded up and fractions of less than 0.5 being rounded down.



# 1 Overview of the Schemes

As at the date of lodgement of this Scheme Booklet with ASIC for registration, neither Dominion nor Kingsgate is aware of any circumstances which would cause the outstanding conditions precedent not to be satisfied or waived.

Further information regarding the conditions precedent to the Schemes is set out in Section 6.3 of this Scheme Booklet.

## Share Scheme Consideration

The Share Scheme Consideration payable if the Share Scheme is successful is 0.31 New Kingsgate Shares for each Dominion Share held on the Share Scheme Record Date.<sup>12</sup>

Based on Kingsgate's closing share price of \$11.71 on 19 October 2010, the day prior to the announcement of the execution of the Scheme Implementation Agreement, and Kingsgate's offer of 0.31 New Kingsgate Shares for every Dominion Share, the Share Scheme valued each Dominion Share at \$3.63 per share.

Based on Kingsgate's closing share price of \$10.45 on 15 December 2010, being the latest practicable date prior to the finalisation of this Scheme Booklet, the implied value of the Share Scheme Consideration was \$3.24 per Dominion Share.

Further information regarding the Share Scheme Consideration is set out in Section 6.5 of this Scheme Booklet.

## Option Scheme Consideration

The Option Scheme Consideration payable if the Option Scheme is successful is between 0.023 and 0.085 New Kingsgate Shares per Dominion Option depending on the exercise price and expiry date of the options held.<sup>13</sup>

The number of New Kingsgate Shares to be issued has been determined by reference to the Black-Scholes option pricing formula and using a five-day VWAP for the period up to and including the last trading day before the Announcement Date of \$11.96 per Kingsgate Share and volatility of 50%.<sup>14</sup>

Further information regarding the Option Scheme Consideration, including a table setting out the value of and number of New Kingsgate Shares to be issued for the Dominion Options, is set out in Section 6.6 of this Scheme Booklet.

## Effect of the Schemes

If the Schemes become Effective and are implemented:

- Kingsgate will acquire all of the Dominion Shares;
- all of the Dominion Options will be cancelled;
- subject to arrangements for Ineligible Foreign Holders (which are summarised in Section 6.8 of this Scheme Booklet), Kingsgate will issue 0.31 New Kingsgate Shares for each Dominion Share held on the Share Scheme Record Date;<sup>15</sup>
- subject to arrangements for Ineligible Foreign Holders (which are summarised in Section 6.8 of this Scheme Booklet), Kingsgate will issue the Option Scheme Consideration in respect of each Dominion Option held on the Option Scheme Record Date;<sup>16</sup> and
- Dominion will become a subsidiary of Kingsgate and will be delisted from the ASX.

A copy of the Share Scheme is set out in Appendix 4 to this Scheme Booklet and a copy of the Option Scheme is set out in Appendix 6 to this Scheme Booklet.

If the Share Scheme proceeds but the Option Scheme does not, it is likely that Kingsgate will seek to compulsorily acquire the Dominion Options. Please refer to Section 1.3 of this Scheme Booklet for further details on compulsory acquisition.

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12 With the aggregate entitlement of a Dominion Shareholder rounded up or down to the nearest whole number of New Kingsgate Shares, with fractions of 0.5 or more being rounded up and fractions of less than 0.5 being rounded down, and subject to the share splitting provisions in clause 5.5 of the Share Scheme.

13 With the aggregate entitlement of a Dominion Optionholder rounded up or down to the nearest whole number of New Kingsgate Shares, with fractions of 0.5 or more being rounded up and fractions of less than 0.5 being rounded down.

14 With the aggregate entitlement of a Dominion Optionholder rounded up or down to the nearest whole number of New Kingsgate Shares, with fractions of 0.5 or more being rounded up and fractions of less than 0.5 being rounded down.

15 With the aggregate entitlement of a Dominion Shareholder rounded up or down to the nearest whole number of New Kingsgate Shares, with fractions of 0.5 or more being rounded up and fractions of less than 0.5 being rounded down, and subject to the share splitting provisions in clause 5.5 of the Share Scheme.

16 With the aggregate entitlement of a Dominion Shareholder rounded up or down to the nearest whole number of New Kingsgate Shares, with fractions of 0.5 or more being rounded up and fractions of less than 0.5 being rounded down, and subject to the share splitting provisions in clause 5.5 of the Share Scheme.

# 1 Overview of the Schemes

## Steps for implementing the Schemes

There are a number of steps that need to be taken to implement the Schemes. These steps are described in greater detail in Section 6.2 of this Scheme Booklet.

### 1.3 Exercise of Dominion Options and compulsory acquisition

Some existing Dominion Options may already be exercisable in accordance with their terms of issue.

If you hold Dominion Options which are currently exercisable, you may elect to exercise those Dominion Options to become a Dominion Shareholder, and then participate in the Share Scheme rather than accept the Option Scheme Consideration.

If a Dominion Optionholder elects to do so, such exercise must occur by 5.00pm (Sydney time) on the Business Day preceding the Share Scheme Record Date.<sup>17</sup> Please note that these periods are short. Dominion Optionholders who wish to exercise their Dominion Options and participate in the Share Scheme must ensure such exercise occurs in sufficient time to allow this. Dominion Optionholders seeking further information on exercising their Dominion Options should contact the Dominion Scheme Information Line on 1300 034 846 (free call from within Australia) or +61 2 9191 5968 (from outside Australia) between 9.00am and 5.00pm (Sydney time), Monday to Friday.

It is noted that 600,000 Dominion Options were issued in January 2009 with a vesting date of 1 January 2010 and an expiry date of 1 January 2011. To the extent that the holders of those Dominion Options have not exercised them on or before 1 January 2011 and become Dominion Shareholders who participate in the Share Scheme, those Dominion Options will expire on 1 January 2011 and will not participate in the Option Scheme.

Dominion Optionholders should note that they may experience different taxation consequences depending on whether they participate in the Option Scheme or exercise their Dominion Options and participate in the Share Scheme. Dominion Optionholders should read the Australian taxation considerations outlined in Section 12 of this Scheme Booklet and seek professional taxation and financial advice with respect to their individual tax and financial situations. The Option Scheme is conditional on (among other things) the Share Scheme becoming Effective.

In the event that the Option Scheme does not become Effective, but the Share Scheme becomes Effective, and Kingsgate becomes entitled to compulsorily acquire outstanding Dominion Options under Part 6A.2 of the Corporations Act, it is the present intention of Kingsgate to proceed with compulsory acquisition of those Dominion Options. Dominion Optionholders should note that, in the event that Kingsgate seeks to compulsorily acquire Dominion Options, the Corporations Act sets out procedures and safeguards for Dominion Optionholders. In order to compulsorily acquire Dominion Options, Kingsgate must prepare and issue a notice in the form prescribed by the Corporations Act. A Dominion Optionholder may object to compulsory acquisition of their Dominion Options. If persons who hold at least 10% of the Dominion Options validly object to the compulsory acquisition, compulsory acquisition cannot proceed unless Kingsgate obtains court approval of the compulsory acquisition. Such approval may only be granted by the court where Kingsgate establishes that the Dominion Optionholders will receive fair value for their Dominion Options. In accordance with the Corporations Act, Kingsgate is required to bear the legal costs of any objection made by a Dominion Optionholder unless it is improper, vexatious or otherwise unreasonable. Dominion Optionholders should note that where compulsory acquisition applies in these circumstances, Kingsgate must acquire Dominion Options for a cash sum only.

### 1.4 Recommendations of Dominion Directors

The Dominion Directors are of the opinion that the Share Scheme is in the best interests of Dominion Shareholders and unanimously recommend that Dominion Shareholders vote in favour of the Share Scheme, in the absence of a superior proposal.

The Dominion Directors are also of the opinion that the Option Scheme is in the best interests of Dominion Optionholders and unanimously recommend that Dominion Optionholders vote in favour of the Option Scheme, in the absence of a superior proposal.

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<sup>17</sup> Assuming the Share Scheme Record Date is before or the same date as the Option Scheme Record Date. If the Share Scheme Record Date is after the Option Scheme Record Date, a notice of option exercise must be received by 5.00pm (Sydney time) on the Business Day preceding the Option Scheme Record Date.



# 1 Overview of the Schemes

Each Dominion Director who holds or controls the voting rights attached to Dominion Shares or Dominion Options intends to vote those shares or options, or procure that those shares or options are voted, in favour of the relevant Scheme, in the absence of a superior proposal.

In making their recommendations, the Dominion Directors have in particular considered the following:

- (a) the advantages of, and the reasons for voting in favour of, the Schemes set out on pages 10 to 16 of this Scheme Booklet;
- (b) the potential disadvantages of, and reasons for voting against, the Schemes set out on pages 18 to 21 of this Scheme Booklet; and
- (c) the other relevant considerations noted on page 22 of this Scheme Booklet.

The interests of the Dominion Directors in the Schemes are disclosed in Section 13 of this Scheme Booklet.

## 1.5 Independent Expert's Report

KPMG Corporate Finance (Aust) Pty Ltd was appointed by the Dominion Directors as the Independent Expert to prepare a report on whether the Share Scheme is in the best interests of Dominion Shareholders and on whether the Option Scheme is in the best interests of Dominion Optionholders.

The Independent Expert has concluded that the Schemes are, in the absence of a superior proposal, in the best interests of Dominion Shareholders and Dominion Optionholders, respectively.

A copy of the Independent Expert's Report in relation to the Schemes is set out in Appendix 1 to this Scheme Booklet. You are advised to read it carefully.

## 1.6 Approvals required

For the Share Scheme to be implemented, it must be approved by:

- a majority (i.e. more than 50%) in number of Dominion Shareholders present and voting on the Share Scheme Resolution (in person or by proxy, attorney or, in the case of a corporate Dominion Shareholder, by a corporate representative);<sup>18</sup> and
- at least 75% of the total number of votes cast on the Share Scheme Resolution by Dominion Shareholders (in person or by proxy, attorney or, in the case of a corporate Dominion Shareholder, by a corporate representative).

The Share Scheme Meeting has been convened for 10.00am (Sydney time) on Wednesday, 2 February 2011 at the Metcalfe Auditorium, State Library of NSW, Macquarie Street, Sydney, New South Wales.

For the Option Scheme to be implemented, it must be approved by a majority (i.e. more than 50%) in number of Dominion Optionholders present and voting on the Option Scheme Resolution (in person or by proxy or attorney) whose Dominion Options in aggregate are at least 75% (by value) of the total of all Dominion Options voted on the Option Scheme Resolution. For this purpose, the value of a Dominion Optionholder's options will be equal to the value of the Option Scheme Consideration that would be payable to them under the Option Scheme in respect of its Dominion Options.

The Option Scheme Meeting has been convened for 11.15am (Sydney time) on Wednesday, 2 February 2011 at the Metcalfe Auditorium, State Library of NSW, Macquarie Street, Sydney, New South Wales or as soon thereafter as the Share Scheme Meeting is concluded.

The Share Scheme and the Option Scheme are also conditional on approval by the Court.

## 1.7 Entitlement to vote

All Dominion Shareholders on the Dominion Share Register at 7.00pm (Sydney time) on Monday, 31 January 2011 are entitled to vote at the Share Scheme Meeting.

All Dominion Optionholders on the Dominion Option Register at 7.00pm (Sydney time) on Monday, 31 January 2011 are entitled to vote at the Option Scheme Meeting.

For further details on how to vote, please refer to Section 4 of this Scheme Booklet.

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<sup>18</sup> The Court has a discretion to approve the Share Scheme where it is approved by at least 75% of all votes cast on the Share Scheme Resolution but not by a majority in number of Dominion Shareholders voting on the Share Scheme Resolution: refer to section 411(4)(a)(ii)(A) of the Corporations Act.

# 1 Overview of the Schemes

## 1.8 Trading of New Kingsgate Shares

If the Schemes are implemented, New Kingsgate Shares are expected to commence trading on a deferred settlement basis on the ASX on Tuesday, 8 February 2011, being the next trading day after the Effective Date, and on a normal settlement basis on Tuesday, 22 February 2011.

## 1.9 Tax considerations for Dominion Shareholders and Dominion Optionholders

A summary of the general Australian taxation implications of the Share Scheme for Dominion Shareholders who are Australian residents for tax purposes is set out in Section 11 of this Scheme Booklet.

A summary of the general Australian taxation implications of the Option Scheme for Dominion Optionholders who are Australian residents for tax purposes is set out in Section 12 of this Scheme Booklet.

Your decision regarding how to vote on the Scheme relevant to you should be made only after consultation with your financial, legal or other professional adviser based on your own investment objectives, financial situation, taxation position and particular needs.

## 1.10 How to obtain further information

For further information, you should:

- contact your financial, legal or other professional adviser; and/or
- call the Dominion Scheme Information Line on 1300 034 846 (free call from within Australia) or +61 2 9191 5968 (from outside Australia) between 9.00am and 5.00pm (Sydney time), Monday to Friday.





## 2 Key questions

## 2 Key Questions

This Section answers some frequently asked questions about the Schemes. It is not intended to address all relevant issues for Dominion Shareholders and Dominion Optionholders and should be read together with all other sections of this Scheme Booklet.

Question	Answer	More Information
<b>QUESTIONS ABOUT THE SCHEMES</b>		
What is the Share Scheme?	<p>A scheme of arrangement is a statutory procedure under the Corporations Act that is commonly used to enable one company to acquire another company.</p> <p>The Share Scheme is a scheme of arrangement between Dominion and Dominion Shareholders to effect the acquisition of Dominion Shares by Kingsgate. If the Share Scheme proceeds, Dominion will be delisted from ASX and become a wholly owned subsidiary of Kingsgate.</p> <p>The Share Scheme is conditional on implementation of the Option Scheme (although this condition can be waived by Kingsgate) and is subject to a number of other conditions precedent set out in clause 3.1 of the Scheme Implementation Agreement, and summarised in Section 6.3 of this Scheme Booklet.</p>	<p>Section 6 of this Scheme Booklet provides information on the implementation of the Share Scheme.</p> <p>A copy of the Share Scheme is contained in Appendix 4 of this Scheme Booklet.</p>
What is the Option Scheme?	<p>The Option Scheme is a scheme of arrangement between Dominion and Dominion Optionholders to effect the cancellation of Dominion Options.</p> <p>The Option Scheme is conditional on (among other things) implementation of the Share Scheme. The conditions precedent are set out in full in clause 3.1 of the Option Scheme.</p>	<p>Section 6 of this Scheme Booklet provides information on the implementation of the Option Scheme.</p> <p>A copy of the Option Scheme is contained in Appendix 6 to this Scheme Booklet.</p>
Why are the Schemes being proposed?	<p>The Schemes provide for the proposed acquisition of all of the Dominion Shares by Kingsgate and will allow Dominion Shareholders and Dominion Optionholders to realise the value of their securities.</p>	<p>Section 6.5 of this Scheme Booklet contains detailed information about the Share Scheme Consideration.</p> <p>Section 6.6 of this Scheme Booklet contains detailed information about the Option Scheme Consideration.</p>
What is the effect of the Schemes?	<p>If the Schemes become Effective and are implemented:</p> <ul style="list-style-type: none"> <li>all Dominion Shares as at the Share Scheme Record Date will be transferred to Kingsgate;</li> <li>all Dominion Options as at the Option Scheme Record Date will be cancelled;</li> <li>Dominion will become a wholly owned subsidiary of Kingsgate and will be delisted from the ASX;</li> <li>all Dominion Shareholders at the Share Scheme Record Date (whether or not they voted for or against the Share Scheme) will receive the Share Scheme Consideration; and</li> <li>all Dominion Optionholders at the Option Scheme Record Date (whether or not they voted for or against the Option Scheme) will receive the Option Scheme Consideration.</li> </ul> <p>If the Share Scheme proceeds but the Option Scheme does not, it is likely that Kingsgate will seek to compulsorily acquire the Dominion Options. Please refer to Section 1.3 of this Scheme Booklet for further details on compulsory acquisition.</p>	<p>Section 6.5 of this Scheme Booklet contains detailed information about the Share Scheme Consideration.</p> <p>Section 6.6 of this Scheme Booklet contains detailed information about the Option Scheme Consideration.</p> <p>Section 1.3 of this Scheme Booklet contains further details on compulsory acquisition of the Dominion Options if the Share Scheme proceeds but the Option Scheme does not proceed.</p>



## 2 Key Questions

Question	Answer	More Information
<b>QUESTIONS ABOUT KINGSGATE</b>		
Who is Kingsgate?	<p>Kingsgate is an ASX listed gold producer, with a market capitalisation of \$1.2 billion at the Announcement Date.</p> <p>Kingsgate's key asset is the Chatree gold mine, held by its subsidiary Akara Mining Limited, located in central Thailand. Gold production at Chatree for FY2011 is expected to be within the range of 120,000 to 130,000 ounces. Assuming the Chatree North Processing Plant is completed and becomes fully operational, Chatree gold production levels have the potential to increase to a rate of up to 200,000 ounces per annum.</p> <p>Chatree has produced over one million ounces of gold in the nine years it has been producing. The mine has 4.3 million ounces of gold resources and 1.9 million ounces of gold reserves.</p>	Section 8 of this Scheme Booklet contains detailed information about Kingsgate.
Who is on the Kingsgate Board?	<p>The Kingsgate Board currently consists of:</p> <ul style="list-style-type: none"> <li>• Ross Smyth-Kirk (Non-Executive Chairman);</li> <li>• Gavin Thomas (Managing Director and Chief Executive Officer);</li> <li>• Craig Carracher (Non-Executive Director); and</li> <li>• Peter McAleer (Non-Executive Director).</li> </ul> <p>On implementation of the Schemes, Peter Alexander, a Dominion non-executive Board member, will join the Kingsgate Board. Dominion's existing Chairman, Peter Joseph, will be retained as an adviser to the Kingsgate Board.</p>	Section 8.6 of this Scheme Booklet contains detailed information about the Kingsgate Board.
Who is Kingsgate's management team?	<p>The Kingsgate management team currently consists of:</p> <ul style="list-style-type: none"> <li>• Gavin Thomas (Managing Director and Chief Executive Officer);</li> <li>• Peter Warren (Chief Financial Officer and Company Secretary);</li> <li>• Duane Woodbury (General Manager Strategic Development);</li> <li>• Joel Forwood (Manager Corporate and Markets);</li> <li>• Pakorn Sukhum (Chief Executive Officer, Akara Mining Limited);</li> <li>• Philip MacIntyre (Chief Operating Officer and General Manager, Akara Mining Limited); and</li> <li>• Ron James (General Manager Exploration and Resource Development).</li> </ul>	Section 8.6 of this Scheme Booklet contains detailed information about Kingsgate's senior management team.
<b>ASSESSMENT OF THE SCHEMES</b>		
What are the Dominion Directors' recommendations in respect of the Schemes?	The Dominion Directors unanimously recommend that you vote in favour of the Scheme relevant to you, in the absence of a superior proposal.	Page 10 to 21 of this Scheme Booklet set out the reasons for the Dominion Directors' unanimous recommendations.
What is the opinion of the Independent Expert?	The Independent Expert has concluded that the Share Scheme and the Option Scheme are, in the absence of a superior proposal, in the best interests of Dominion Shareholders and Dominion Optionholders, respectively.	A copy of the Independent Expert's Report is set out in Appendix 1 to this Scheme Booklet.

## 2 Key Questions

Question	Answer	More Information
Are there any disadvantages associated with the Schemes?	<p>The Dominion Directors unanimously believe that the potential advantages of the Schemes outweigh the potential disadvantages of the Schemes.</p> <p>However, Dominion Shareholders and Dominion Optionholders should be aware of the potential disadvantages and risks related to the Schemes.</p>	Pages 18 to 21 set out some of the disadvantages of the Schemes. You should also review page 22 of this Scheme Booklet which set out other considerations relevant to your assessment of the relevant Scheme. Further, Section 10 of this Scheme Booklet sets out in detail the risks associated with the Schemes.
What are the risks associated with the Schemes?	<p>Dominion Shareholders and Dominion Optionholders should be aware that there are risks associated with implementing the Schemes, gold mining and share ownership in general, and there can be no guarantee that all of the benefits associated with the Schemes anticipated by the Dominion Directors will be achieved. The risks associated with an investment in the Combined Group are contained in Section 10 of this Scheme Booklet. Such risks include:</p> <ul style="list-style-type: none"> <li>• economic and financial risks arising from fluctuations in commodity prices, namely gold;</li> <li>• uncertainty regarding the recoverability of resources and reserves in the estimated quantities, qualities and yields;</li> <li>• currency exchange risk;</li> <li>• country risk in Thailand;</li> <li>• risks specific to Kingsgate's projects, including the expansion of the Chatree mine;</li> <li>• risks associated with litigation affecting Kingsgate (see Section 8.12 for further details of this litigation);</li> <li>• risks specific to Dominion's projects, including regulatory matters arising due to the location of the Challenger mine in the Woomera Prohibited Area;</li> <li>• general operational and mining risk;</li> <li>• general risks relating to holding shares in ASX listed companies; and</li> <li>• integration risks.</li> </ul>	Section 10 of this Scheme Booklet sets out in detail the risks associated with the Schemes.

### SHARE SCHEME CONSIDERATION AND OPTION SCHEME CONSIDERATION

What is the Share Scheme Consideration?	<p>If the Share Scheme becomes Effective and you hold Dominion Shares at the Share Scheme Record Date, you will receive the Share Scheme Consideration.</p> <p>The Share Scheme Consideration comprises 0.31 New Kingsgate Shares for each Dominion Share you hold at the Share Scheme Record Date.<sup>19</sup></p> <p>The Share Scheme Consideration will only be paid in respect of Dominion Shares held at the Share Scheme Record Date.</p>	Detailed information about the Share Scheme Consideration is provided in Section 6.5 of this Scheme Booklet.
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<sup>19</sup> With the aggregate entitlement of a Dominion Shareholder rounded up or down to the nearest whole number of New Kingsgate Shares, with fractions of 0.5 or more being rounded up and fractions of less than 0.5 being rounded down, and subject to the share splitting provisions in clause 5.5 of the Share Scheme.



## 2 Key Questions

Question	Answer	More Information
What is the Option Scheme Consideration?	<p>If the Option Scheme becomes Effective and you hold Dominion Options at the Option Scheme Record Date, you will receive the Option Scheme Consideration.</p> <p>The Option Scheme Consideration is between 0.023 and 0.085 New Kingsgate Shares per Dominion Option depending on the exercise price and expiry date of the options held.<sup>20</sup></p> <p>The Option Scheme Consideration will only be paid in respect of Dominion Options held at the Option Scheme Record Date.</p>	Detailed information about the Option Scheme Consideration is provided in Section 6.6 of this Scheme Booklet.
When will I receive my Scheme Consideration?	<p>If the Schemes becomes Effective and are implemented:</p> <ul style="list-style-type: none"> <li>• New Kingsgate Shares to which you are entitled will be issued to you on the Implementation Date of the relevant Scheme and a holding statement for your Kingsgate Shares will be sent to you; and</li> <li>• if you are an Ineligible Foreign Holder, the New Kingsgate Shares that would otherwise be issued to you will be issued to the Sale Agent, as nominee, and sold under the Sale Facility. You will be paid the proceeds of sale promptly following the last sale under the Sale Facility.</li> </ul> <p>If you are an Ineligible Foreign Holder, your entitlement to the proceeds of sale under the Sale Facility will be paid to you by cheque or, if you have a payment direction (that is currently used for the payment of dividends) for a bank account with any Australian ADI (as defined in the Corporations Act) recorded in the Dominion Share Register as at the relevant Scheme Record Date, by depositing it into that account.</p>	<p>Refer to Section 6.5 of this Scheme Booklet for further information regarding the Share Scheme Consideration.</p> <p>Refer to Section 6.6 of this Scheme Booklet for further information regarding the Option Scheme Consideration.</p> <p>Refer to Section 6.8 of this Scheme Booklet for further details regarding the Sale Facility.</p>
When can I start trading my New Kingsgate Shares?	<p>Trading in New Kingsgate Shares on the ASX is expected to commence on a deferred settlement basis on Tuesday, 8 February 2011 and is expected to commence on a normal settlement basis on Tuesday, 22 February 2011.</p> <p>As the exact amount of New Kingsgate Shares to be issued to you will not be confirmed to you until you receive your holding statement following the Implementation Date of the Share Scheme, if you trade in your New Kingsgate Shares during the deferred settlement period and prior to receipt of your holding statement, you do so at your own risk.</p>	

<sup>20</sup> With the aggregate entitlement of a Dominion Optionholder rounded up or down to the nearest whole number of New Kingsgate Shares, with fractions of 0.5 or more being rounded up and fractions of less than 0.5 being rounded down.

## 2 Key Questions

Question	Answer	More Information
Will I have to pay any brokerage or stamp duty in relation to the Schemes?	No, there are no brokerage or other costs payable by you in connection with the disposal of your Dominion Shares or the cancellation of your Dominion Options and your receipt of the Scheme Consideration.	

### SCHEME MEETINGS, VOTING AND APPROVAL

Who is entitled to vote at the Scheme Meetings?	<p>Dominion Shareholders who are recorded on the Dominion Share Register as the holder of Dominion Shares as at 7.00pm (Sydney time) on Monday, 31 January 2011 are entitled to attend and vote at the Share Scheme Meeting.</p> <p>Dominion Optionholders who are recorded on the Dominion Option Register as the holder of Dominion Options as at 7.00pm (Sydney time) on Monday, 31 January 2011 are entitled to attend and vote at the Option Scheme Meeting.</p>	See Section 4 of this Scheme Booklet for further information regarding how to vote.
When and where will the Scheme Meetings be held?	<p>The Share Scheme Meeting is scheduled to be held at the Metcalfe Auditorium, State Library of NSW, Macquarie Street, Sydney, New South Wales at 10.00am (Sydney time) on Wednesday, 2 February 2011.</p> <p>The Option Scheme Meeting is scheduled to be held on the same date and at the same place commencing at 11.15am (Sydney time) or as soon thereafter as the Share Scheme Meeting is concluded.</p>	The Notice of Meeting for the Scheme Meeting relevant to you accompanies this Scheme Booklet.
If I wish to vote in favour of the relevant Scheme, how do I vote?	<p>You can vote at the Scheme Meeting:</p> <ul style="list-style-type: none"> <li>• by sending in the Proxy Form in accordance with the instructions set out on the Proxy Form;</li> <li>• in person; or</li> <li>• by attorney.</li> </ul> <p>Dominion Shareholders which are bodies corporate can also vote at the Share Scheme Meeting through a corporate representative.</p>	<p>See Section 4 of this Scheme Booklet for further information regarding how to vote.</p> <p>A Proxy Form for the Scheme Meeting relevant to you accompanies this Scheme Booklet.</p>
Is voting compulsory? Should I vote?	<p>Voting is not compulsory. However, the Dominion Directors unanimously recommend that you vote in favour of the relevant Scheme, in the absence of a superior proposal, and urge you to exercise your right to vote at the relevant Scheme Meeting.</p> <p>Your vote is important.</p>	<p>Refer to pages 10 to 21 of this Scheme Booklet for further information regarding the Dominion Directors' unanimous recommendations.</p> <p>Detailed information on how to vote is set out in Section 4 of this Scheme Booklet.</p>
How do I vote if I am unable to attend the relevant Scheme Meeting?	If you cannot attend the relevant Scheme Meeting, you should complete and return the enclosed Proxy Form in accordance with the instructions set out on the Proxy Form.	Detailed information on how to vote is set out in Section 4 of this Scheme Booklet.
How will Dominion Directors be voting?	Each Dominion Director who holds or controls the voting rights attached to Dominion Shares or Dominion Options intends to vote those shares or options, or procure that those shares or options are voted, in favour of the relevant Scheme, in the absence of a superior proposal.	
Are Kingsgate shareholders entitled to vote?	No, only holders of Dominion Shares and Dominion Options are entitled to vote at the relevant Scheme Meeting. If you hold both Kingsgate Shares and Dominion Shares or Dominion Options, you will be entitled to vote in respect of your Dominion Shares or Dominion Options.	

## 2 Key Questions

Question	Answer	More Information
Will I be bound by the relevant Scheme if I do not vote or if I vote against the Scheme?	Yes, if the Schemes are approved and become Effective, then all Dominion Shares held by you at the Share Scheme Record Date will be transferred to Kingsgate or all Dominion Options held by you at the Option Scheme Record Date will be cancelled and you will receive the relevant Scheme Consideration notwithstanding that you did not vote, or that you voted against the relevant Scheme.	
What is the approval threshold for the Schemes?	<p>The Share Scheme Resolution must be approved by:</p> <ul style="list-style-type: none"> <li>• a majority (i.e. more than 50%) in number of Dominion Shareholders who vote on the Share Scheme Resolution; and</li> <li>• at least 75% of the total number of votes cast by Dominion Shareholders on the Share Scheme Resolution.</li> </ul> <p>The Court has a discretion to waive the first of these two requirements if it considers it appropriate to do so.</p> <p>The Option Scheme Resolution must be approved by a majority (i.e. more than 50%) in number of Dominion Optionholders who vote on the Option Scheme Resolution whose Dominion Options in aggregate are at least 75% (by value) of the total of all Dominion Options voted on the Option Scheme Resolution. For this purpose, the value of a Dominion Optionholder's options will be equal to the value of the Option Scheme Consideration that would be payable to it under the Option Scheme in respect of its Dominion Options.</p> <p>For the Schemes to become Effective, they must also be approved by the Court.</p>	
Are there any conditions to the Schemes?	<p>There are a number of conditions precedent which must be satisfied or waived prior to the Schemes being implemented.</p> <p>As at the date of this Scheme Booklet, neither Dominion nor Kingsgate is aware of any circumstances which would cause the outstanding conditions precedent not to be satisfied.</p>	Further details of the conditions precedent are set out in Section 6.3 of this Scheme Booklet.
When will the results of the Scheme Meetings be known?	<p>The results of the Share Scheme Meeting will be available shortly after the conclusion of the Share Scheme Meeting on Wednesday, 2 February 2011 and the results of the Option Scheme Meeting will be available shortly after the conclusion of the Option Scheme Meeting on the same day and will be announced to the ASX once available.</p> <p>Even if the Scheme Resolutions are passed, the Schemes will be subject to the approval of the Court.</p>	
What happens if the Share Scheme is not approved?	If the Share Scheme is not approved by the requisite majorities of Dominion Shareholders or if the Share Scheme is not approved by the Court, then neither of the Schemes will become Effective nor will proceed. Dominion Shareholders and Dominion Optionholders will not receive the Scheme Consideration but will retain their Dominion Shares and Dominion Options and Dominion will continue to operate as a standalone entity.	Further details of what will or may happen to Dominion and Dominion Shareholders and Dominion Optionholders if the Schemes do not proceed are set out on pages 15, 16 and 22 of this Scheme Booklet.



## 2 Key Questions

Question	Answer	More Information
What if the Share Scheme is approved but the Option Scheme is not approved?	<p>The Share Scheme is conditional on the Option Scheme being implemented, unless Kingsgate waives the requirement for the Option Scheme to be implemented.</p> <p>Accordingly, if the Option Scheme is not approved by Dominion Optionholders, the Share Scheme may still proceed if Kingsgate waives the requirement for the Option Scheme to be implemented.</p> <p>If the Option Scheme is not approved by Dominion Optionholders, and Kingsgate does not waive the requirement for the Option Scheme to be implemented, then the Share Scheme will not proceed.</p>	Further details of what will or may happen to Dominion Optionholders if the Option Scheme does not proceed are set out in Section 1.3 of this Scheme Booklet.

### OTHER QUESTIONS

What happens if a superior proposal emerges?	If a superior proposal emerges, this will be announced to the ASX and the Dominion Directors will carefully consider the proposal and advise you of their recommendation.	
What if the Independent Expert changes its opinion?	<p>The Independent Expert has concluded that the Share Scheme and Option Scheme are, in the absence of a superior proposal, in the best interests of Dominion Shareholders and Dominion Optionholders, respectively.</p> <p>If the Independent Expert changes its opinion, this will be announced to the ASX and the Dominion Directors will carefully consider the Independent Expert's revised opinion and advise you of their recommendation.</p>	A copy of the Independent Expert's Report is set out in Appendix 1 to this Scheme Booklet.
What are the tax implications of the Schemes?	Your decision on whether or not to vote in favour of the relevant Scheme should be made only after your consultation with a financial, legal or other professional adviser based on your own investment objectives, financial situation, taxation position and particular needs.	A summary of the general Australian taxation implications of the Share Scheme for Dominion Shareholders who are Australian residents for tax purposes is set out in Section 11 of this Scheme Booklet. a summary of the general Australian taxation implications of the Option Scheme for Dominion Optionholders who are Australian residents for tax purposes is set out in Section 12 of this Scheme Booklet.
Can I sell my Dominion Shares now?	You can sell your Dominion Shares on market at any time before the close of trading on the ASX on the Effective Date of the Share Scheme at the prevailing market price. The Effective Date is currently expected to be Monday, 7 February 2011.	

## 2 Key Questions

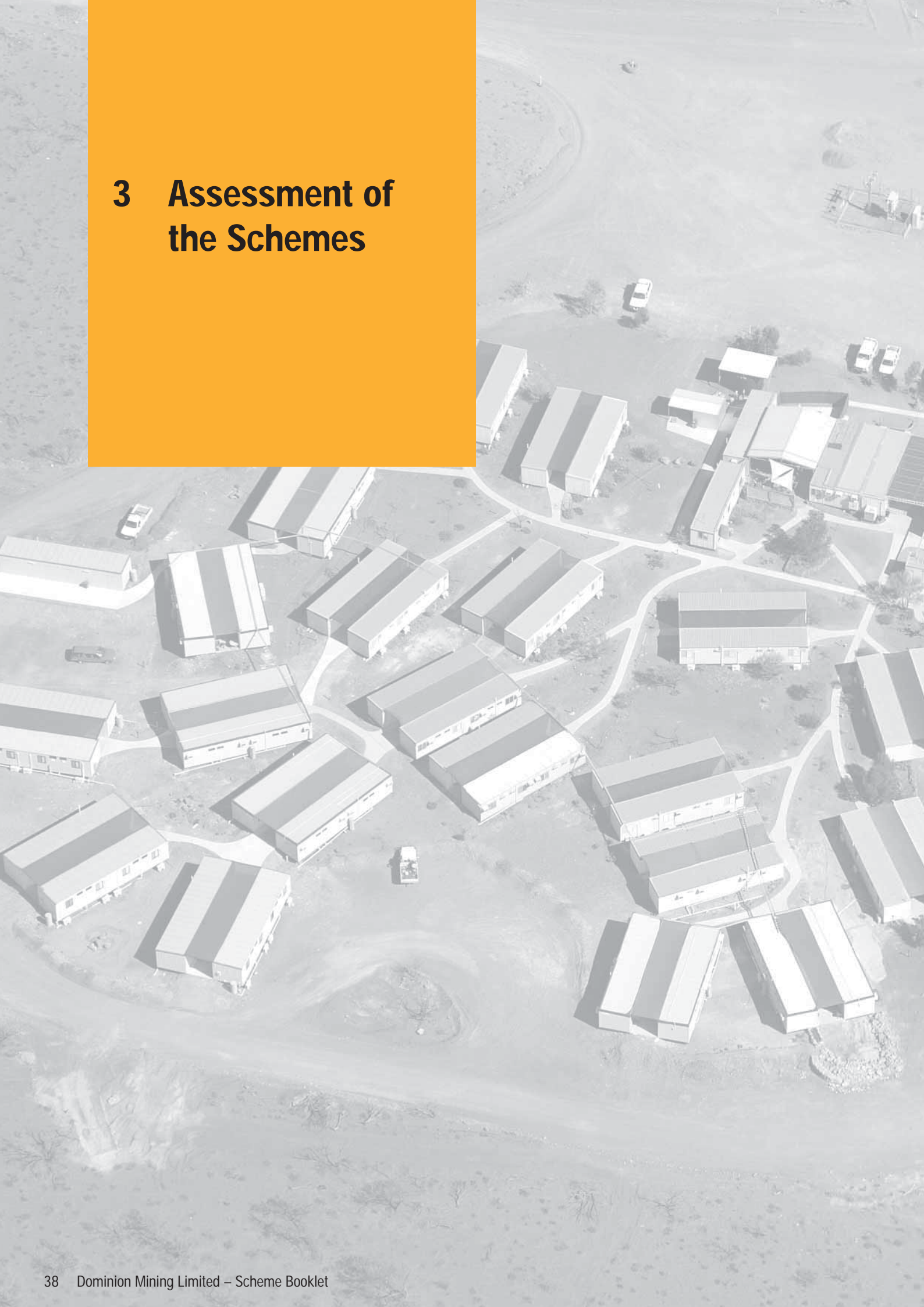
Question	Answer	More Information
Can I exercise my Dominion Options now?	<p>Some existing Dominion Options may already be exercisable in accordance with their terms of issue. Such Dominion Options may currently be exercised in accordance with their terms.</p> <p>If you hold Dominion Options which are currently exercisable, you may elect to exercise those Dominion Options to become a Dominion Shareholder and then participate in the Share Scheme rather than the accept the Option Scheme Consideration. If you elect to do so, such exercise must occur by 5.00pm (Sydney time) on the Business Day preceding the Share Scheme Record Date.<sup>21</sup> Please note that these periods are short. Dominion Optionholders that wish to exercise their Dominion Options and participate in the Share Scheme must ensure such exercise occurs in sufficient time to allow this.</p>	Section 1.3 of this Scheme Booklet provides more detailed information about exercising Dominion Options.
What is the form enclosed with this Scheme Booklet?	<p>The form accompanying this Scheme Booklet is a Proxy Form.</p> <p>If you are unable or do not wish to attend the Scheme Meeting relevant to you in person, you should complete the Proxy Form and return it in accordance with the instructions set out therein.</p>	Section 4 of this Scheme Booklet provides more detailed information on how to vote at the Scheme Meetings.

### FURTHER INFORMATION

How can I get further information if I have any questions?	<p>For further information, you can call the Dominion Scheme Information Line on 1300 034 846 (free call from within Australia) or +61 2 9191 5968 (from outside Australia) between 9.00am and 5.00pm (Sydney time), Monday to Friday.</p> <p>If you are in doubt about anything in this Scheme Booklet, please contact your financial, legal or other professional adviser.</p>
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<sup>21</sup> Assuming the Share Scheme Record Date is before or the same date as the Option Scheme Record Date. If the Share Scheme Record Date is after the Option Scheme Record Date, a notice of option exercise must be received by 5.00pm (Sydney time) on the Business Day preceding the Option Scheme Record Date.

### **3 Assessment of the Schemes**





## 3 Assessment of the Schemes

There are a number of important matters that Dominion Shareholders and Dominion Optionholders need to consider in making a decision on how to vote with respect to the Scheme relevant to them. These include a number of potential advantages and disadvantages, some of which will be dependent upon the individual financial and taxation circumstances of each Dominion Shareholder and Dominion Optionholder.

Dominion Shareholders and Dominion Optionholders should consider the potential advantages and disadvantages in relation to the Scheme relevant to them in the context of their individual investment objectives, financial situation, taxation position and particular needs, and should carefully read this Scheme Booklet in its entirety and seek financial, legal or other professional advice if necessary. The general Australian tax implications of the Share Scheme for Dominion Shareholders who are Australian residents for tax purposes are described in Section 11 of this Scheme Booklet. The general Australian tax implications of the Option Scheme for Dominion Optionholders who are Australian residents for tax purposes are described in Section 12 of this Scheme Booklet.

### 3.1 Directors' recommendations

The Dominion Directors consider that the Share Scheme is in the best interests of Dominion Shareholders and unanimously recommend that Dominion Shareholders vote in favour of the Share Scheme, in the absence of a superior proposal.

The Dominion Directors also consider that the Option Scheme is in the best interests of Dominion Optionholders and unanimously recommend that Dominion Optionholders vote in favour of the Option Scheme, in the absence of a superior proposal.

Each Dominion Director who holds or controls the voting rights attached to Dominion Shares or Dominion Options intends to vote those shares or options, or procure that those shares or options are voted, in favour of the Schemes, in the absence of a superior proposal.

### 3.2 Why should you vote in favour of the Schemes?

The Dominion Directors believe that Dominion Shareholders should vote in favour of the Share Scheme and Dominion Optionholders should vote in favour of the Option Scheme for the reasons set on pages 10 to 16 of this Scheme Booklet.

### 3.3 Potential disadvantages of the Schemes

Although the Schemes are recommended by the Dominion Directors and the Independent Expert believes the Schemes are, in the absence of a superior proposal, in the best interests of Dominion Shareholders and Dominion Optionholders, respectively, Dominion Shareholders and Dominion Optionholders should also consider reasons for not voting in favour of the Schemes. Some factors which may lead Dominion Shareholders and Dominion Optionholders to vote against the Schemes are set out on pages 18 to 21 of this Scheme Booklet. The Dominion Directors believe that these factors are outweighed by the benefits the Schemes are expected to deliver.

### 3.4 Other relevant considerations

Other relevant considerations that the Dominion Directors have taken into account in making their recommendations are set out on page 22 of this Scheme Booklet. Dominion Shareholders and Dominion Optionholders should also take those other relevant considerations into account in deciding whether to vote in favour of the Schemes.

## 4 How to Vote

## 4 How to Vote

### 4.1 Share Scheme Meeting

The Share Scheme Meeting has been convened for 10.00am (Sydney time) on Wednesday, 2 February 2011 at the Metcalfe Auditorium, State Library of NSW, Macquarie Street, Sydney, New South Wales.

At the Share Scheme Meeting, Dominion Shareholders will be asked to consider and, if thought fit, pass the following resolution:

*"That pursuant to and in accordance with section 411 of the Corporations Act, the share scheme of arrangement proposed to be entered into between Dominion and the Dominion Shareholders, as more particularly set out in the Scheme Booklet accompanying this notice of meeting, is agreed to (with or without modification as approved by the Court)."*

In order for the Share Scheme Resolution to be passed, unless the Court orders otherwise, it must be approved by a majority (i.e. more than 50%) in number of Dominion Shareholders voting on the Share Scheme Resolution (in person or by proxy, attorney or, in the case of corporate Dominion Shareholders, by a corporate representative).<sup>22</sup> In addition, those Dominion Shareholders who vote in favour must cast at least 75% of the total number of votes cast by Dominion Shareholders on the Share Scheme Resolution (in person or by proxy, attorney or, in the case of corporate Dominion Shareholders, by a corporate representative).

Voting at the Share Scheme Meeting will be by poll.

**If you are a Dominion Shareholder and you wish the Share Scheme to proceed, it is important that you vote in favour of the Share Scheme. The Share Scheme will not proceed unless the Share Scheme is approved by Dominion Shareholders.**

### 4.2 Option Scheme Meeting

The Option Scheme Meeting has been convened for 11.15am (Sydney time) on Wednesday, 2 February 2011 at the Metcalfe Auditorium, State Library of NSW, Macquarie Street, Sydney, New South Wales or as soon thereafter as the Share Scheme Meeting is concluded.

At the Option Scheme Meeting, Dominion Optionholders will be asked to consider and, if thought fit, pass the following resolution:

*"That pursuant to and in accordance with section 411 of the Corporations Act, the option scheme of arrangement proposed to be entered into between Dominion and the Dominion Optionholders, as more particularly set out in the Scheme Booklet accompanying this notice of meeting, is agreed to (with or without modification as approved by the Court)."*

In order for the Option Scheme Resolution to be passed, it must be approved by a majority (i.e. more than 50%) in number of Dominion Optionholders voting on the Option Scheme Resolution (in person or by proxy or attorney) whose Dominion Options in aggregate are at least 75% (by value) of the total of all Dominion Options voted on the Option Scheme Resolution. For this purpose, the value of a Dominion Optionholder's options will be equal to the value of the Option Scheme Consideration that would be payable to them under the Option Scheme in respect of its Dominion Options.

Voting at the Option Scheme Meeting will be by poll.

**If you are a Dominion Optionholder and you wish the Option Scheme to proceed, it is important that you vote in favour of the Option Scheme. The Option Scheme will not proceed unless the Option Scheme is approved by Dominion Optionholders.**

### 4.3 Entitlement to vote

All Dominion Shareholders who are registered on the Dominion Share Register as at 7.00pm (Sydney time) on Monday, 31 January 2011 will be entitled to vote at the Share Scheme Meeting.

All Dominion Optionholders who are registered on the Dominion Option Register as at 7.00pm (Sydney time) on Monday, 31 January 2011 will be entitled to vote at the Option Scheme Meeting.

If you hold both Dominion Shares and Dominion Options, you will be entitled to vote at both the Share Scheme Meeting and the Option Scheme Meeting.

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<sup>22</sup> The Court has a discretion to approve the Share Scheme where it is approved by at least 75% of all votes cast on the Share Scheme Resolution but not by a majority in number of Dominion Shareholders voting on the Share Scheme Resolution: refer to section 411(4)(a)(ii)(A) of the Corporations Act.



## 4 How to Vote

If Dominion Shares or Dominion Options are jointly held, only one of the joint holders is entitled to vote. If more than one shareholder or optionholder votes in respect of jointly held Dominion Shares or Dominion Options, only the vote of the shareholder or optionholder whose name appears first on the Dominion Share Register or Dominion Option Register (as applicable) will be counted.

### 4.4 How to vote

You may vote in person at the relevant Scheme Meeting. If you are unable to attend the relevant Scheme Meeting in person, you may vote by using the Proxy Form or by a duly authorised attorney.

A corporate shareholder or corporate proxy may vote by corporate representative appointed pursuant to section 250D of the Corporations Act.

Further details are set out below:

#### (a) Voting in person

To vote in person at the Share Scheme Meeting, you must attend the Share Scheme Meeting commencing at 10.00am (Sydney time) on Wednesday, 2 February 2011 at the Metcalfe Auditorium, State Library of NSW, Macquarie Street, Sydney, New South Wales.

To vote in person at the Option Scheme Meeting, you must attend the Option Scheme Meeting commencing at 11.15am (Sydney time) on Wednesday, 2 February 2011 at the Metcalfe Auditorium, State Library of NSW, Macquarie Street, Sydney, New South Wales or as soon thereafter as the Share Scheme Meeting is concluded.

All persons attending a Scheme Meeting must register their attendance by disclosing their name at the point of entry to the meeting.

#### (b) Voting by proxy

If you cannot attend the Scheme Meeting relevant to you, you may vote by proxy by completing and sending in the Proxy Form. If you are entitled to vote at both the Share Scheme Meeting and the Option Scheme Meeting, and wish to vote by proxy, you should complete a proxy form for each Scheme Meeting.

The Proxy Form (together with any power of attorney or other authority under which the Proxy Form is signed or a certified copy of that power of attorney or authority) must be:

- (i) posted to Registries in the reply paid envelope provided or, if you are outside of Australia or do not otherwise use the reply paid envelope, to Registries Limited at Share Registry – Registries Limited, GPO Box 3993, Sydney NSW 2001 Australia;
- (ii) delivered in person to Registries at Share Registry – Registries Limited, Level 7, 207 Kent Street, Sydney NSW 2000;
- (iii) successfully transmitted by facsimile to Registries on +61 2 9290 9655; or
- (iv) posted, delivered or successfully transmitted by facsimile to the registered office of Dominion,

so that it is received by no later than 10.00am (Sydney time) on Monday, 31 January 2011.

Completed Proxy Forms for the Share Scheme Meeting may also be submitted online at [www.registries.com.au/vote/dominionscheme](http://www.registries.com.au/vote/dominionscheme), by no later than 10.00am (Sydney time) on Monday, 31 January 2011.

Your proxy should retain a copy of the Proxy Form (together with any power of attorney or other authority under which the Proxy Form is signed or a certified copy of that power of attorney or authority) to assist with admission to the relevant Scheme Meeting.

#### (c) Voting by attorney

Alternatively, if you cannot attend the Scheme Meeting relevant to you, you may have a duly authorised attorney attend and vote on your behalf. An attorney need not be a Dominion Shareholder or Dominion Optionholder.

The power of attorney, or a certified copy of the power of attorney, should be lodged with Registries before the relevant Scheme Meeting or brought to the meeting.

## 4 How to Vote

### (d) Corporate representative

Dominion Shareholders which are bodies corporate can also vote at the Share Scheme Meeting by having your corporate representative attend the Share Scheme Meeting in person and voting on your behalf. If a representative of a Dominion Shareholder or corporate proxy is to attend the Share Scheme Meeting pursuant to section 250D of the Corporations Act, a certificate of appointment of the representative (or such other document as the Chairman of the Share Scheme Meeting considers sufficient together with any power of attorney or other authority under which the certificate or other document is signed or a certified copy of that power of attorney or authority) should be lodged with Registries prior to the Share Scheme Meeting or brought to the meeting.

A form of certificate can be obtained from Registries.

## **5 Information regarding New Kingsgate Shares**





## 5 Information regarding New Kingsgate Shares

### 5.1 Responsibility for information

The information set out in this Section 5 was prepared by Kingsgate and Kingsgate is responsible for the information contained in this Section 5.

### 5.2 Kingsgate's capital structure

As at the date of this Scheme Booklet, Kingsgate has on issue:

- 102,032,231 Kingsgate Shares quoted on the ASX; and
- 1,685,116 unquoted Kingsgate Options.

Kingsgate Options are issued for nil consideration to executives of the Kingsgate Group under the Kingsgate Executive Option Plan. Each Kingsgate Option entitles the holder to subscribe for one Kingsgate Share. Kingsgate Options do not carry any dividend or voting rights.

Details of the Kingsgate Options on issue as at the date of this Scheme Booklet are set out in the table below:

Date of grant	Number of Kingsgate Options	Exercise price per option and expiry date
7 July 2006	50,000	\$6.00 expiring 1 July 2011
4 April 2008	119,115	\$4.68 expiring 3 April 2013
4 April 2008	1,016,001	\$6.00 expiring 3 April 2013
4 April 2008	500,000	\$7.00 expiring 3 April 2013

Should the Share Scheme be approved by Dominion Shareholders and the Court, Kingsgate will issue approximately 32,091,280<sup>23</sup> New Kingsgate Shares to acquire all of the Dominion Shares.

Should the Option Scheme be approved by Dominion Optionholders and the Court, Kingsgate will issue approximately 325,136 New Kingsgate Shares to acquire all of the Dominion Options.

As indicated in the table below, on the Implementation Date of the Schemes, if the Schemes are approved and implemented the overall interest of Dominion Shareholders and Dominion Optionholders will be approximately 24% of Kingsgate:

	Kingsgate Shares after implementation of the Proposal	
	Number	Percentage
Existing Kingsgate Shares	102,032,231	75.89%
New Kingsgate Shares to be issued to Dominion Shareholders	32,091,280	23.87%
New Kingsgate Shares to be issued to Dominion Optionholders	325,136	0.24%
Total	134,448,647	100%

Kingsgate has made an unconditional takeover offer for Laguna Resources NL (which it had a 57.37% Relevant Interest in as at 15 December 2010). "Existing Kingsgate Shares" in the table above includes 944,445 Kingsgate Shares that have been issued to Laguna shareholders pursuant to that takeover offer. This matter is discussed in more detail in Section 8.15 of this Scheme Booklet.

Should Kingsgate be successful in acquiring 100% of Laguna shares, it will issue a total of 2,150,099 Kingsgate Shares to Laguna shareholders (including the 944,445 shares referred to above).

<sup>23</sup> 600,000 \$3.58 Dominion Options are due to expire on 1 January 2011. As these options are currently 'out of the money', it has been assumed that they will not be exercised before their expiry date. If all 600,000 \$3.58 Dominion Options were exercised, then an extra 186,000 New Kingsgate Shares would need to be issued under the Share Scheme.

## 5 Information regarding New Kingsgate Shares

### 5.3 Top 20 Kingsgate Shareholders

As at 14 December 2010, the top 20 Kingsgate Shareholders held approximately 73% of Kingsgate Shares as indicated in the table below:

Name	Number of Kingsgate Shares	Percentage of Kingsgate Shares on issue
HSBC Custody Nominees Australia Limited	22,116,518	21.68%
National Nominees Limited	15,571,223	15.26%
J P Morgan Nominees Australia Limited	6,698,992	6.57%
J P Morgan Nominees Australia Limited	6,615,180	6.48%
Citicorp Nominees Pty Limited	5,959,252	5.84%
Ross Donald Smyth-Kirk	4,586,271	4.49%
Bruce Clayton Bird	3,207,110	3.14%
Gavin Thomas	2,410,000	2.36%
AMP Life Limited	1,181,167	1.16%
Sixteen Pty Limited	1,075,000	1.05%
Credit Suisse Securities Europe	700,000	0.69%
Bahulu Holdings Pty Limited	602,187	0.59%
HSBC Custody Nominees Australia Limited	585,590	0.57%
C Komor + D Grady	566,055	0.55%
Christopher Komor	531,407	0.52%
Equity Trustees Limited	492,216	0.48%
Cogent Nominees Pty Limited	452,521	0.44%
Maminda Pty Limited	433,533	0.42%
Ron Medich Props Pty Limited	380,000	0.37%
CS Fourth Nominees Pty Limited	354,300	0.35%
<b>Total</b>	<b>74,518,522</b>	<b>73.03%</b>

### 5.4 Substantial shareholders of Kingsgate

As at 15 December 2010, the following persons had notified Kingsgate that they had a Relevant Interest in 5% or more of Kingsgate Shares:

Name	Number of Kingsgate Shares	Percentage of Kingsgate Shares on issue
BlackRock Investment Management (Australia) Limited	8,653,406	8.83%
UBS AG and related bodies corporate	6,061,213	6.02%

## 5 Information regarding New Kingsgate Shares

### 5.5 Marketable securities held by Kingsgate Directors

No marketable securities of Kingsgate are held by or on behalf of Kingsgate Directors and no such persons are otherwise entitled to such securities as at the date of this Scheme Booklet other than as listed below:

Name	Number of Kingsgate Shares	Number of Kingsgate Options
Ross Smyth-Kirk	4,586,271	400,000 (200,000 @ \$6.00 expiring 3 April 2013 and 200,000 @ \$7.00 expiring 3 April 2013)
Gavin Thomas	2,410,000 held directly 602,187 held by Bahulu Holdings Pty Ltd as trustee of Thomas Family Super Fund Account 101,534 held by Bahulu Holdings Pty Ltd	Nil
Craig Carracher	100,000	100,000 @ \$7.00 expiring 3 April 2013
Peter McAleer	100,000	200,000 (100,000 @ \$6.00 expiring 3 April 2013 and 100,000 @ \$7.00 expiring 3 April 2013)

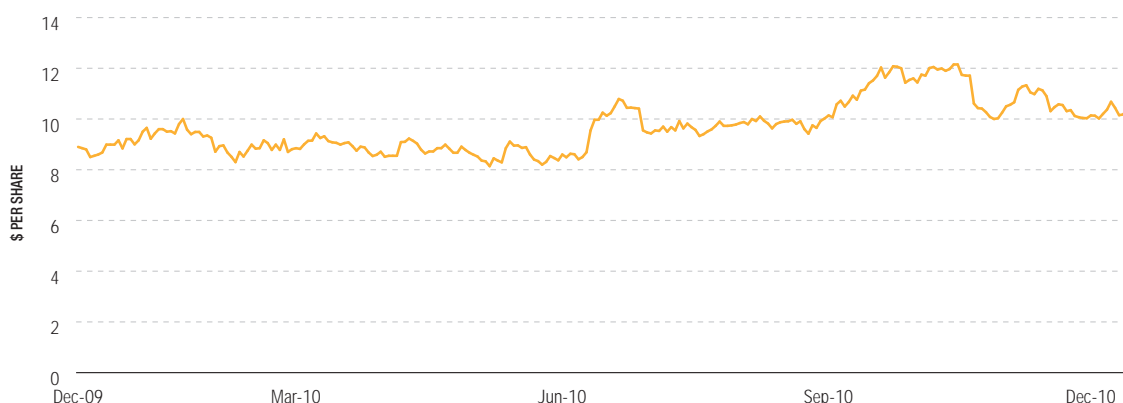
No marketable securities of Dominion are held by or on behalf of any Kingsgate Director and no such persons are otherwise entitled to such securities as at the date of this Scheme Booklet other than for 4,069 Dominion Shares held by Bahulu Holdings Pty Ltd, which is a company controlled by Gavin Thomas.

As at the date of this Scheme Booklet, no Kingsgate Director has any material interest, either direct or indirect, in any material contracts entered into by Kingsgate within Kingsgate's three most recent completed financial years or during its current financial year.

### 5.6 Recent Kingsgate Share price performance

Kingsgate Shares are granted official quotation on the ASX.

The following chart shows the closing price of Kingsgate Shares on the ASX over the past 12 months to 15 December 2010:



During the 12 months ended 15 December 2010:

- the highest recorded daily sale price of Kingsgate Shares on the ASX was \$12.30 on 14 October 2010; and
- the lowest recorded daily sale price of Kingsgate Shares on the ASX was \$7.81 on 5 May 2010.

During the three months ended 15 December 2010:

- the highest recorded daily sale price of Kingsgate Shares on the ASX was \$12.30 on 14 October 2010; and
- the lowest recorded daily sale price of Kingsgate Shares on the ASX was \$9.82 on 28 October 2010.

The last recorded sale price of Kingsgate Shares on the ASX on 19 October 2010, being the last trading day before the Announcement Date, was \$11.71.

The last recorded sale price of Kingsgate Shares on the ASX on 15 December 2010, being the last trading day on the ASX prior to the date on which this Scheme Booklet was lodged with ASIC for registration, was \$10.45.



## 5 Information regarding New Kingsgate Shares

### 5.7 Kingsgate dividend history and policy

The Kingsgate Board is responsible for declaring interim and final dividends. The payment of a dividend does not require approval or confirmation by Kingsgate Shareholders.

Kingsgate's focus is on maximising total shareholder returns through a combination of capital growth and the payment of dividends. The capacity to pay dividends, and where possible to increase them, is balanced with the need for Kingsgate to fund its existing operations, exploration expenditure and possible future growth initiatives.

In considering the level of dividends, if any, the Kingsgate Board takes into account various factors, including:

- its level of cash, gearing, return on equity and retained earnings;
- its expected financial performance;
- its projected levels of capital expenditure and other investment plans; and
- restrictions on the payment of dividends that may be imposed on it by its financing arrangements.

The following table sets out the dividends which have been paid by Kingsgate since 2003:

Ex-dividend date	Record date	Date payable	Dividend type	Dividend amount per share	Percentage franked
06/09/2010	10/09/2010	24/09/2010	Final	\$0.20	0%
03/03/2010	09/03/2010	16/03/2010	Interim	\$0.15	0%
03/09/2009	09/09/2009	23/09/2009	Final	\$0.15	100%
15/09/2006	21/09/2006	03/10/2006	Final	\$0.05	0%
13/04/2006	21/04/2006	28/04/2006	Interim	\$0.05	0%
05/09/2005	09/09/2005	27/09/2005	Final	\$0.05	0%
03/03/2005	09/03/2005	17/03/2005	Interim	\$0.02	0%
06/09/2004	10/09/2004	15/10/2004	Final	\$0.12	0%
15/03/2004	19/03/2004	02/04/2004	Interim	\$0.10	0%
28/08/2003	03/09/2003	01/10/2003	Final	\$0.125	0%
28/03/2003	03/04/2003	17/04/2003	Interim	\$0.125	0%

Kingsgate maintains a dividend reinvestment plan (DRP). Kingsgate Shares issued under the DRP rank equally with existing Kingsgate Shares and are issued at a 2% discount to the market price in the five trading days up to and including the record date of the dividend. Participation in the DRP is optional and Kingsgate Shareholders can elect to participate for some or all of their Kingsgate Shares.

### 5.8 Rights and liabilities attaching to New Kingsgate Shares

New Kingsgate Shares issued as consideration under the Schemes will be issued fully paid and will rank equally with existing Kingsgate Shares from the date of issue.

The rights and liabilities attaching to New Kingsgate Shares will be the same as those attaching to existing Kingsgate Shares and are set out in the Kingsgate Constitution and, in certain circumstances, are regulated by the Corporations Act, ASX Listing Rules, ASX Settlement Operating Rules and general law. Under section 140(1) of the Corporations Act, the Kingsgate Constitution has effect as a contract between Kingsgate and each member of Kingsgate and between a member of Kingsgate and each other member. Accordingly, if New Kingsgate Shares are issued to you pursuant to a Scheme, you will, as a result, become liable to comply with the Kingsgate Constitution.

A summary of the significant rights and liabilities attaching to New Kingsgate Shares is set out below. This summary is not exhaustive and is not a definitive statement of the rights and liabilities of Kingsgate Shareholders. Such rights and liabilities involve complex questions of law arising from the interaction of the Kingsgate Constitution, Corporations Act, ASX Listing Rules, ASX Settlement Operating Rules and general law. Kingsgate Shareholders should seek their own independent advice when trying to establish their rights and liabilities in specific circumstances.

## 5 Information regarding New Kingsgate Shares

<b>Voting</b>	<p>Subject to the Kingsgate Constitution, at meetings of Kingsgate Shareholders:</p> <ul style="list-style-type: none"> <li>• each Kingsgate Shareholder entitled to vote may vote in person, by proxy or attorney or, where the Kingsgate Shareholder is a body corporate, by proxy, attorney or representative;</li> <li>• on a show of hands every person present who is a Kingsgate Shareholder or a proxy, attorney or representative of a Kingsgate Shareholder has one vote; and</li> <li>• on a poll every person present who is a Kingsgate Shareholder or proxy, attorney or representative of a Kingsgate Shareholder has one vote for each Kingsgate Share that person holds or represents (as the case may be).</li> </ul>
<b>General meetings and notices</b>	Each Kingsgate Shareholder is entitled to receive notice of, and, if they are entitled to vote at the meeting, attend and vote at, general meetings of Kingsgate.
<b>Dividends</b>	<p>Kingsgate Directors may declare interim and final dividends in accordance with the Corporations Act and ASX Listing Rules.</p> <p>The payment of any interim or final dividend does not require confirmation by a general meeting of Kingsgate.</p>
<b>Issue of further shares</b>	<p>Subject to the Kingsgate Constitution, the ASX Listing Rules and the Corporations Act, Kingsgate Directors have the right to issue shares to such persons at such times and on such terms and conditions and having attached to them such preferred, deferred or other special rights or such restrictions, whether with regard to dividend, voting, return of capital or otherwise or at a discount as the Kingsgate Directors think fit.</p> <p>Kingsgate Directors may also grant to any person options or other securities with rights of conversion to shares or pre-emptive rights to any shares for any consideration and for any period.</p>
<b>Transfer of New Kingsgate Shares</b>	<p>Subject to the Kingsgate Constitution and the Corporations Act, New Kingsgate Shares are freely transferable.</p> <p>Kingsgate Directors may decline to register a transfer of New Kingsgate Shares in the circumstances permitted under the ASX Listing Rules or the ASX Settlement Operating Rules or where the transfer is not in registrable form.</p>
<b>Small holdings</b>	Kingsgate may give written notice to a Kingsgate Shareholder who holds less than a marketable parcel (as defined in the ASX Listing Rules) of Kingsgate Shares that it intends to sell the Kingsgate Shareholder's Kingsgate Shares. If the Kingsgate Shareholder does not give notice in writing to Kingsgate before the time specified in the notice, Kingsgate may sell the Kingsgate Shareholder's Kingsgate Shares and remit the proceeds of sale to the Kingsgate Shareholder in accordance with the Kingsgate Constitution.
<b>Winding up</b>	<p>If Kingsgate is wound up, the liquidator may divide among the Kingsgate shareholders in kind the whole or any part of the property of Kingsgate and may for that purpose set such value as the liquidator considers fair on any property to be so divided and may determine how the division is to be carried out as between the shareholders or different classes of shareholders according to their rights and interests in Kingsgate.</p> <p>The liquidator may, with the sanction of a special resolution of Kingsgate, vest the whole or any part of any such property in trustees on such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no Kingsgate shareholder is compelled to accept any shares or other securities in respect of which there is any liability.</p>
<b>Alteration of capital</b>	Kingsgate may reduce its capital or otherwise alter its capital including buying back its shares in any manner authorised or permitted by the Corporations Act and the ASX Listing Rules.
<b>Variation of rights</b>	If at any time the share capital of Kingsgate is divided into different classes of shares, the rights attached to any class may (unless otherwise provided by the terms of issue of the shares of that class), whether or not Kingsgate is being wound up, be varied or abrogated in any way with the consent in writing of the holders of 75% of the issued shares of that class, or with the sanction of a special resolution passed at a separate meeting of the holders of the shares in that class.

## 5 Information regarding New Kingsgate Shares

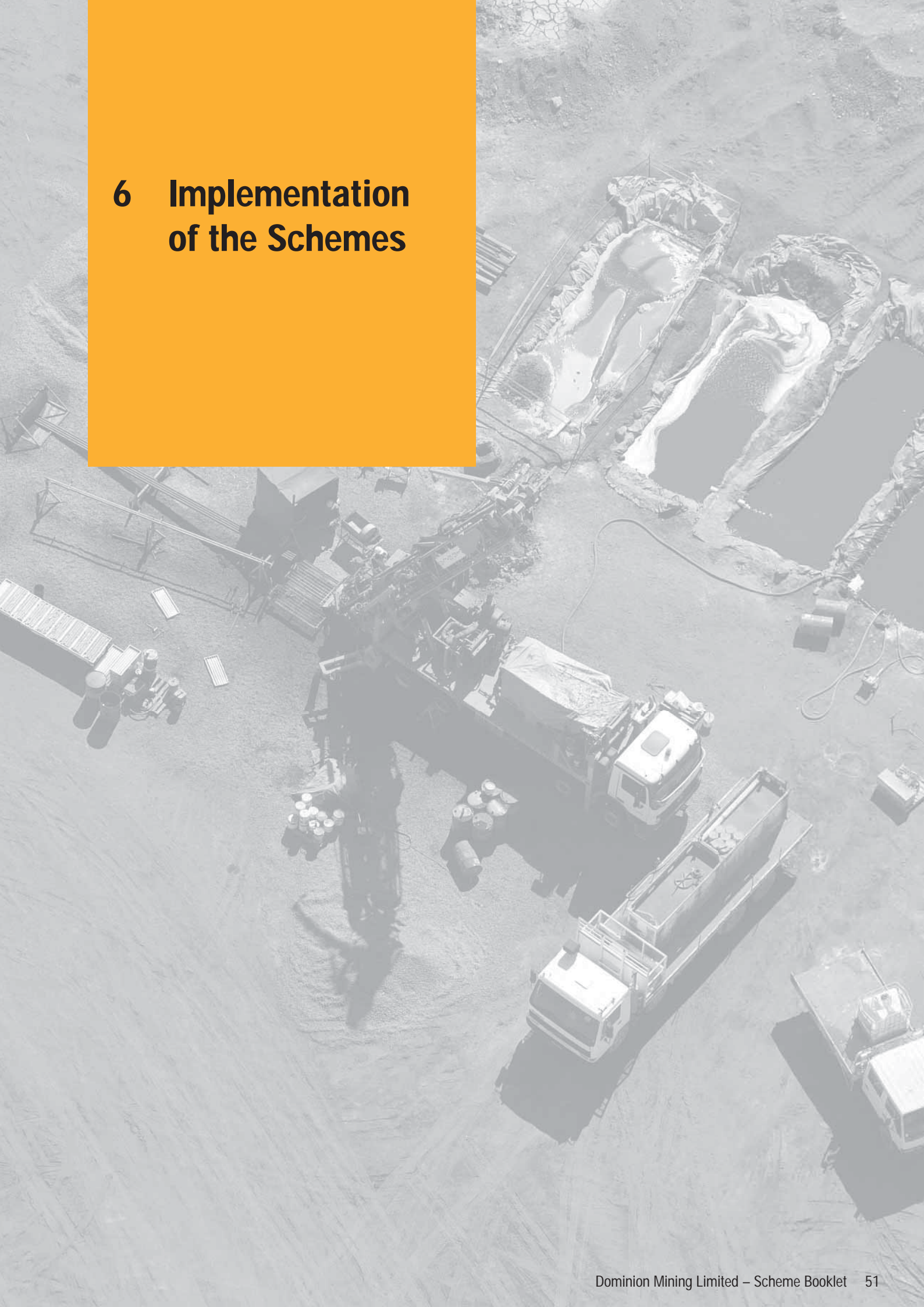
Proportional takeover approval	<p>If a proportional takeover bid for Kingsgate shares is made, Kingsgate Directors must ensure that a resolution to approve the bid is voted on prior to the 14th day before the last day of the bid period. Any person, excluding the bidder or any associate of the bidder, who held bid class securities as at the end of the day on which the first offer under the bid was made is entitled to vote on the resolution. The resolution will be passed if more than 50% of the votes are cast in favour of the resolution. If no such resolution is considered as at the end of the day prior to the 14th day before the last day of the bid period, a resolution approving the bid is taken to have been passed.</p> <p>The proportional takeover provisions in the Kingsgate Constitution will expire on the day three years following the date of adoption, but may be renewed by a resolution of Kingsgate shareholders.</p>
Amendments to the Kingsgate Constitution	<p>The Kingsgate Constitution can only be amended by special resolution passed by at least 75% of Kingsgate Shareholders present and voting at a general meeting of Kingsgate.</p>

### 5.9 Differences between New Kingsgate Shares and Dominion Shares

There are no material differences between the key provisions in the Kingsgate Constitution and the Dominion Constitution regarding the rights and liabilities attaching to New Kingsgate Shares and Dominion Shares.



## 6 Implementation of the Schemes



## 6 Implementation of the Schemes

### 6.1 Introduction

The Share Scheme and the Option Scheme are both schemes of arrangement under the Corporations Act. Schemes of arrangement are commonly used to give effect to the acquisition of one company by another company. It is an arrangement between a company and either its shareholders (or a class of shareholders) or its creditors (or a class of creditors). Dominion Optionholders are considered creditors of Dominion for the purpose of the Option Scheme.

The key terms of the Share Scheme, if approved and implemented, will involve:

- (a) the acquisition by Kingsgate of all of the Dominion Shares as at the Share Scheme Record Date; and
- (b) the provision of the Share Scheme Consideration to Dominion Shareholders who hold Dominion Shares at the Share Scheme Record Date (currently expected to be 7.00pm (Sydney time) on Monday, 14 February 2011).

The key terms of the Option Scheme, if approved and implemented, will involve:

- (a) the cancellation of all of the Dominion Options; and
- (b) the provision of the Option Scheme Consideration to Dominion Optionholders who hold Dominion Options at the Option Scheme Record Date (currently expected to be 7.00pm (Sydney time) on Monday, 14 February 2011).

A copy of the Share Scheme is set out in full in Appendix 4 to this Scheme Booklet. a copy of the Option Scheme is set out in full in Appendix 6 to this Scheme Booklet. This Section 6 explains the steps involved in implementing the Share Scheme and the Option Scheme.

The Share Scheme and the Option Scheme are subject to the satisfaction or waiver of a number of conditions precedent. These are described in Section 6.3 of this Scheme Booklet.

### 6.2 Steps in implementing the Schemes

#### (a) Execution of Scheme Implementation Agreement

On 20 October 2010, Dominion and Kingsgate entered into the Scheme Implementation Agreement under which Dominion agreed to propose the Share Scheme to Dominion Shareholders and the Option Scheme to Dominion Optionholders and Dominion and Kingsgate agreed to take all steps reasonably necessary to implement the Schemes.

A copy of the Scheme Implementation Agreement is set out in Appendix 3 to this Scheme Booklet. Certain key aspects of the Scheme Implementation Agreement are summarised in Sections 6.10, 6.11 and 6.12 of this Scheme Booklet.

#### (b) Execution of Scheme Deed Polls by Kingsgate

On 15 December 2010, Kingsgate executed the Share Scheme Deed Poll pursuant to which Kingsgate agreed, subject to the Share Scheme becoming Effective, to provide to each Dominion Shareholder the Share Scheme Consideration to which that shareholder is entitled under the Share Scheme. a copy of the Share Scheme Deed Poll is included in Appendix 5 to this Scheme Booklet.

On the same date, Kingsgate executed the Option Scheme Deed Poll pursuant to which Kingsgate agreed, subject to the Option Scheme becoming Effective, to provide to each Dominion Optionholder the Option Scheme Consideration to which that optionholder is entitled under the Option Scheme. a copy of the Option Scheme Deed Poll is included in Appendix 7 to this Scheme Booklet.

Details regarding the Scheme Consideration are set out in Sections 6.5 and 6.6 of this Scheme Booklet.

#### (c) Scheme Meetings

On 16 December 2010, the Court ordered that:

- (i) Dominion convene the Share Scheme Meeting at 10.00am (Sydney time) on Wednesday, 2 February 2011 at the Metcalfe Auditorium, State Library of NSW, Macquarie Street, Sydney, New South Wales for the purpose of Dominion Shareholders considering and, if thought fit, approving the Share Scheme; and
- (ii) Dominion convene the Option Scheme Meeting at 11.15am (Sydney time) on Wednesday, 2 February 2011 at the Metcalfe Auditorium, State Library of NSW, Macquarie Street, Sydney, New South Wales or as soon thereafter as the Share Scheme Meeting is concluded for the purpose of Dominion Optionholders considering and, if thought fit, approving the Option Scheme.

## 6 Implementation of the Schemes

For the Share Scheme to proceed, the Share Scheme Resolution must be passed at the Share Scheme Meeting. For the Option Scheme to proceed, the Option Scheme Resolution must be passed at the Option Scheme Meeting. The required approval thresholds are set out in Section 1.6 of this Scheme Booklet.

The Notice of Meeting for the Scheme Meeting relevant to you accompanies this Scheme Booklet.

The vote at the Share Scheme Meeting and at the Option Scheme Meeting will be conducted by poll.

All Dominion Shareholders who are on the Dominion Share Register as at 7.00pm (Sydney time) on Monday, 31 January 2011 will be entitled to vote at the Share Scheme Meeting. All Dominion Optionholders who are on the Dominion Option Register as at 7.00pm (Sydney time) on Monday, 31 January 2011 will be entitled to vote at the Option Scheme Meeting.

### (d) Court order approving the Schemes

In order to become Effective, the Share Scheme and the Option Scheme must be approved by the Court at the Second Court Hearing.

Dominion will apply to the Court for an order approving:

- (i) the Share Scheme, if the Share Scheme is approved by the requisite majorities of Dominion Shareholders voting at the Share Scheme Meeting;<sup>24</sup> and
- (ii) the Option Scheme, if the Option Scheme is approved by the requisite majorities of Dominion Optionholders voting at the Option Scheme Meeting,

and all other conditions to the Share Scheme and the Option Scheme (other than approval of the Court) have been satisfied or waived.

Each Dominion Shareholder has the right to seek leave to appear at the Second Court Hearing and be heard in respect of the Share Scheme. Each Dominion Optionholder has the right to seek leave to appear at the Second Court Hearing and be heard in respect of the Option Scheme.

The Court may refuse to approve the Share Scheme or the Option Scheme, even if the relevant Scheme is approved by the requisite majorities of Dominion Shareholders or Dominion Optionholders.

### (e) Implementation of the Schemes

The Implementation Date of a Scheme is the date which is five Business Days after the relevant Scheme Record Date or such other date as Dominion and Kingsgate agree in writing. It is anticipated that the Implementation Date for both Schemes will be the same.

On the Implementation Date of the Share Scheme, subject to the provision of the Share Scheme Consideration as described in Section 6.5 of this Scheme Booklet, all of the Dominion Shares, together with all rights and entitlements attaching to the Dominion Shares, will be transferred to Kingsgate, without the need for any further act by any Dominion Shareholder (other than acts performed by Dominion or its officers as agent and attorney of the Dominion Shareholders) by:

- (i) Dominion delivering to Kingsgate a duly completed and executed share transfer form to transfer all of the Dominion Shares to Kingsgate; and
- (ii) Kingsgate duly executing that share transfer form and delivering it to Dominion for registration.

Immediately following receipt of the duly executed share transfer form, Dominion will register Kingsgate as the holder of all of the Dominion Shares.

Also on the Implementation Date of the Option Scheme, if all applicable conditions to the Option Scheme have been satisfied or waived, subject to the provision of the Option Scheme Consideration as described in Section 6.6 of this Scheme Booklet, all of the Dominion Options, together with all rights and entitlements attaching to the Dominion Options as at the Implementation Date, will be cancelled and extinguished, without the need for any further act by any Dominion Optionholder, and the Dominion Optionholder:

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<sup>24</sup> The Court has a discretion to approve the Share Scheme where it is approved by at least 75% of all votes cast on the Share Scheme Resolution but not by a majority in number of Dominion Shareholders voting on the Share Scheme Resolution: refer to section 411(4)(a)(ii)(A) of the Corporations Act.



## 6 Implementation of the Schemes

- (i) releases Dominion from all obligations in respect of those Dominion Options;
- (ii) releases and waives any and all rights the Dominion Optionholder may have had (including to be issued Dominion Shares) in relation to those Dominion Options; and
- (iii) authorises Dominion to update the Dominion Option Register recording the cancellation of the Dominion Options.

If the Share Scheme proceeds but the Option Scheme does not, it is likely that Kingsgate will seek to compulsorily acquire the Dominion Options. Please refer to Section 1.3 of this Scheme Booklet for further details on compulsory acquisition.

### (f) Suspension of trading in Dominion Shares and removal from official quotation

Following the Implementation Date of the Share Scheme, Dominion will request the ASX to end official quotation of Dominion Shares and remove Dominion from the official list of the ASX.

### (g) Board representation

Subject to the Schemes becoming Effective, Dominion must take all necessary actions:

- (i) on or before the Effective Date of the Schemes, to procure the resignation of a majority of the Dominion Directors and a majority of the directors of each subsidiary of Dominion and cause the appointment to the Dominion Board and to the board of each subsidiary of Dominion, that number of persons nominated by Kingsgate which will be a majority of each respective Board; and
- (ii) on the Implementation Date of the Schemes, to procure that any Dominion Directors or directors of each subsidiary of Dominion, who are not nominees of Kingsgate on the Implementation Date, resign from their office and cause the appointment to the Dominion Board and to the Board of each subsidiary of Dominion of any persons nominated by Kingsgate.

On implementation of the Schemes, Peter Alexander, a Dominion non-executive director, will join the Kingsgate Board. Dominion's existing Chairman, Peter Joseph, will also be retained as an adviser to the Kingsgate Board.

## 6.3 Conditions precedent

The Schemes will not proceed unless all of the conditions precedent set out in clause 3.1 of the Scheme Implementation Agreement are satisfied or, where applicable, have been waived in accordance with the Scheme Implementation Agreement. In summary, the conditions precedent are as follows:

### (a) Conditions for the benefit of both Dominion and Kingsgate

The following conditions precedent were included in the Scheme Implementation Agreement for the benefit of both Dominion and Kingsgate. Waiver of any breach or non-fulfilment of any of these conditions requires the agreement in writing of both Dominion and Kingsgate:

- (i) **ASIC and ASX approvals:** before 8.00am (Sydney time) on the Second Court Date, ASIC and the ASX issuing or providing such consents, approvals or waivers or do other acts which Dominion and Kingsgate agree are necessary to implement the Share Scheme and the Option Scheme. If such consents, approvals or doing of other acts are subject to conditions, those conditions must be acceptable to Dominion and Kingsgate;
- (ii) **Other regulatory approvals:** all other approvals of any regulatory authority which Dominion and Kingsgate agree are necessary or desirable to implement the Share Scheme and the Option Scheme have been obtained either unconditionally or on conditions satisfactory to Dominion and Kingsgate acting reasonably and have not been withdrawn or revoked;
- (iii) **Restraints:** no temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction, no preliminary or final decision, determination or order issued by any regulatory authority and no other legal restraint preventing any aspect of the Share Scheme and the Option Scheme is in effect as at 8.00am (Sydney time) on the Second Court Date;
- (iv) **Independent Expert – Share Scheme:** the Independent Expert concludes that the Share Scheme is in the best interests of Dominion Shareholders; and
- (v) **Independent Expert – Option Scheme:** the Independent Expert concludes that the Option Scheme is in the best interests of Dominion Optionholders.

## 6 Implementation of the Schemes

### (b) Conditions for the benefit of Dominion only

The following conditions were included in the Scheme Implementation Agreement for the sole benefit of Dominion.

Only Dominion can waive any breach or non-fulfilment of these conditions:

- (i) **No Bidder Material Adverse Change:** no Bidder Material Adverse Change has occurred after the date of the Scheme Implementation Agreement and before 8.00am (Sydney time) on the Second Court Date;
- (ii) **No Bidder Prescribed Occurrence:** no Bidder Prescribed Occurrence has occurred or becomes known to Dominion after the date of the Scheme Implementation Agreement and before 8.00am (Sydney time) on the Second Court Date; and
- (iii) **Kingsgate warranties:** the representations and warranties of Kingsgate set out in schedule 5 to the Scheme Implementation Agreement are true and correct in all material respects on the date of the Scheme Implementation Agreement and as at 8.00am (Sydney time) on the Second Court Date.

### (c) Conditions for the benefit of Kingsgate only

The following conditions were included in the Scheme Implementation Agreement for the sole benefit of Kingsgate.

Only Kingsgate can waive any breach or non-fulfilment of these conditions:

- (i) **FIRB:** the Treasurer of the Commonwealth of Australia or his delegate has either:
  - (A) provided written notice which is unconditional or subject only to conditions reasonably acceptable to Kingsgate that there is no objection under the *Foreign Acquisitions and Takeovers Act 1975 (Cth)* or Australian foreign investment policy to the proposed acquisition by Kingsgate of all of the Dominion Shares; or
  - (B) become precluded from exercising any power to make an order under the *Foreign Acquisitions and Takeovers Act 1975 (Cth)* in relation to the proposed acquisition by Kingsgate of all of the Dominion Shares;
- (ii) **No Target Material Adverse Change:** no Target Material Adverse Change has occurred after the date of the Scheme Implementation Agreement and before 8.00am (Sydney time) on the Second Court Date;
- (iii) **No Target Prescribed Occurrence:** no Target Prescribed Occurrence has occurred or becomes known to Kingsgate after the date of the Scheme Implementation Agreement and before 8.00am (Sydney time) on the Second Court Date;
- (iv) **Dominion Optionholder approval of Option Scheme:** before 8.00am (Sydney time) on the Second Court Date, the Dominion Optionholders approve the Option Scheme by the majorities required under section 411(4)(a)(i) of the Corporations Act;
- (v) **Court Approval of Option Scheme:** the Court approves the Option Scheme in accordance with section 411(4)(b) of the Corporations Act;
- (vi) **Dominion warranties:** the representations and warranties of Dominion set out in schedule 3 to the Scheme Implementation Agreement are true and correct in all material respects on the date of the Scheme Implementation Agreement and as at 8.00am (Sydney time) on the Second Court;
- (vii) **Cancellation of Dominion Performance Rights:** Dominion, Kingsgate and the holder of Dominion Performance Rights enter into a cancellation deed on terms and conditions reasonably satisfactory to Kingsgate under which all of the Dominion Performance Rights are cancelled or acquired by Kingsgate with effect from the Implementation Date of the Schemes for total cash consideration of \$102,000; and
- (viii) **Listing Rule approvals:** subject to the terms of any grant of a waiver from ASX Listing Rule 6.23.2 by the ASX, Dominion must obtain any approvals that are required from the Dominion Shareholders under ASX Listing Rule 6.23.2 in relation to the Option Scheme and the cancellation of Dominion Performance Rights on the same date as the Scheme Meetings.

### (d) Conditions that cannot be waived

The following conditions relate to mandatory requirements which cannot be waived by Dominion and Kingsgate:

- (i) **Dominion Shareholder approval of Share Scheme:** before 8.00am (Sydney time) on the Second Court Date, the Dominion Shareholders approve the Share Scheme by the majorities required under section 411(4)(a)(ii) of the Corporations Act; and
- (ii) **Court approval:** the Court approves the Share Scheme in accordance with section 411(4)(b) of the Corporations Act.

## 6.4 Status of conditions precedent

As at the date of this Scheme Booklet, the following conditions precedent have been satisfied:

- (c) **Independent Expert:** the Independent Expert has given a report to Dominion that in its opinion the Share Scheme and the Option Scheme are, in the absence of a superior proposal, in the best interests of Dominion Shareholders and Dominion Optionholders, respectively. a copy of the Independent Expert's Report in relation to the Share Scheme and the Option Scheme is set out in Appendix 1 to this Scheme Booklet;

## 6 Implementation of the Schemes

- (d) **Cancellation of Dominion Performance Rights:** on 14 December 2010, Dominion, Kingsgate and the holder of Dominion Performance Rights entered into a cancellation deed on terms and conditions reasonably satisfactory to Kingsgate under which all of the Dominion Performance Rights are cancelled or acquired by Kingsgate with effect from the Implementation Date of the Schemes for total cash consideration of \$102,000; and
- (e) **ASX Listing Rule approvals:** on 19 November 2010, the ASX granted Dominion a waiver from ASX Listing Rule 6.23.2. as a result of that waiver, Dominion is not required to obtain any further approvals from the Dominion Shareholders under ASX Listing Rule 6.23.2 in relation to the Option Scheme and the cancellation of Dominion Performance Rights.

If any of the remaining conditions precedent are not satisfied or waived by the time specified for their satisfaction or if there is an omission or occurrence which will prevent a condition precedent from being satisfied by the time so specified or, if no date is specified, by the End Date, then within the earlier of five Business Days of both parties becoming aware that the conditions precedent has not or cannot be satisfied or waived or 8.00am (Sydney time) on the Second Court Date (**Consultation Period**), Dominion and Kingsgate will consult in good faith to:

- (a) determine whether a transaction which results in Kingsgate having legal and beneficial ownership of all of the Dominion Shares and all of the Dominion Options or the Dominion Options being cancelled, may proceed by way of alternative means or methods;
- (b) extend the time or date for satisfaction of the relevant condition precedent or the End Date; or
- (c) change or adjourn the date of the Second Court Hearing to another date agreed by the parties (being a date no later than five Business Days before the End Date).

If the parties are unable to reach agreement regarding an appropriate course of action within the Consultation Period, then unless the breach or non-fulfilment of the condition precedent is waived in accordance with the Scheme Implementation Agreement, either party may terminate the Scheme Implementation Agreement by notice in writing to the other party without incurring any liability for that termination (other than a liability under clauses 10 or 11 of the Scheme Implementation Agreement if applicable), except where the relevant condition precedent has become incapable of satisfaction, has not been satisfied, or ceases to be satisfied, as a direct result of a failure by the party seeking to terminate, to comply with a material obligation under the Scheme Implementation Agreement.

As at the date of lodgement of this Scheme Booklet with ASIC for registration, neither Dominion nor Kingsgate is aware of any circumstances which would cause the outstanding conditions precedent not to be satisfied or waived in accordance with the terms of the Scheme Implementation Agreement.

### 6.5 Share Scheme Consideration

Subject to arrangements for Ineligible Foreign Holders (which are summarised in Section 6.8 of this Scheme Booklet), Kingsgate will issue on the Implementation Date of the Share Scheme 0.31 New Kingsgate Shares for each Dominion Share held by a Dominion Shareholder as at the Share Scheme Record Date.

This exchange ratio was agreed through arm's length negotiations between Dominion and Kingsgate.

In the case of joint holders, the New Kingsgate Shares will be issued to and registered in the name of the joint holders.

If the number of Dominion Shares held by a Dominion Shareholder is such that the aggregate entitlement of that Dominion Shareholder to New Kingsgate Shares under the Share Scheme is not a whole number, then the entitlement will (subject to the share splitting provisions in clause 5.5 of the Share Scheme) be rounded up or down to the nearest whole number, with fractions of 0.5 or more being rounded up and fractions of less than 0.5 being rounded down.

The Share Scheme Record Date is expected to be 7.00pm (Sydney time) on Monday, 14 February 2011 and the Implementation Date of the Share Scheme is expected to be Monday, 21 February 2011. These dates may change and will be finalised only after the Court has considered and approved the Share Scheme.

Any changes to these dates will be announced to the ASX and notified on Dominion's website at [www.dml.com.au](http://www.dml.com.au).

### 6.6 Option Scheme Consideration

Subject to arrangements for Ineligible Foreign Holders (which are summarised in Section 6.8 of this Scheme Booklet), Kingsgate will issue on the Implementation Date of the Option Scheme the Option Scheme Consideration in respect of each Dominion Option held by a Dominion Optionholder as at the Option Scheme Record Date, being between 0.023 and 0.085 New Kingsgate Shares per Dominion Option depending on the exercise price and expiry date of the options held.



## 6 Implementation of the Schemes

The number of Kingsgate Shares to be issued has been determined by reference to the Black-Scholes option pricing formula and using a five-day VWAP for the period up to and including the last trading day before the Announcement Date of \$11.96 per Kingsgate Share and volatility of 50%. This exchange ratio was agreed through arm's length negotiations between Dominion and Kingsgate

The following table sets out the value of and number of New Kingsgate Shares to be issued for an option in each series or grant of Dominion Options:

Option series	Vesting date	Expiry date	Exercise price per option	Value per option	Number of New Kingsgate Shares per option	Number of options in series
Dec 2007 – Tranche 1	20/12/2008	19/12/2011	\$5.00	\$0.45	0.0373	1,235,000
Dec 2007 – Tranche 2	20/12/2009	19/12/2011	\$5.50	\$0.35	0.0294	1,235,000
Dec 2007 – Tranche 3	20/12/2010	19/12/2011	\$6.05	\$0.27	0.0227	1,235,000
Jun 2008 – Tranche 1	04/06/2009	04/06/2012	\$3.60	\$1.02	0.0852	960,000
Jun 2008 – Tranche 2	04/06/2010	04/06/2012	\$3.96	\$0.89	0.0742	963,000
Jun 2008 – Tranche 3	04/06/2011	04/06/2012	\$4.36	\$0.76	0.0637	963,000

It is noted that 600,000 Dominion Options were issued in January 2009 with a vesting date of 1 January 2010 and an expiry date of 1 January 2011. To the extent that the holders of those Dominion Options have not exercised them on or before 1 January 2011 and become Dominion Shareholders who may participate in the Share Scheme, those Dominion Options will expire on 1 January 2011 and will not participate in the Option Scheme.

If the number of Dominion Options held by a Dominion Optionholder is such that the aggregate entitlement of that Dominion Optionholder to New Kingsgate Shares under the Option Scheme is not a whole number, then the entitlement will be rounded up or down to the nearest whole number, with fractions of 0.5 or more being rounded up and fractions of less than 0.5 being rounded down.

The Option Scheme Record Date is expected to be 7.00pm (Sydney time) on Monday, 14 February 2011 and the Implementation Date of the Option Scheme is expected to be Monday, 21 February 2011. These dates may change and will be finalised only after the Court has considered and approved the Option Scheme.

Any changes to these dates will be announced to the ASX and notified on Dominion's website at [www.dml.com.au](http://www.dml.com.au).

### 6.7 Determination of persons entitled to Scheme Consideration

Dominion Shareholders whose names appear on the Dominion Share Register as at the Share Scheme Record Date, expected to be 7.00pm (Sydney time) on Monday, 14 February 2011, will be entitled to receive the Share Scheme Consideration under the Share Scheme.

Dominion Optionholders whose names appear on the Dominion Option Register as at the Option Scheme Record Date, expected to be 7.00pm (Sydney time) on Monday, 14 February 2011, will be entitled to receive the Option Scheme Consideration under the Option Scheme.

If Dominion and Kingsgate are of the opinion that a Dominion Shareholder or other person has been party to an arrangement resulting in a change in the registered address of the Dominion Shareholder to a jurisdiction so as to make that Dominion Shareholder an Ineligible Foreign Holder or a transfer of Dominion Shares to a person who would be an Ineligible Foreign Holder in circumstances where Kingsgate and Dominion are of the opinion that the arrangement or transfer was undertaken to achieve that result in order to maximise the cash consideration payable to the relevant Dominion Shareholder, then subject to Dominion giving notice stating what, in its opinion, would have been the holdings and registered addresses at which the Dominion Shares held by the relevant Dominion Shareholder would have been held, had the arrangement or transfer not been undertaken to that effect, the Dominion Shares held by the relevant Dominion Shareholder shall be taken to be held in the holdings and registered addresses specified in the Dominion notice. See clause 5.6 of the Share Scheme for further details.

## 6 Implementation of the Schemes

### 6.8 Foreign shareholders

Restrictions in jurisdictions outside Australia may make it impractical or unlawful for New Kingsgate Shares to be offered or issued under the Schemes to Dominion Shareholders or Dominion Optionholders located in those jurisdictions, or for Dominion Shareholders or Dominion Optionholders located in those jurisdictions to receive New Kingsgate Shares under the Schemes.

Any Dominion Shareholder whose address shown in the Dominion Share Register and any Dominion Optionholder whose address shown in the Dominion Option Register on the relevant Scheme Record Date is a place outside Australia and its external territories, Hong Kong, Ireland, New Zealand, the United Kingdom or the United States of America will be an “Ineligible Foreign Holder” for the purpose of the Schemes, unless Kingsgate determines that it is lawful and not unduly onerous or impracticable to provide that Dominion Shareholder or Dominion Optionholder with New Kingsgate Shares following implementation of the Schemes.

Kingsgate has no obligation to provide, and will not provide, any New Kingsgate Shares to any Ineligible Foreign Holder under the Schemes. Instead, on the Implementation Date of the relevant Scheme, Kingsgate must issue to the Sale Agent, as nominee, the New Kingsgate Shares to which that Ineligible Foreign Holder would otherwise, but for these arrangements, be entitled to receive.

Following the issue to the Sale Agent of the New Kingsgate Shares that Ineligible Foreign Holders would otherwise be entitled to receive, Kingsgate must procure that the Sale Agent:

- (a) as soon as practicable after the Implementation Date of the relevant Scheme, sells (or procures the sale or sales of) those New Kingsgate Shares in the ordinary course of trading on the ASX; and
- (b) remits to Kingsgate the proceeds of the sale (or procures such remittance) (**Sale Proceeds**).

Promptly after receiving the entire Sale Proceeds, Kingsgate must pay, or procure the payment, to each Ineligible Foreign Holder such fraction of the Sale Proceeds (rounded down to the nearest cent) as is equal to the number of New Kingsgate Shares which would have otherwise been issued to the Ineligible Foreign Holder under the relevant Scheme divided by the total number of New Kingsgate Shares issued to the Sale Agent under the Schemes.

Each Ineligible Foreign Holder will be paid its entitlement to the Sale Proceeds by:

- (a) cheque in Australian currency sent to the Ineligible Foreign Holder's registered address; or
- (b) if the Ineligible Foreign Holder has a payment direction (that is currently used for the payment of dividends by Dominion) for a bank account with any Australian ADI (as defined in the Corporations Act) recorded in the Dominion Share Register as at the relevant Scheme Record Date, deposit of funds into that account.

Payment made in accordance with either method set out above will fully satisfy Kingsgate's obligations to the Ineligible Foreign Holder under the Share Scheme or the Option Scheme in respect of that Ineligible Foreign Holder's Scheme Consideration.

If Kingsgate receives professional advice that any tax is required by law to be withheld from any such payment, Kingsgate must ensure, or must procure, that the relevant amount is withheld before making the payment to the Ineligible Foreign Holder (and payment of the reduced amount shall be taken to be full payment of the relevant amount for the purpose of Kingsgate's obligations, as described in the paragraph immediately above). Kingsgate must ensure, or must procure, that any amount so withheld is paid to the relevant taxation authorities within the time permitted by law, and that a receipt or other appropriate evidence of such payment is promptly provided to the relevant Ineligible Foreign Holder.

None of Dominion, Kingsgate or the Sale Agent gives any assurance as to the price that will be achieved for the sale of the New Kingsgate Shares by the Sale Agent. The sale of New Kingsgate Shares by the Sale Agent will be at the risk of the Ineligible Foreign Holder.

Each Ineligible Foreign Holder appoints Dominion as its agent to receive on its behalf any financial services guide or other notices (including any updates of those documents) that the Sale Agent is required to provide to Ineligible Foreign Holder under the Corporations Act.

Kingsgate may cancel, or procure cancellation, of a cheque issued to an Ineligible Foreign Holder if the cheque is returned to Kingsgate or is not presented for payment within six months after the date on which the cheque was sent. During the period of one year commencing on the Implementation Date of the relevant Scheme, on request from an Ineligible Foreign Holder, Kingsgate must reissue, or procure the reissue of, a cheque that was previously cancelled by Kingsgate.

## 6 Implementation of the Schemes

The following notices are directed at the ADR Custodian and to Dominion Shareholders and Dominion Optionholders whose address, as shown in the Dominion Share Register and Dominion Option Register, respectively, on the relevant Scheme Record Date, is in Hong Kong, Ireland, New Zealand, the United Kingdom or the United States of America.

### (a) Notice to shareholders in Hong Kong

**Warning** - The contents of this Scheme Booklet have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offer made under the Proposal. If you are in any doubt about any of the contents of this Scheme Booklet, you should obtain independent professional advice.

This Scheme Booklet does not constitute a prospectus (as defined in section 2(1) of the Companies Ordinance) or notice, circular, brochure or advertisement offering any securities to the public for subscription or purchase or calculated to invite such offers by the public to subscribe for or purchase any securities, nor is it an advertisement, invitation or document containing an advertisement or invitation falling within the meaning of section 103 of the Securities and Futures Ordinance. Accordingly, unless permitted by the securities laws of Hong Kong, no person may issue or cause to be issued this Scheme Booklet in Hong Kong, other than to persons who are “professional investors” as defined in the Securities and Futures Ordinance and any rules made thereunder or in other circumstances which do not result in the document being a “prospectus” as defined in the Companies Ordinance or which do not constitute an offer to the public within the meaning of the Companies Ordinance; and no person may issue or have in its possession for the purpose of issue, this Scheme Booklet or any invitation or document relating to the Schemes, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than any such invitation or document relating to the Schemes that are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance and any rules made thereunder.

This Scheme Booklet is for the exclusive use of Dominion Shareholders and Dominion Optionholders in connection with the Schemes, and no steps have been taken to register or seek authorisation for the issue of this Scheme Booklet in Hong Kong. This Scheme Booklet is confidential to the person to whom it is addressed and must not be distributed, published, reproduced or disclosed (in whole or in part) by Dominion Shareholders or Dominion Optionholders to any other person in Hong Kong or used for any purpose in Hong Kong other than in connection with Dominion Shareholders’ and Dominion Optionholders’ consideration of the Schemes. This Scheme Booklet does not constitute an offer or invitation for subscription, sale or purchase of securities in Hong Kong and shall not form the basis of any contract.

### (b) Notice to shareholders in Ireland

The information in this Scheme Booklet does not constitute a prospectus under any Irish laws or regulations and this Scheme Booklet has not been filed with or approved by any Irish regulatory authority as the information has not been prepared in the context of a public offering of securities in Ireland within the meaning of the Irish Prospectus (Directive 2003/71/EC) Regulations 2005.

### (c) Notice to shareholders in New Zealand

The issue of New Kingsgate Shares under the Schemes is being made to Dominion Shareholders and Dominion Optionholders in New Zealand in reliance upon the Securities Act (Overseas Companies) Exemption Notice 2002. This Scheme Booklet is not a prospectus nor an investment statement under New Zealand law and may not contain all the information that a prospectus or investment statement under New Zealand law is required to contain.

### (d) Notice to shareholders in the United Kingdom

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (**FSMA**)) received in connection with the issue of New Kingsgate Shares has only been communicated, and will only be communicated, in the United Kingdom in circumstances in which section 21(1) of the FSMA does not apply to Kingsgate. In the United Kingdom, this Scheme Booklet is being distributed only to, and is directed at, persons to whom it may lawfully be made within the circumstances described in Article 62 of the FSMA (Financial Promotion) Order 2005 and/or any other persons to whom it may lawfully be communicated (all such persons being referred to as **UK Relevant Persons**).

The investments to which this Scheme Booklet relates are available only to, and any invitation, offer or agreement to purchase will be engaged in only with, UK Relevant Persons. Any person who is not a UK Relevant Person should not act or rely on this Scheme Booklet or any of its contents.



## 6 Implementation of the Schemes

### (e) Notice to shareholders in the United States of America and to the ADR Custodian

Dominion and Kingsgate intend to rely on an exemption from the registration requirements of the US Securities Act of 1933 provided by section 3(a)(10) thereof in connection with the consummation of the Schemes and the issuance of New Kingsgate Shares. Approval of the Schemes by the Court will be relied upon by Dominion and Kingsgate for the purpose of qualifying for the section 3(a)(10) exemption.

You should note that the Schemes are made for the securities of an Australian company in accordance with the laws of Australia and the ASX Listing Rules. The Schemes are subject to disclosure requirements of Australia that are different from those of the United States.

It may be difficult for you to enforce your rights and any claim you may have arising under US federal securities laws, since Kingsgate is located in Australia and most of its officers and directors are residents of Australia. You may not be able to sue Kingsgate or its officers or directors in Australia for violations of the US securities laws. It may be difficult to compel Kingsgate and its affiliates to subject themselves to a US court's judgement.

You should be aware that Kingsgate may purchase securities otherwise than under the Schemes, such as in open market or privately negotiated purchases.

This Scheme Booklet has not been filed with or reviewed by the US Securities and Exchange Commission or any state securities authority and none of them has passed upon or endorsed the merits of the Schemes or the accuracy, adequacy or completeness of this Scheme Booklet. Any representation to the contrary is a criminal offence.

The New Kingsgate Shares to be issued pursuant to the Schemes have not been, and will not be, registered under the US Securities Act of 1933 or the securities laws of any US state or other jurisdiction. The Schemes are not being made in any US state or other jurisdiction where it is not legally permitted to do so.

### 6.9 Dominion ADRs

Dominion ADRs were established under a Deposit Agreement (**Deposit Agreement**) with The Bank of New York Mellon Corporation (**Depository**) dated 11 October 1988. As at the date of this Scheme Booklet 525,000 Dominion Shares are held under the Deposit Agreement by an Australian custodian (**ADR Custodian**).

The ADR Custodian will not be treated under the Share Scheme as an Ineligible Foreign Holder but will participate in the Share Scheme and be entitled to receive the Share Scheme Consideration in respect of the Dominion ADRs held as at the Share Scheme Record Date.

Following receipt of the Share Scheme Consideration, the Depository will sell (or procure the sale of) the New Kingsgate Shares and distribute the proceeds to the holders of the Dominion ADRs, in proportion to the number of Dominion ADRs held by them, respectively (subject to any obligation of the Depository to withhold an amount on account of taxes).

Following implementation of the Share Scheme, it is anticipated that the Dominion ADR program will be terminated.

### 6.10 Exclusivity arrangements

Under the Scheme Implementation Agreement, Dominion has agreed to "no-shop" and "no-talk" restrictions. These restrictions apply to Dominion from the date of the Scheme Implementation Agreement until the first to occur of:

- (a) the date the Scheme Implementation Agreement is validly terminated in accordance with its terms;
- (b) the Implementation Date of the Schemes (which is currently expected to be Monday, 21 February 2011); and
- (c) the End Date (which is 20 April 2011),

(Exclusivity Period).

#### (a) No-shop restriction

Under the no-shop restriction, during the Exclusivity Period, Dominion must not, and must ensure that its representatives do not, except with the prior written consent of Kingsgate, solicit or invite any Competing Proposal or initiate discussions with any third party which may reasonably be expected to lead to a Competing Proposal.

#### (b) No-talk restriction

Under the no-talk restriction, during the Exclusivity Period, Dominion must not, and must ensure that its representatives do not, except with the prior written consent of Kingsgate:

## 6 Implementation of the Schemes

- (i) participate in any negotiations in relation to a Competing Proposal or which may reasonably be expected to lead to a Competing Proposal;
- (ii) provide any information to a third party for the purpose of enabling that party to make a Competing Proposal; or
- (iii) communicate any intention to do any of the things listed in paragraph (i) or (ii) above.

The no-talk restriction does not apply if the Dominion Board, acting in good faith, after having obtained written advice from its legal and financial advisers, determines that the Competing Proposal may reasonably be expected to lead to a Superior Proposal and that failing to respond to the Competing Proposal in a manner described above would be likely to constitute a breach of the Dominion Board's fiduciary or statutory duties.

### (c) No commitments restriction

Further, during the Exclusivity Period, Dominion must not, and must ensure that its representatives do not, except with the prior written consent of Kingsgate, enter into any deed, arrangement or understanding in relation to a Competing Proposal which would have the effect of requiring Kingsgate to abandon, or otherwise fail to proceed with, the Share Scheme or the Option Scheme unless the Dominion Board, acting in good faith and in order to satisfy its fiduciary or statutory duties, determines that the Competing Proposal is a Superior Proposal.

### (d) Notice of Competing Proposal

During the Exclusivity Period, Dominion must promptly notify Kingsgate if it or any of its representatives receives any inquiry or proposal from any person (**Rival Bidder**) which may reasonably be expected to lead to a Competing Proposal but no other information is required to be communicated at that stage.

### (e) Kingsgate response to a Competing Proposal

If at any time during the Exclusivity Period, any Dominion Director wishes to approve or publicly recommend entry into any agreement, commitment, arrangement or understanding relating to a Competing Proposal, Dominion must ensure that they do not do so unless the Competing Proposal is bona fide and is made in writing and until each of the following events has occurred:

- (i) the Dominion Board has determined in good faith after consultation with the Dominion's legal and financial advisers that:
  - (A) failing to respond to the Competing Proposal would be likely to constitute a breach of its fiduciary or statutory duties; and
  - (B) the Competing Proposal is capable of being valued and completed and would, if completed substantially in accordance with its terms, be more favourable to Dominion Shareholders than the Share Scheme,after taking into account all aspects of the Competing Proposal (including its terms and conditions and the identity of the Rival Bidder);
- (ii) Dominion has given Kingsgate notice in writing of its intention to enter into an agreement, commitment, arrangement or understanding in relation to that Competing Proposal, as well as full details of all material terms of the Competing Proposal (including the identity of the Rival Bidder and details of the proposed consideration, conditions and break fee (if any)), together with any material confidential information concerning the Dominion Group's operations provided to the Rival Bidder or any person associated with the Competing Proposal not previously provided to Kingsgate; and
- (iii) Dominion has provided Kingsgate with at least three Business Days to make an offer to Dominion that delivers a benefit to Dominion Shareholders that is at least equal to that of the Competing Proposal (**Counterproposal**) and Dominion and the Dominion Board have considered that proposal in good faith. If the Dominion Board, acting reasonably considers that the Counterproposal would deliver a benefit to Dominion Shareholders that is at least equal to that of the Competing Proposal, then Dominion and Kingsgate must use reasonable endeavours to agree to amendments to the Share Scheme and the Option Scheme to reflect the Counterproposal.

The obligations set out in this paragraph (e) above do not apply if the Dominion Board, acting in good faith, after having obtained written advice from its legal and financial advisers, determines that complying with the relevant obligation would be likely to constitute a breach of the Dominion Board's fiduciary or statutory duties.

Each successive material modification of a Rival Bidder's Competing Proposal will constitute a new Competing Proposal for the purpose of the exclusivity arrangements in the Scheme Implementation Agreement.

## 6 Implementation of the Schemes

### 6.11 Break fee

Under the Scheme Implementation Agreement, Dominion and Kingsgate acknowledge that the Dominion Group and the Kingsgate Group will each incur significant costs directly or indirectly as a result of pursuing the Schemes, and will incur further costs if the Schemes are not successful.

In these circumstances, Dominion and Kingsgate have agreed that provision be made for the payment of a break fee of \$3.75 million (excluding GST) (**Break Fee**) in the circumstances set out below, which they acknowledge is a genuine and reasonable pre-estimate of the cost and loss that would actually be suffered by Dominion or Kingsgate if the Schemes are not implemented.

Kingsgate has agreed to pay the Break Fee to Dominion, provided that Dominion is not in breach of a material obligation under the Scheme Implementation Agreement, if as a result of a material failure by Kingsgate to comply with any material obligation under the Scheme Implementation Agreement (after Dominion had given Kingsgate written notice of the failure and a reasonable time to remedy the failure):

- (a) the Court fails to approve the Schemes for the purpose of section 411(4)(b) of the Corporations Act; or
- (b) the Effective Date of the Schemes has not occurred prior to the End Date.

Dominion has agreed to pay the Break Fee to Kingsgate, provided that Kingsgate is not in breach of a material obligation under the Scheme Implementation Agreement, if any of the following events occur:

- (a) at any time before the Scheme Meetings, any Dominion Director fails to recommend the Schemes or makes any public statement or publicly takes any action that contradicts their recommendation or withdraws their recommendation, other than in circumstances where:
  - (i) the Independent Expert opines in its final report for inclusion in the Scheme Booklet that the Share Scheme is not in the best interests of Dominion Shareholders or modifies its report to so opine (other than where its conclusion is due to the existence of a Competing Proposal); or
  - (ii) Dominion validly terminates the Scheme Implementation Agreement as a result of the non-fulfilment or waiver of a condition precedent relating to a regulatory approval (including an approval of FIRB, ASIC, the ASX or another regulatory authority), the existence of a restraint preventing any aspect of the Schemes being in effect as at 8.00am (Sydney time) on the Second Court Date, a Bidder Material Adverse Change, a Bidder Prescribed Occurrence or a breach of any of the representations and warranties of Kingsgate set out in schedule 5 to the Scheme Implementation Agreement as at 8.00am (Sydney time) on the Second Court Date or Kingsgate suffering an insolvency event at any time after 8.00am (Sydney time) on the Second Court Date and prior to the Implementation Date of the Schemes;
- (b) as a result of a material failure by Dominion to comply with any material obligation under the Scheme Implementation Agreement (after Kingsgate had given Dominion written notice of the failure and a reasonable time to remedy the failure):
  - (i) the Court fails to approve the Schemes for the purpose of section 411(4)(b) of the Corporations Act; or
  - (ii) the Effective Date of the Schemes has not occurred prior to the End Date; or
- (c) at any time prior to the Schemes becoming Effective a Competing Proposal is announced and, within 12 months of such announcement, that Competing Proposal or a transaction substantially similar to that Competing Proposal:
  - (i) results in a person obtaining Control of, or merging with, Dominion;
  - (ii) is completed; or
  - (iii) in the case of a Competing Proposal that involves a takeover bid made under Chapter 6 of the Corporations Act, becomes free from any defeating conditions as that term is defined in the Corporations Act.

The Break Fee is not payable merely because Dominion Shareholders do not approve the Share Scheme or Dominion Optionholders do not approve the Option Scheme.



## 6 Implementation of the Schemes

### 6.12 Termination of the Scheme Implementation Agreement

Either Dominion or Kingsgate may terminate the Scheme Implementation Agreement by notice in writing to the other:

- (a) if the Share Scheme has not become Effective by the End Date;
- (b) at any time before 8.00am (Sydney time) on the Second Court Date, if the other party (**defaulting party**) has materially breached any provision of the agreement (including any warranty) and the non-defaulting party has given written notice to the defaulting party setting out the relevant circumstances of the breach and stating an intention to terminate the agreement and the relevant circumstances continue to exist for five Business Days (or any shorter period ending at 8.00am (Sydney time) on the Second Court Date) from the time the notice of breach is given;
- (c) at any time before 8.00am (Sydney time) on the Second Court Date, if the Independent Expert concludes (whether in its original or any subsequent opinion) that the Share Scheme is not in the best interests of the Dominion Shareholders or (except where Kingsgate has notified Dominion that it does not wish the Option Scheme to proceed) the Option Scheme is not in the best interests of the Dominion Optionholders;
- (d) if the Share Scheme is not approved by the majorities required under section 411(4)(a)(ii) of the Corporations Act; or
- (e) in the circumstances summarised in Section 6.4 of this Scheme Booklet (relating to the non-satisfaction of a condition precedent).

Further, Kingsgate may terminate the Scheme Implementation Agreement by notice in writing to Dominion at any time before 8.00am (Sydney time) on the Second Court Date if a Dominion Director, for any reason:

- (a) fails to recommend that the Dominion Shareholders vote in favour of the Share Scheme and the Dominion Optionholders vote in favour of the Option Scheme, subject to no Superior Proposal being made and the Independent Expert opining that the relevant Scheme is in the best interests of the Dominion Shareholders or the Dominion Optionholders;
- (b) makes any public statement or publicly takes any action that contradicts their recommendation;
- (c) qualifies their support for the Schemes, or withdraws their recommendation; or
- (d) recommends against the Schemes.

Dominion may also terminate the Scheme Implementation Agreement by notice in writing to Kingsgate:

- (a) at any time before 8.00am (Sydney time) on the Second Court Date, if a majority of the Dominion Directors have changed, withdrawn or modified their recommendation owing to:
  - (i) a Competing Proposal that constitutes a Superior Proposal, provided that Dominion gave Kingsgate the details regarding the Superior Proposal at least three Business Days prior to exercising its right of termination and Kingsgate has not made a Counterproposal that the Dominion Board, acting reasonably, considers to provide a benefit to the Dominion Shareholders that is at least equal to that of the Competing Proposal;
  - (ii) the Independent Expert not opining in its final report for inclusion in the Scheme Booklet that the Share Scheme is in the best interests of Dominion Shareholders or modifying its report to that effect; or
  - (iii) the Dominion Board determining in good faith, having received expert advice as appropriate, that the duties of the Dominion Directors require them to change their recommendation; or
- (b) at any time after 8.00am (Sydney time) on the Second Court Date and prior to the Implementation Date of the Schemes, if Kingsgate suffers an insolvency event.

Dominion and Kingsgate can also terminate the Scheme Implementation Agreement by another written agreement between them.

If the Scheme Implementation Agreement is terminated, Dominion and Kingsgate will no longer be obliged to proceed with the Share Scheme and the Option Scheme.

## 7 Information about Dominion

## 7 Information about Dominion

### 7.1 Responsibility for information

The information set out in this Section 7 was prepared by Dominion and Dominion is responsible for the information contained in this Section 7.

### 7.2 Background

This Section 7 contains information in relation to Dominion. Additional information is included in Section 13 of this Scheme Booklet and in the Independent Expert's Report attached as Appendix 1 to this Scheme Booklet.

Further information regarding Dominion is also available in Dominion's FY2010 Annual Report which is available from the Dominion website at [www.dml.com.au](http://www.dml.com.au).

### 7.3 Overview of Dominion

Dominion is an Australian gold mining and exploration company that listed on the ASX in June 1981. As at 15 December 2010, Dominion had a market capitalisation of approximately \$327 million.

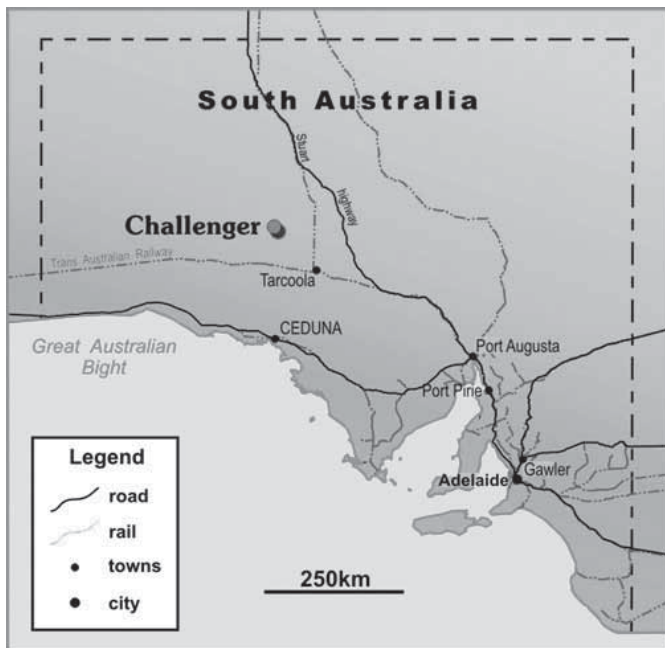
During the early 1990s Dominion was one of Australia's largest gold producers with production over 300,000 ounces per annum from six operations in Western Australia and the Northern Territory. In May 1995, Dominion (in joint venture with Resolute Mining Limited (**Resolute**)) discovered the Challenger gold deposit (**Challenger**) located approximately 740 kilometres north-west of Adelaide in South Australia. In late 1995, Dominion entered into an agreement to divest the majority of its gold operations (excluding Challenger) to Plutonic Resources Limited.

Key milestones in the development of the Challenger project since its discovery in 1995 include the following:

Date	Milestone
1997	Announced first resource on Challenger of 320,000 ounces
April 1999	Announced major resource upgrade on Challenger
December 2000	Acquired Resolute's 50% interest Challenger
September 2001	Completed Challenger bankable feasibility study
October 2002	Produced first gold from Challenger
February 2004	Commenced Challenger underground development
April 2004	Completed mining of Challenger open pit
July 2005	Produced first gold from Challenger underground
October 2008	Achieved production of 500,000 ounces from Challenger open cut and underground operations
January 2010	Completed of the Challenger plant expansion
March 2010	Completed of the Challenger ventilation shaft
March 2010	Achieved production of 500,000 ounces from Challenger underground operations



## 7 Information about Dominion



### (a) Overview of Challenger

#### (i) Background

Challenger was a virgin gold discovery made by Dominion in May 1995 (two years after Dominion's pioneering exploration efforts in the Gawler Craton commenced). However, the project was not developed for several years as Dominion and its former joint venture partner, Resolute, focused on other projects and interests.

After reaching agreement to purchase Resolute's 50% interest in December 2000, Dominion commenced a bankable feasibility study on the development of an open cut mining operation. Shortly after this study was completed in September 2001, the decision was made to proceed with construction of a processing plant and infrastructure.

Open pit mining commenced in mid 2002 and plant and infrastructure were completed during the September quarter of 2002. Plant commissioning commenced, on schedule, in late September 2002 and the first shipment of gold bullion was completed on 24 October 2002. Mining of the Stage 1 open pit and small adjacent auxiliary pit was completed by April 2004 to the final planned design depth of 125 metres below surface.

Underground development commenced in February 2004 with the construction of a decline and associated surface facilities adjacent to the open pit. Underground development continued throughout 2004, enabling full-scale underground production to begin in mid 2005.

Four principal ore positions have been delineated; the M1 and M2 lodes, which between them contain over 98% of the gold in underground reserves, and the M3 and M1 Shadow Zone. All four lodes remain open at depth, while drilling of the M1 lode has demonstrated the continuity of the ore body to approximately 1,000 metres below surface, although it is known to persist to at least two kilometres down-plunge.

#### (ii) Current status of operations

Dominion's gold production for FY2010 (achieved from treating 546,649 tonnes of ore at an average grade of 5.0 grams per tonne) was 80,570 ounces, a decrease of 18% from the previous year.

Ore was stoped from the M1 Shoot between the 460 and 380 levels. However, the majority of ore (78%) was mined from the lower grade M2 Shoot from various levels. Stopping of the M3 Shoot commenced with a combination of handheld and mechanised mining methods. As the mine deepens and with increased ground stress, rib pillars have been introduced into stoping designs to buttress the stope walls.

## 7 Information about Dominion

Relative to FY2009, production in FY2010 was disrupted by two major unplanned events. During the first half of FY2010, the M1 Shoot incurred an unexpected decrease in the gold endowment below the 500 level and access to ore from the M2 Shoot below the 460 level was severely restricted due to the late completion of the ventilation shaft. The decrease in both tonnes and grade of the M1 Shoot and lack of access to the M2 Shoot on the lower levels resulted in an ore shortage which necessitated the rescheduling of lower grade ore from stopes throughout the year.

	FY2008	FY2009	FY2010
Tonnes mined (including low grade) (tonnes)	449,527	430,798	572,139
Ore processed (tonnes)	432,895	434,087	546,649
Head grade (grams per tonne)	8.35	7.54	5.00
Recovery (%)	93.8%	94.00%	92.10%
Gold produced (ounces)	109,326	97,755	80,570
Cash operating cost (\$ per ounce)	\$367	\$438	\$697
Mine development and capital expenditure (\$ per ounce)	\$189	\$249	\$446

Significant improvements to production were realised in the September quarter of FY2011, with production of 25,902 ounces of gold at an operating cash cost of \$723 per ounce.

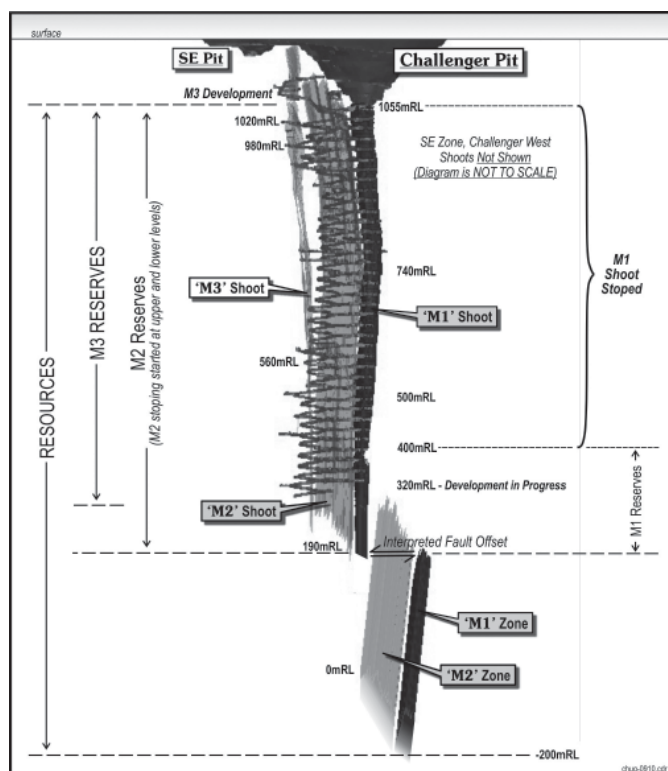
Development and stoping to both the M1 and M2 Shoots were ongoing between the 420 and 360 levels, with development of the M2 Shoot also progressed on the 740 level. Ore was also mined from the M3 Shoot with stoping from the 780, 940 and 1020 levels. The stoping grade from the M1 Shoot on the 360 level during the quarter averaged 8.2 grams per tonne and development grades from the M2 Shoot on the 360 and 340 levels averaged 7.3 grams per tonne and 7.1 grams per tonne, respectively. The focus of development and underground capital infrastructure expenditure was to enable access to higher grade stopes in the second half of FY2011.

Production for the December quarter of FY2011 is expected to be similar to the September quarter of FY2011, resulting in around 50,000 ounces of gold produced for the first six months of FY2011.

The planned expansion of the treatment plant was completed and successfully commissioned in January 2010 (on schedule and on budget). A 750 kilowatt refurbished second hand Morgardshammer ball mill, 4.6 metres long by 3.4 metres diameter, similar to the existing mill was installed and a 12 metre diameter thickener introduced to reduce water usage and consumables. Upgrades to pumping capacity, cyclone towers, screens, control systems and the power station were all completed. A second tailings storage facility to provide for increased tailings storage and designed to reach the level of the abutting existing facility 23 metres high was commissioned in September 2009. The existing tailings storage area also has further storage potential as it has approval for a further 13 metres vertical lift. With the introduction of a thickener, significantly less water (36%) per tonne of ore processed is now used. Tailings deposits now have a minimum slurry density of 60% solids compared with 47% previously.

The plant is currently treating 75 tonnes per hour equivalent to about 630,000 tonnes of ore each year. The treatment plant has the capacity to treat up to around 720,000 tonnes per annum. In early March 2010, the ventilation circuits were established at the base of the mine (four months later than initially planned) which allowed access to the higher grade M2 stopes.

## 7 Information about Dominion



### (iii) Resources and reserves

At 30 June 2010, resources totalled 950,220 ounces of gold containing reserves of 420,440 ounces (excludes gold in plant circuit of 1,210 ounces). The resource position, as at 30 June 2010, represents a downgrade from the previous year, primarily due to the unexpected decrease in the endowment of the M1 Shoot below the 500 metre reduced level.

Challenger Ore Reserves as at 30 June 2010				
Source	Category	Tonnes	Gold Grade	Gold Contained
		(thousands)	(g/t)	(thousand ounces)
From Mine	Proved	318	5.8	59
	Probable	1,834	6.0	352
Stockpiles		157	2.1	9
Challenger Total	Total	2,310	5.7	420

Challenger Mineral Resources as at 30 June 2010				
Source	Category	Tonnes	Gold Grade	Gold Contained
		(thousands)	(g/t)	(thousand ounces)
From Mine	Measured	310	6.3	63
	Indicated	2,232	6.4	460
	Inferred	1,672	7.8	418
Stockpiles		157	1.8	8
Challenger Total	Total	4,371	6.8	950

Drilling over the year of Inferred Mineral Resources to convert these to reserves was restricted as drill sites located at the base of the mine were inaccessible due to the late completion of the ventilation upgrade.

A copy of Dominion's June 2010 Resources and Reserves Statement is available in Dominion's FY2010 Annual Report which is available from the Dominion website at [www.dml.com.au](http://www.dml.com.au).

### (iv) Outlook

Current mine plans schedule a blend of ore from various underground sources with the principal ore source being the M2 Shoot supplemented by ore from the M1, M3, SE Zone and M1 Shadow Zone Shoots. With the expansion and ventilation upgrade completed, Dominion has a production forecast for FY2011 of in excess of 100,000 ounces of gold.<sup>25</sup>

<sup>25</sup> The M2 Shoot, with a reserve grade of 5.7 grams per tonne, requires a greater amount of throughput to achieve scheduled annual gold production in excess of 100,000 ounces.



## 7 Information about Dominion

### (v) Growth opportunities

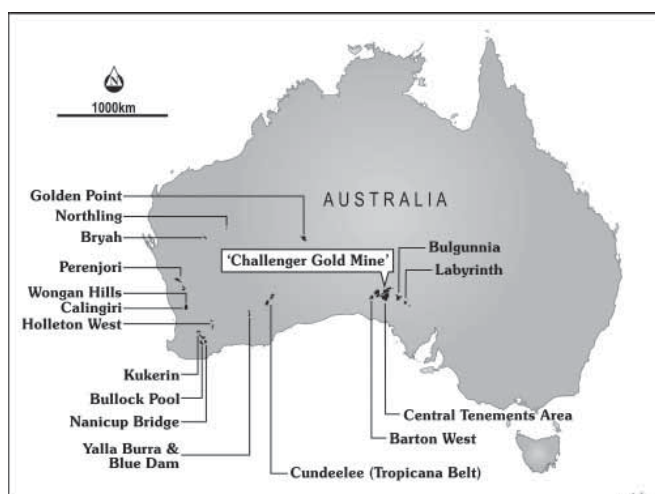
As detailed in Dominion's June 2010 Resources and Reserves Statement, resources that are outside of areas for which reserves have been estimated total 490,480 ounces. Of these, the priority exploration target is the Inferred Mineral Resources of 364,000 ounces contained within the M1 and M2 Shoots, below the 79 Fault. Conversion of Inferred Mineral Resources to reserves has historically been very high (+90% conversion rate) for both the M1 and M2 Shoots.

A comprehensive drill program from the 320 and 280 levels targeting the conversion of resources into reserves at the base of the mine in areas below existing reserves has commenced. Ongoing modelling of the M2 Shoot, integrating the latest development and underground drilling data, is continuing to demonstrate increasing gold endowment of the shoot in the lower development levels. Results from drilling include 3.60 metres at 168.6 grams per tonne, 1.50 metres at 262.8 grams per tonne, 4.50 metres at 178.6 grams per tonne, 3.75 metres at 71.2 grams per tonne and 2.25 metres at 154.9 grams per tonne of gold.

### (b) Overview of exploration portfolio

#### (i) Australian exploration tenements

Dominion has a large portfolio of exploration projects located throughout South Australia and Western Australia:



#### Central Tenements Area (100%<sup>26</sup>)

The project comprises an area of approximately 2,993 square kilometres, surrounding the Challenger mine tenements.

To allow Dominion to focus on exploration in the Challenger mine tenement, the company entered into an agreement with Southern Gold Limited in 2006, under which Southern Gold Limited has earned a 51% interest in the rights to gold mineralisation within the Central Tenements Area. Following an exploration program focused on evaluating a number of previously identified shoots within the Golf Bore Prospect, Southern Gold Limited announced a JORC Code-compliant Inferred Mineral Resource. The area generating the Golf Bore estimate covers about 1.1 kilometres of lateral strike with the 102,600 ounce Inferred Mineral Resource grading one gram per tonne contained within about 3.2 million tonnes of mineralised material.

Iron Road Limited can earn a 90% interest in the iron ore rights within the Central Tenements Area by both sole funding exploration and issuing \$1 million worth of its stock (or 2% of the company's equity, if a higher value).

#### Labyrinth Project (98%)

The project comprises an area of approximately 410 square kilometres, to the south-east of the Challenger mine. It covers a large gravity high anomaly, and spatially related magnetic high anomalies. The 'basement' geology is extensively intruded and overlain by the Middle Proterozoic Hiltaba Suite granitoids and Gawler Range Volcanics that host the Olympic Dam/Prominent Hill (IOCG) style copper-gold-uranium mineralisation. Geological and geophysical modelling has identified a number of residual gravity and magnetic targets, potentially reflecting the development of IOCG style alteration and mineralisation that have not previously been drill evaluated. Planned drilling of the priority T1 Target, a residual magnetic and gravity anomaly, has not been carried out due to heritage related access issues.

26 Subject to farm-outs of iron ore and gold rights.

## 7 Information about Dominion

### Bulgunnia Project (78%)

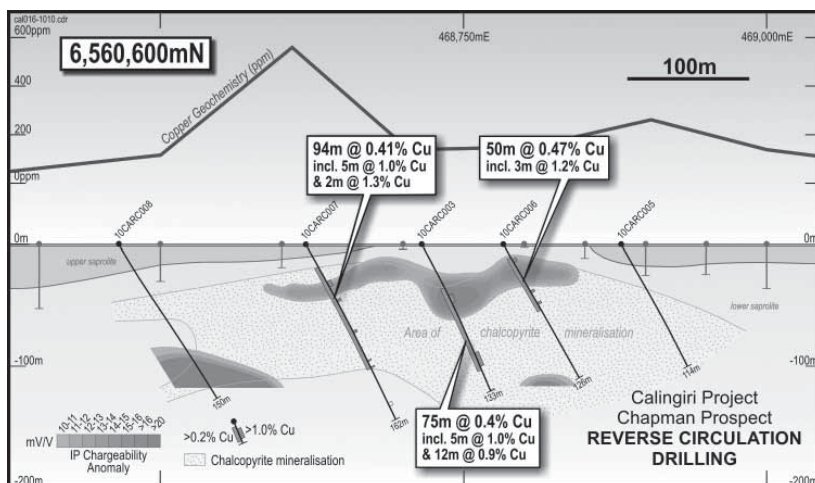
The project comprises an area of approximately 746 square kilometres, to the south-east of the Challenger mine. The ground covers part of a major northeast-southwest trending structure extending south-westward from the Prominent Hill area. A technical review of the project has highlighted a number of Olympic Dam/Prominent Hill (IOCG) type targets that merit further evaluation.

### Calingiri Project (100%)

The project comprises an area of approximately 600 square kilometres, to the south of Wongan Hills in Western Australia. Initial reverse circulation (RC) drilling focused on the Bartel and Chapman Prospects, and was designed to test chargeability anomalies outlined by reconnaissance induced polarisation (IP) surveys.

At Bartel, the two initial RC holes, 10CARC001 and 10CARC002, (drilled 900 metres apart, respectively, to 276 metre and 235 metre depth) were designed to test the southern and northern ends of the IP anomaly and intersected disseminated copper sulphide mineralisation (202 metres at 0.16% and 252 metres at 0.11% copper, including five metres at 1.4% copper from 33 metres). However, inconsistencies between the distribution of sulphides (as intersected in the drilling) and the previously modelled chargeability targets suggested that the reconnaissance IP data does not effectively define the full sulphide geometry. Accordingly, more detailed IP surveying was trialled. Three detailed IP lines positioned directly at and north of the section line of the southernmost hole, 10CARC001, suggest that the best part of the sulphide zone is located immediately west of hole 10CARC001 and is around 150 metres wide plunging gently to the north-east. This better-defined IP anomaly, which is open in both directions, is a priority, and further RC drilling will be completed by the end of the cropping season in December.

At Chapman, the initial RC hole, 10CARC003, targeted an interpreted shallow, flat lying IP anomaly and intersected disseminated copper sulphide mineralisation (five metres at 1.0% copper from 48 metres) at the same horizon as the modelled reconnaissance IP response. Follow up RC drilling (12 holes for 1,692 metres) has confirmed the development of a large system of copper mineralisation. Drilling encountered disseminated chalcopyrite in all holes, with best results encountered on the southern drill traverse either side of hole 10CARC003. Broad intercepts from this drilling include 50 metres at 0.47% copper from 12 metres in hole 10CARC006 and 44 metres at 0.51% copper from 21 metres and a deeper intercept of 21 metres at 0.42% copper from 94 metres in hole 10CARC007. The intercepts in hole 10CARC007 bulk out to 94 metres at 0.41% copper. These results confirm a very extensive mineralised system, with a large area of chalcopyrite mineralisation outlined on the most comprehensively drilled section.



### Cundeelee Project (100%)

The Cundeelee Project comprises an area of approximately 1,213 square kilometres and lies within a distinctive northeast-southwest trending geological belt that hosts the relatively recently discovered Tropicana Deposit owned by AngloGold Ashanti Australia and Independence Group NL. Dominion has evaluated 11 areas of anomalous gold geochemistry with interface drilling within the Cundeelee Project, with significant gold values (+100 parts per billion gold) being returned at seven of the areas.

## 7 Information about Dominion

This level of gold anomalism is seen as significant and is comparable to the values returned from the early interface drilling at Tropicana. Following an interpretation of a structural model for the Tropicana gold deposits that highlights the importance of internal north-south controls to mineralisation within a broader north-east structural domain, Dominion has evaluated the major mineralised domain faults known to occur within the Cundeelee tenement package. Several structural positions where the north-east faults either turn or are offset by north-south structures have been identified. Interface drilling to test these structural positions commenced during September. First pass drilling is now complete at the Geordie Prospect, and in progress at the Corona Prospect with the Hatlifter Prospect to follow.

### Other gold and copper-gold tenements

In the Bryah Basin, Dominion has a farm-in agreement (option to earn a 70% interest) with Sammy Resources Pty Ltd (a subsidiary of Cazaly Resources Limited) in respect of 127 square kilometres of ground that has a series of untested copper geochemical anomalies. There are also a number of pending applications over an area of approximately 223 square kilometres.

In the Eastern Goldfields, Dominion has entered into two farm-in agreements (the Yalla Burra and Blue Dam Projects) on tenements that cover a 30 kilometre length of an emerging gold corridor adjacent to the interpreted position of the Kanowna Shear Zone, south of Integra Mining's Salt Creek discovery.

In the West Musgrave, Dominion has applied for four exploration licences over an area of approximately 1,307 square kilometres. These tenements overlay a regional north-west domain fault that is evident in the regional gravity and magnetics and lies adjacent to the Beadell Resources' Handpump discovery.

In addition to its Calingiri Project, Dominion has a number of other tenements in the South West Yilgarn, comprising an area of approximately 2,601 square kilometres.

### Maralinga Joint Venture (Barton Project) (90%)

Dominion also holds a 90% interest in the Barton West heavy mineral sands project. The project is located within the Eucla Basin District of South Australia, where a number of heavy mineral sands deposits have been discovered, including the Ambrosia and Jacinth Deposits currently being developed by Iluka Resources. Dominion's exploration has defined resources totalling 171.8 million tonnes grading 2.8% heavy minerals with significant potential to increase this total.

The following resources have been estimated in respect of the Barton Project<sup>27</sup>:

Inferred Resources	Tonnes (million)	HM %	Overburden ratio
Strand Line Facies	81.6	3.1	3.6
Lagoonal Facies	90.1	2.5	3.8
TOTAL	171.7	2.8	3.7

\* Notes:

- A 2% HM lower cut off grade has been applied.
- An SG of 1.75 has been used in estimating tonnes.
- The overburden ratio is based on in situ volumes.
- The slimes content (-53 microns) of the heavy mineral resources averages 8-10%.

### (ii) Overseas exploration tenements

Dominion has applied for three exploration licences totalling 1,500 square kilometres which cover the junction between the prospective Loei Fold Belt and the Truongson Fold Belt within the Lao People's Democratic Republic (**Lao PDR**). Several major gold and copper gold mines are located on or adjacent to these belts, including Kingsgate's Chatree gold operations in Thailand.

The Dominion Board believes that the Lao PDR represents an emerging under-explored region of Asia that is highly prospective for a wide range of commodities including gold and copper. The applications are a culmination of 18 months of technical research, target generation and field investigations, including the collection of regional stream sediment samples and more focused soil geochemistry and geological mapping.

27 See Section 13.13 of this Scheme Booklet for the Dominion Competent Persons Statement.

## 7 Information about Dominion

Dominion has been working closely with an established private exploration service company in the Lao PDR that has provided geological and logistical support in these endeavours.

Once the exploration licences are granted, it is intended to immediately commence an exploration program on the licence areas.

### 7.4 Directors and senior management

#### (a) Dominion Board

Brief profiles of the Dominion Directors as at the date of this Scheme Booklet are as follows:

##### (i) Peter C Joseph AM (BCom, MBA) – Non-Executive Director

Mr Joseph has been Chairman of the Board of Dominion since June 1980. His professional experience includes 30 years as an investment banker. Mr Joseph is Chairman of the St James Ethics Centre and the Black Dog Institute and was until May 2009 Chairman of the GPT Group (General Property Trust). Other than being on the board of GPT Management Ltd (appointed in April 2003, retired May 2009) Mr Joseph is not currently and has not over the past three years been on the board of any other listed entity.

##### (ii) Jonathan Shellabear (BSc (Hons), MBA) – Managing Director and Chief Executive Officer

Mr Shellabear who was appointed Managing Director on 1 February 2008 has extensive experience in the Australian and international mining industries, having held senior corporate roles including with Portman Limited and in investment banking with NM Rothschild, Deutsche Bank and Resource Finance Corporation where he advised resource companies on a range of initiatives and transactions. Mr Shellabear is not currently and has not over the past three years been on the board of any other listed entity.

##### (iii) Ross Coyle (BA, FCPA, FCIS) – Executive Director, Chief Financial Officer and Company Secretary

Mr Coyle, a qualified accountant, has been with the Dominion Group for over 20 years and has over 25 years' experience in finance and accounting within the resources industry. He was appointed to the Board on 30 April 1996 and was previously Dominion's General Manager, Finance and Administration. Mr Coyle is a director of Dominion Gold Operations Pty Ltd, the operator of the Challenger gold mine, and is a director of all of the other Dominion subsidiaries. Mr Coyle is not currently and has not over the past three years been on the board of any other listed entity.

##### (iv) Peter Alexander (Ass Appl Geol) – Non-Executive Director

Mr Alexander, a geologist by profession, was Managing Director and Chief Executive Officer of Dominion until his retirement on 31 January 2008. He was appointed as a non-executive director on 1 February 2008. Mr Alexander is a director of Dominion Gold Operations Pty Ltd, the operator of the Challenger gold mine, and is a director of all of the other Dominion subsidiaries. Mr Alexander is not currently and has not over the past three years been on the board of any other listed entity.

##### (v) John Gaskell (BSc (Hons) II (i) Geology) – Non-Executive Director

Mr Gaskell was appointed to the Board of Dominion in December 2004. He is a geologist by profession and has over 30 years' experience at the highest levels of management in the international minerals industry, including spending over five years as a corporate adviser to a major Australian investment group on resource opportunities. Mr Gaskell is also a director of Paradigm Metals Limited. Other than being on the Board of Paradigm Metals Limited (a director since it was listed in November 2003), Mr Gaskell is not currently and has not over the past three years been on the board of any other listed entity.



## 7 Information about Dominion

### (b) Dominion senior management

Brief profiles of the senior management team of Dominion as at the date of this Scheme Booklet are as follows:

#### (i) Tony Poustie (BA (Hons) (Geology), FAusIMM, MAIG) – General Manager Exploration

Mr Poustie is General Manager Exploration. Mr Poustie is a geologist with over 40 years' international experience in mineral exploration, resource definition, project evaluation and development, and open pit and underground mining. Mr Poustie graduated from Trinity College, Dublin and has been with the Dominion Group for 24 years. He is a Fellow of the Australasian Institute of Mining and Metallurgy (AusIMM) and a member of the Australian Institute of Geoscientists (AIG).

#### (ii) Peter Bamford (BSc (Hons) (Eng), ARSM, FAusIMM (CP), MAICD) – General Manager Operations

Mr Bamford is General Manager Operations. Mr Bamford is a mining engineer with over 40 years international experience and is responsible for development and operations at the Challenger mine. Mr Bamford graduated with a Bachelor of Engineering from the Royal School of Mines and has been with Dominion for 14 years. He is a Fellow of the Australasian Institute of Mining and Metallurgy (AusIMM) and is a member of the Australian Institute of Company Directors (AICD).

## 7.5 Dominion financial overview

### (a) Basis of presentation of historical financial information

The historical financial information below is a summary of recent financial information relating to Dominion from its FY2010 and FY2009 annual financial reports. The historical financial information below relates to Dominion on a standalone basis and accordingly does not reflect any impact of the Schemes.

This information is presented in an abbreviated form and does not contain all of the disclosure that is provided in an annual report in accordance with the Corporations Act.

The Dominion FY2010 annual financial report was released on the ASX on 18 October 2010 and the FY2009 annual financial report was released on the ASX on 15 October 2009. Copies of these reports, which include notes to the accounts, are available on Dominion's website ([www.dml.com.au](http://www.dml.com.au)) or from the ASX's website ([www.asx.com.au](http://www.asx.com.au)).

### (b) Historical financial information for the Dominion Group

Set out below are Dominion's audited financial statements as at 30 June 2009 and 30 June 2010.

Given the current status of Dominion's operations and limited production history, and the recent volatility in global financial and commodity markets, Dominion believes that it does not have a reasonable basis for the preparation and presentation of forecast financial information in this Scheme Booklet.

## 7 Information about Dominion

### (i) Statement of financial position

	Consolidated 30 June 2010 \$'000	Consolidated 30 June 2009 \$'000
<b>Current Assets</b>		
Cash	15,875	42,354
Trade and other receivables	6,329	5,356
Inventory	4,214	3,523
Other	277	181
<b>Total Current Assets</b>	<b>26,695</b>	<b>51,414</b>
<b>Non-Current Assets</b>		
Plant and equipment	30,097	17,900
Mine properties	71,336	59,160
Deferred tax asset	16,327	18,069
<b>Total non-current assets</b>	<b>117,760</b>	<b>95,129</b>
<b>Total assets</b>	<b>144,455</b>	<b>146,543</b>
<b>Current Liabilities</b>		
Trade and other payables	12,619	11,045
Interest bearing loans and borrowings	75	140
Provisions	2,945	2,699
Derivatives held for trading	5,598	4,588
<b>Total current liabilities</b>	<b>21,237</b>	<b>18,472</b>
<b>Non-Current Liabilities</b>		
Interest bearing loans and borrowings	–	75
Provisions	1,070	1,039
<b>Total non-current liabilities</b>	<b>1,070</b>	<b>1,114</b>
<b>Total liabilities</b>	<b>22,307</b>	<b>19,586</b>
<b>Net assets</b>	<b>122,148</b>	<b>126,957</b>
<b>Equity</b>		
Issued capital	53,530	53,020
Retained earnings	57,598	65,077
Employee equity benefits reserve	11,020	8,860
<b>Total equity</b>	<b>122,148</b>	<b>126,957</b>

## 7 Information about Dominion

### (ii) Statement of cashflows

	Consolidated FY2010 \$'000	Consolidated FY2009 \$'000
<b>Cash from Operating Activities</b>		
Receipts from gold sales	96,208	112,739
Payments to suppliers and employees	(63,353)	(54,199)
Exploration and evaluation expenditure	(4,281)	(5,052)
Interest received	882	2,665
Interest paid	(18)	(29)
<b>Net cash from/(used in) operating activities</b>	<b>29,438</b>	<b>56,124</b>
<b>Cash from Investing Activities</b>		
Resources evaluation and mine development expenditure	(40,656)	(28,904)
Acquisition of plant and equipment	(5,406)	(10,311)
Proceeds from sale of plant and equipment	28	73
Proceeds from sale of financial assets held for trading	–	77
Acquisition of Resolute royalty	–	(10,623)
<b>Net cash (used in)/from investing activities</b>	<b>(46,034)</b>	<b>(49,688)</b>
<b>Cash from Financing Activities</b>		
Proceeds from the issue of shares and conversion of options	300	662
Repayment of finance lease principal	(140)	(249)
Payment of dividends	(10,043)	(14,381)
<b>Net cash (used in)/from financing activities</b>	<b>(9,883)</b>	<b>(13,968)</b>
<b>Net (decrease)/increase in cash held</b>	<b>(26,479)</b>	<b>(7,532)</b>
<b>Opening cash balance</b>	<b>42,354</b>	<b>49,886</b>
<b>Closing cash balance</b>	<b>15,875</b>	<b>42,354</b>

## 7 Information about Dominion

### (iii) Income statement

	Consolidated FY2010 \$'000	Consolidated FY2009 \$'000
<b>Continuing Operations</b>		
Sale of gold	96,817	109,943
Other revenue	882	2,665
Revenue	97,699	112,608
Cost of goods sold	(82,585)	(61,132)
<b>Gross profit</b>	<b>15,114</b>	<b>51,476</b>
Gain on sale of financial assets held for trading	–	77
Gain on sale of mineral rights and other assets	–	59
Gain on sale of plant and equipment	8	–
Exploration and evaluation expenditure	(4,531)	(5,050)
Administration costs	(2,857)	(3,963)
Share based payments to employees	(2,160)	(4,939)
Change in fair value of undesignated gold contracts held for trading	(1,010)	(1,952)
Finance costs	(49)	(29)
<b>Profit/(loss) before income tax</b>	<b>4,515</b>	<b>35,679</b>
Income tax expense	(1,741)	(4,547)
<b>Net profit/(loss) attributable to members of Dominion Mining Limited</b>	<b>2,774</b>	<b>31,132</b>
Other comprehensive income for the year, net of tax	–	–
<b>Total comprehensive income for the year, net of tax</b>	<b>2,774</b>	<b>31,132</b>
Basic earnings per share (cents per share)	2.69	30.38
Diluted earnings per share (cents per share)	2.68	30.33



## 7 Information about Dominion

### (c) Key financial statistics

Set out below are key financial statistics for Dominion:

	As at 30 June 2010	As at 30 June 2009
Cash	\$15.9 million	\$42.4 million
Bullion on hand (sold)	\$3.6 million	\$3.0 million
Current debt	\$0.1 million	\$0.1 million
Non-current debt	Nil	\$0.1 million
Net assets	\$122.1 million	\$127.0 million
Dominion Shares on issue	103,327,059 ordinary shares	102,996,351 ordinary shares
Market capitalisation	\$282 million	\$475 million

Further, Dominion had a market capitalisation of \$327 million as at 15 December 2010.

### (d) Anticipated future capital requirements

There are no material infrastructure spend requirements planned for Challenger that require funding from capital raisings, as the operation is running at full production and is self-funding. In addition, Dominion has sufficient cash flow to continue to fund exploration at its various tenements.

## 7.6 Financial summary as at 30 June 2010

The consolidated operating profit for FY2010 after provision for income tax was \$2,774,000 (FY2009: profit of \$31,132,000).

The result was after taking into account: \$4,531,000 of exploration and evaluation expenditure, \$2,857,000 attributable to administration costs of the Dominion Group and non-cash adjustments consisting of \$1,010,000 relating to the negative mark to market of gold forward sale contracts, \$2,160,000 which represents the notional value as determined by a binomial option pricing valuation model, of options and Monte-Carlo simulation model, of options and performance rights issued to employees and expensed through the income statement as required by Australian Accounting Standards and an income tax expense of \$1,741,000.

Revenue decreased by 13% to \$97,699,000 with \$96,817,000 attributable to gold sales (FY2009: \$112,608,000 with \$109,943,000 attributable to gold sales). Revenue from gold sales was achieved from the sale of 81,530 ounces of gold, reflecting an average price received of \$1,187 per ounce.

As at 30 June 2010, the Dominion Group had cash and bullion sold of \$19,476,000 (FY2009: \$45,346,000), comprising cash of \$15,875,000 and bullion sold (treated as a receivable in the statement of financial position) of \$3,601,000.

Total assets decreased by \$2,088,000 over the year to \$144,455,000. The decrease was mainly attributable to a decrease in cash of \$26,479,000 offset by a net increase (after depreciation and amortisation) in plant and equipment and mine properties of \$24,373,000, a result of expenditure on the ventilation shaft, mill expansion, new tailings storage facility, ongoing mine development and resource/reserve evaluation drilling.

Total liabilities increased by \$2,721,000 over the year to \$22,307,000. This was due to an increase in trade and other payables of \$1,574,000 (principally reflecting the increase of the mining contractor's charges) and derivatives of \$1,010,000 which relates to the unrealised mark to market value of gold forward sale contracts.

## 7.7 Material changes in financial position since 30 June 2010 and other developments

### (a) Dividends

On 30 September 2010, Dominion paid an unfranked final dividend of \$3.6 million (four cents per Dominion Share) for FY2010. In addition to cash payments of the dividend, 193,200 new Dominion Shares were issued under Dominion's dividend reinvestment plan at an issue price of \$2.35 per Dominion Share.

## 7 Information about Dominion

### (b) 31 December 200 quarterly report

Dominion will release its 31 December 2010 quarterly report to the ASX on or before 31 January 2011. Following its release, a copy of the 31 December 2010 quarterly report will be available on Dominion's website ([www.dml.com.au](http://www.dml.com.au)) or from the ASX website ([www.asx.com.au](http://www.asx.com.au)).

### (c) Other material matters

Except as disclosed above, there have been no material changes to the financial position of Dominion since 30 June 2010.

## 7.8 Historical share price performance

The last recorded sale price of Dominion Shares traded on the ASX before the announcement of the Share Scheme was \$2.73 on 19 October 2010.

Dominion Shares traded in the range of \$2.38 per share to \$2.96 per share during the one month period prior to the Announcement Date.

The latest recorded sale price of Dominion Shares traded on the ASX immediately preceding the date on which this Scheme Booklet was lodged with ASIC for registration, was \$3.16 per share on 15 December 2010.

During the three month period immediately preceding the date on which this Scheme Booklet was lodged with ASIC for registration, the highest and lowest recorded sale prices of Dominion Shares on the ASX were, respectively, \$3.50 on 8 November 2010 and \$2.38 per share on 24 September 2010.

The chart below shows Dominion's share price performance from 19 October 2009 to 19 October 2010:



## 7.9 Commodity price risk – forward gold contracts and diesel hedging

### (a) Forward gold contracts

The Dominion Group's future revenues are exposed to movements in the gold price. The Dominion Group may from time to time enter into commodity price derivative instruments to manage this exposure. The derivative contracts are entered into in accordance with the Dominion Group's gold hedge risk management policy which establishes the criteria for entering into forward gold contracts.

At 30 June 2010, the Dominion Group had forward sold 15,000 ounces of gold at an average price of \$1,090 per ounce (2009: 26,138 ounces of gold at an average price of \$994 per ounce). This represented approximately 3% of gold reserves as at 30 June 2010 (2009: 4%).

The following table displays fluctuations in the fair value of the Dominion Group's gold forward contracts due to movements in the spot price of gold with all other variables held constant. The 10% sensitivity is based on reasonably possible changes, over a financial year, using the observed range of actual historical prices for the preceding five year period.

## 7 Information about Dominion

	Impact On Profit Consolidated	
	FY2010 \$'000	FY2009 \$'000
<b>Post-tax (loss)/gain</b>		
10% increase in the spot price of gold		
Mark to market movement of the fair value of gold forward contracts	(3,254)	(4,982)
10% decrease in the spot price of gold		
Mark to market movement of the fair value of gold forward contracts	1,268	1,078

The below table summarises the Dominion Group's obligations under gold derivative contracts as at 30 June 2010:

	Contract maturity			
	FY2011	FY2012	FY2013	Total
\$ Value	\$16,350,000	–	–	\$16,350,000
Ounces	15,000	–	–	15,000
Average sales price/ounce	\$1,090	–	–	\$1,090

The mark to market value of the gold derivative contracts at the FY2010 balance date was \$5,580,533.

### (b) Diesel hedging

On 20 July 2009 a zero cost collar diesel hedge based on Singapore gas oil 0.5% sulphur was entered into. The call option strike is \$0.7550 per litre with a put option strike of \$0.6224 per litre. The hedge which covers a 23 month period commencing August 2009 is for 3,500 barrels (556,500 litres) per month, approximately 74% of monthly diesel usage at the Challenger mine site. The mark to market value of the zero cost collar diesel hedge at the FY2010 balance date was \$17,359.

## 7.10 Litigation

As at the date of this Scheme Booklet, Dominion is not involved in and, to the best of its knowledge, is not party to, any material litigation.

## 7.11 Capital structure and ownership

As at the date of this Scheme Booklet, the total securities of Dominion on issue were as follows:

- (a) 103,520,259 Dominion Shares;
- (b) 7,191,000 Dominion Options; and
- (c) 500,000 Dominion Performance Rights.

At 15 December 2010, Dominion is aware of the following substantial shareholders:

Name	Number of Dominion Shares	Percentage of Dominion Shares on issue
Lujeta Pty Ltd	11,400,000	11.0%
Yandal Investments Pty Ltd	11,300,000	11.0%
Peter C Joseph	9,485,727	9.2%
Credit Suisse AG	5,274,437	5.1%

## 7 Information about Dominion

### 7.12 ASIC and ASX lodgements and disclosures

Dominion is a disclosing entity for the purpose of the Corporations Act and as such is subject to continuous reporting and disclosure obligations. Specifically, as an ASX listed company, Dominion is subject to the ASX Listing Rules which require it (subject to certain exceptions) to notify the ASX immediately of any information of which it becomes aware concerning Dominion that a reasonable person would expect to have a material effect on the price or value of its shares. The following table summarises key announcements made by Dominion in the period since 30 June 2010 (being the end of Dominion's financial year):

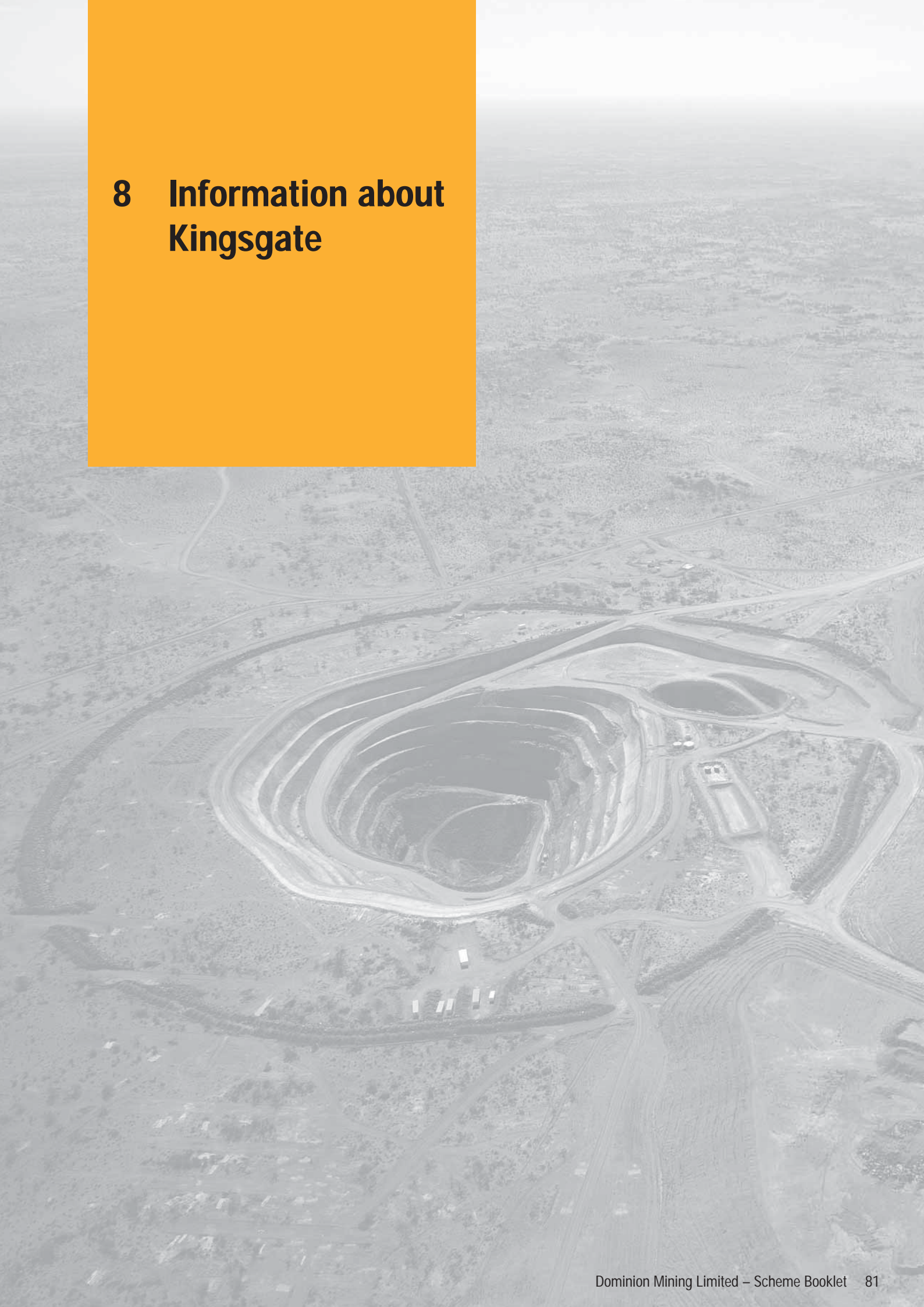
Date	Announcement
10 December 2010	<ul style="list-style-type: none"><li>• Notice of Initial Substantial Holder from Credit Suisse Holdings (Australia) Limited (on behalf of Credit Suisse AG and its affiliates)</li></ul>
24 November 2010	<ul style="list-style-type: none"><li>• Chairman's Address to Shareholders</li><li>• Managing Director's Presentation to Shareholders</li><li>• Results of Annual General Meeting</li></ul>
26 October 2010	<ul style="list-style-type: none"><li>• Quarterly Activities Report</li><li>• Letter to Shareholders</li><li>• Ceasing to be a substantial holder from GAM Global Diversified</li></ul>
20 October 2010	<ul style="list-style-type: none"><li>• Kingsgate and Dominion Investor Presentation</li><li>• Change in substantial holding from GAM Global Diversified</li><li>• Kingsgate and Dominion Announce Agreed Transaction</li><li>• Trading Halt</li></ul>
18 October 2010	<ul style="list-style-type: none"><li>• Notice of Annual General Meeting/Proxy Form/Annual Report</li></ul>
6 October 2010	<ul style="list-style-type: none"><li>• Cancellation of Unlisted Options</li><li>• Change of Director's Interest Notice</li></ul>
30 September 2010	<ul style="list-style-type: none"><li>• Change in substantial holding from Lujeta Pty Ltd</li><li>• Appendix 3B - Shares Issued Pursuant to the Company's DRP</li><li>• Annual Financial Report for the Year Ended 30 June 2010</li></ul>
27 September 2010	<ul style="list-style-type: none"><li>• Dividend Reinvestment Plan Share Price</li></ul>
3 September 2010	<ul style="list-style-type: none"><li>• Letter to Shareholders - Dividend Reinvestment Plan</li></ul>
30 August 2010	<ul style="list-style-type: none"><li>• Preliminary Final Report</li></ul>
13 August 2010	<ul style="list-style-type: none"><li>• Operation and Exploration Update</li></ul>
3 August 2010	<ul style="list-style-type: none"><li>• Cancellation of Unlisted Options</li></ul>
29 July 2010	<ul style="list-style-type: none"><li>• Quarterly Activities Report</li></ul>
6 July 2010	<ul style="list-style-type: none"><li>• Extensive Zone of Copper Mineralisation at Calingiri</li></ul>

The disclosures made by Dominion to the ASX are available from the ASX's website at [www.asx.com.au](http://www.asx.com.au). Further announcements concerning material developments in relation to Dominion will continue to be available on that website after the date of this Scheme Booklet.

In addition, Dominion is required to lodge annual and half yearly financial reports with ASIC. Copies of these and other documents lodged with ASIC by Dominion may be obtained from ASIC. Dominion is also required to provide quarterly reports to the ASX which are available from the ASX's website at [www.asx.com.au](http://www.asx.com.au). Copies of Dominion's annual and half yearly financial reports and quarterly reports may also be obtained from Dominion's website at [www.dml.com.au](http://www.dml.com.au).



## **8 Information about Kingsgate**



## 8 Information about Kingsgate

### 8.1 Responsibility for information

The information set out in this Section 8 was prepared by Kingsgate and Kingsgate is responsible for the information contained in this Section 8.

### 8.2 Background

Kingsgate is a low cost gold mining and exploration company headquartered in Sydney, Australia. The company owns and operates the Chatree gold mine (**Chatree**) in central Thailand through its Thai subsidiary, Akara Mining Limited (**Akara**).

As at 15 December 2010, Kingsgate had a market capitalisation of approximately \$1.1 billion.<sup>28</sup>

Chatree is the largest gold mine in Thailand in terms of ore mined and gold produced. It is located approximately 280 kilometres north of Bangkok, straddling the two provinces of Phichit and Phetchabun in central Thailand. Chatree is comprised of the Chatree Mining Leases at which Kingsgate commenced commercial production in November 2001, the Chatree North Mining Leases at which Kingsgate began production in November 2008 and the existing Chatree processing plant.

Between commissioning in November 2001 and 30 September 2010, Chatree produced 1.07 million ounces of gold and 3.55 million ounces of silver at cash operating costs which rank Kingsgate as one of the lowest cost gold operators in the world.<sup>29</sup>

### 8.3 Kingsgate's strategic direction

Kingsgate's strategy is to consolidate its position as one of the ASX's premier mid-tier gold producers by optimising the value of Chatree and growing and diversifying its asset base through the acquisition of new projects and exploration success.

The implementation of this strategy is intended to maximise shareholder value in both the short and long term.

#### (a) Optimise full value of Chatree

Several strategies are being implemented to realise full value from Chatree. These include the following:

- increasing nameplate capacity from the current 2.3 million tonnes per annum to five million tonnes per annum through the construction of the Chatree North Processing Plant (expected to be completed in the September quarter of 2011);
- increasing the resource and reserve base both on the current Chatree Mining Leases and Chatree North Mining Leases and in the surrounding areas through an extensive mine and regional exploration program; and
- utilising efficient operating procedures to maintain the current competitive operating cost structure.

#### (b) Pursue new growth initiatives

Kingsgate constantly reviews growth initiatives in order to build a pipeline of projects at various stages of development.

When assessing potential growth opportunities, the following key principles are used to ensure a project meets Kingsgate's strategic objectives:

- the opportunity for Kingsgate to unlock value through utilising its technical and operating expertise and capital base;
- primary focus on Australasia, South East Asia and South America with opportunities outside of these areas to be pursued only on an opportunistic basis; and
- potential to diversify Kingsgate's portfolio both geographically and operationally.

In addition to Dominion, the current off-market takeover bid for Chilean focused Laguna Resources NL (**Laguna**) is an example of Kingsgate implementing this strategy. If Kingsgate is successful in achieving control of Laguna, it will leverage its expertise in the country and the specific style of mineralisation, in combination with Laguna's existing technical team, to comprehensively evaluate and potentially develop Laguna's Arqueros epithermal gold and silver project. More information about the offer for Laguna is provided in Section 8.15 of this Scheme Booklet.

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<sup>28</sup> Based on the closing price of Kingsgate Shares on the ASX on 15 December 2010 of \$10.45 per share.

<sup>29</sup> Gold Fields Mineral Survey, April 2010.

## 8 Information about Kingsgate

### (c) Adhere to operational best practice

Kingsgate prides itself on its best practice policies in safety, the environment and social responsibility.

For operational quality and safety, Kingsgate has adopted international standards including: ISO 9001, Quality Management Standard; ISO 14001, Environmental Management Standard; OHSAS 18001, Occupational Health and Safety Management Standard; ISO 17025, Laboratory Standard; and ICMI, International Cyanide Management Code accreditation.

Based on Kingsgate's Lost Time Injury Frequency Rate (**LTIFR**) of zero, Chatree is one of the safest gold mines in the world with over 14.6 million hours worked since the last (and only) Lost Time Injury (**LTI**) and with no fatalities. Kingsgate is the world's first mining company to gain accreditation under Social Accountability International (**SAI**) SA8000.

There have been no reportable environmental incidents during the life of Chatree and it remains in compliance in all material respects with all applicable environmental regulations under the approved Environmental Impact Assessment (**EIA**).

Kingsgate demonstrates its commitment to the local community by maintaining a workforce comprised 99% of Thai nationals, of whom approximately 80% are from local villages. Approximately 31% of Kingsgate's management positions are occupied by women. Kingsgate has also implemented a "Buy Thai Policy" which has resulted in more than 90% of line items in the Chatree warehouse being sourced from Thailand.

### 8.4 Kingsgate's key attributes

#### (a) Attractive operating cost structure at Chatree

For the year ended 30 June 2010, Chatree's cash operating cost was US\$335 per ounce of gold after royalties, which ranks it in the lowest quartile of the global cost curve for gold producers.<sup>30</sup> The factors contributing to Chatree's low cost structure include:

- low extraction or mining cost. Ore is mined from several open pit mines which are located in close proximity to the processing plant. The resultant low ore haulage costs combined with a low life of mine strip ratio of 3.7:1 and an efficient local contract mining company (LotusHall) ensure that operating costs remain competitive;
- high recoveries of gold (which generally exceed 90%) given the metallurgical characteristics of the ore treated;
- competitive input costs as Kingsgate sources a significant proportion of its requirements from local suppliers;
- close proximity of Chatree to critical infrastructure. In particular, it has access to electricity from the local power grid at globally competitive market rates; and
- efficiency and attractive cost structure of the Thai labour workforce.

#### (b) Large resource and reserve base at Chatree with significant potential for further increases

As of 30 June 2010, Chatree had a gold resource of 4.32 million ounces (using a 0.3 grams per tonne cut-off grade) and a gold reserve of 1.93 million ounces (using a 0.4 grams per tonne cut-off grade). Based on the current mine plan and incorporating the planned commissioning of the Chatree North Processing Plant, the current gold reserve is sufficient for a mine life of 12 years. If additional gold resources are converted into reserve, the mine life would be expected to increase.

Potential exists for the delineation of additional reserves and resources on the Chatree Mining Leases and Chatree North Mining Leases based on Kingsgate's understanding of the underlying geology, the exploration targets already identified and the prevailing spot gold prices (which are significantly higher than those used in its current reserve calculation).

Particular opportunities include:

- at the Chatree North Mining Leases, the expansion of the current open pit design in certain existing pits which contain the majority of currently identified resource and reserve;
- further exploration drilling programs to test the deep, higher grade feeder zones at both the Chatree Mining Leases and Chatree North Mining Leases to follow up previously identified areas of interest; and
- the original Chatree Mining Leases were predominately mined when gold prices were US\$350 to US\$600 per ounce. Potential exists in, around and underneath some of the existing pits, which may allow for some or all of these pits to be reopened or deepened. Potential also exists to access ore utilising underground mining techniques.

#### (c) Exploration potential in Thailand

Kingsgate believes there is significant potential for future gold discoveries not only in the area of its current operations, but given the very favourable geology, through greenfield exploration in Thailand.

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<sup>30</sup> Gold Fields Mineral Survey, April 2010.



## 8 Information about Kingsgate

Kingsgate currently has 52 special prospecting licences (SPLs) and 76 applications for special prospecting licences (SPLAs) covering approximately 1,837 square kilometres in the Phitsanulok, Phichit, Phetchabun, Lop Buri, Rayong and Chantaburi provinces in Thailand. a total of 53 prospects have been identified to date, most of which are within the contiguous SPL/SPLA area in the immediate vicinity of Chatree. Seven mineralised districts, comprising Chokdee, Suwan, Nok Kaeo, Singto, Sua Dao, Mangkorn and Chang Puek, have been recognised within this area, each containing at least one or more major prospects.

If discoveries are made in the immediate vicinity of Chatree, the potential exists to transport and process the ore through the existing processing facilities. Larger, more regional discoveries are most likely to be developed as standalone operations.

### (d) Unhedged gold price exposure

Kingsgate has no hedging commitments on any gold production from Chatree and has no current plans to change this strategy. There are two key resulting consequences:

- being unhedged fully exposes Kingsgate to movements in the gold price, meaning its financial results are positively impacted from any increases in gold price and adversely impacted by any decreases in gold price; and
- Chatree's gold reserves as at 30 June 2010 were calculated using a gold price of US\$950 per ounce. The spot gold price is currently significantly higher than this level and if maintained, a higher gold price will likely be used in the future for reserve calculations. This will allow a lower cut-off grade to be used and a higher proportion of contained gold in the resource base to be mined through expansion and deepening of the open pits.

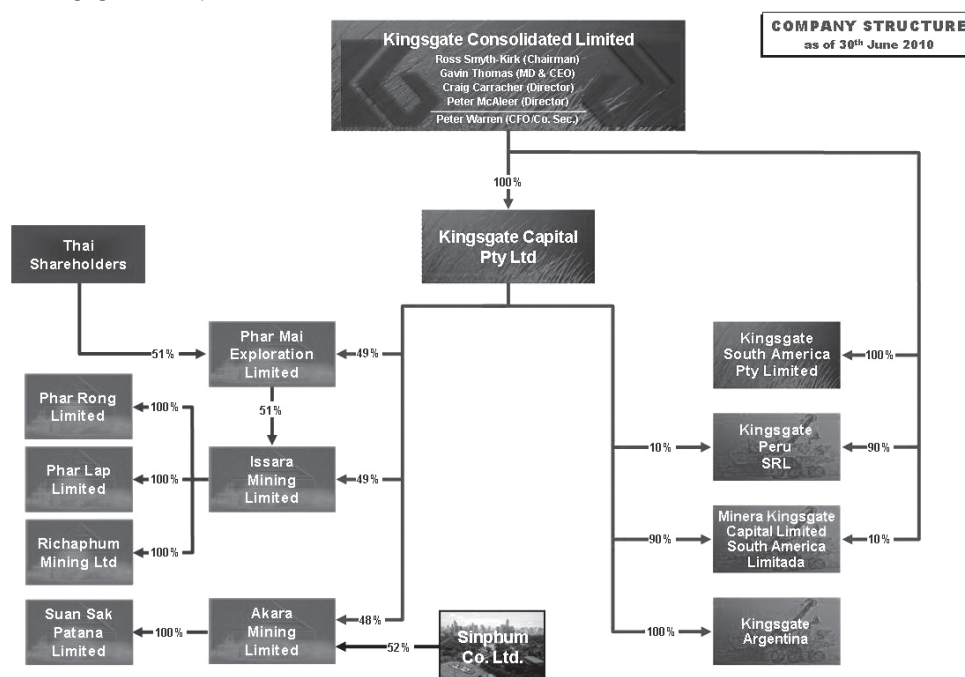
### (e) Senior technical and corporate management expertise

The senior technical and corporate management team of Kingsgate has extensive experience in the gold and minerals exploration and production industry, particularly in the development of low sulphidation epithermal gold deposits. This experience can be used to identify new growth opportunities in the key geographic areas of interest and in particular epithermal gold and silver deposits.

## 8.5 Overview of Kingsgate

### (a) Corporate structure

The Kingsgate Group structure is set out below:



\* Notes:

For further information regarding the ownership of Akara, see Section 8.11 of this Scheme Booklet.

The share held by Sinphum Co. Ltd. in Akara, and the share held by the Thai shareholder in Par Mai Exploration Limited, are preference shares.



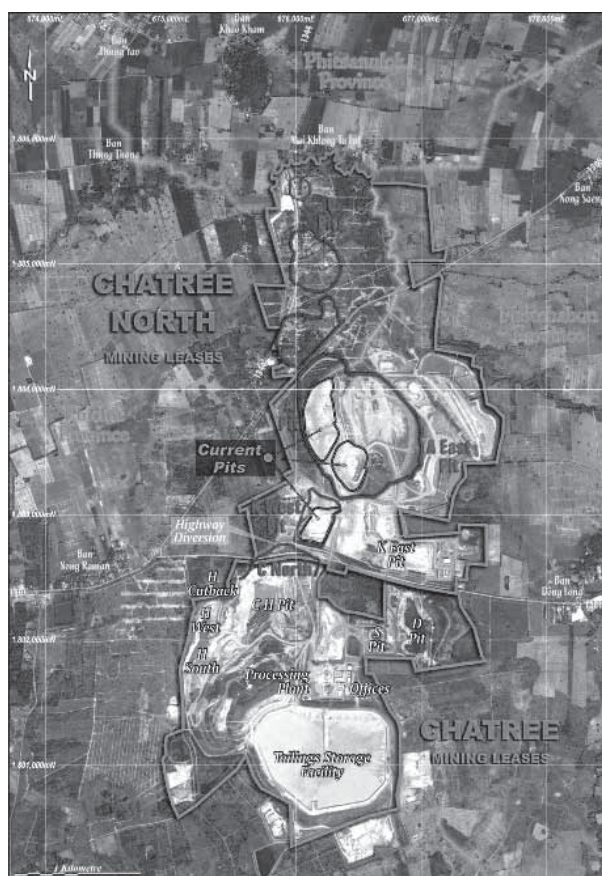
## 8 Information about Kingsgate

### (b) Major assets

#### (i) Chatree

Chatree is located approximately 280 kilometres north of Bangkok and straddles the two provinces of Phichit and Phetchabun in central Thailand. Whilst this is a predominately rural area, there is a developed system of infrastructure including paved roads and highways from Bangkok to the mine entrance, a local power grid passing within 1.5 kilometres of the mine gate and a large pool of labour in surrounding villages and cities.

Construction commenced at Chatree in December 2000, with commercial production beginning in November 2001. Chatree includes the Chatree Mining Leases (commercial production commenced in November 2001), the Chatree North Mining Leases (production commenced in November 2008) and the Chatree processing plant.

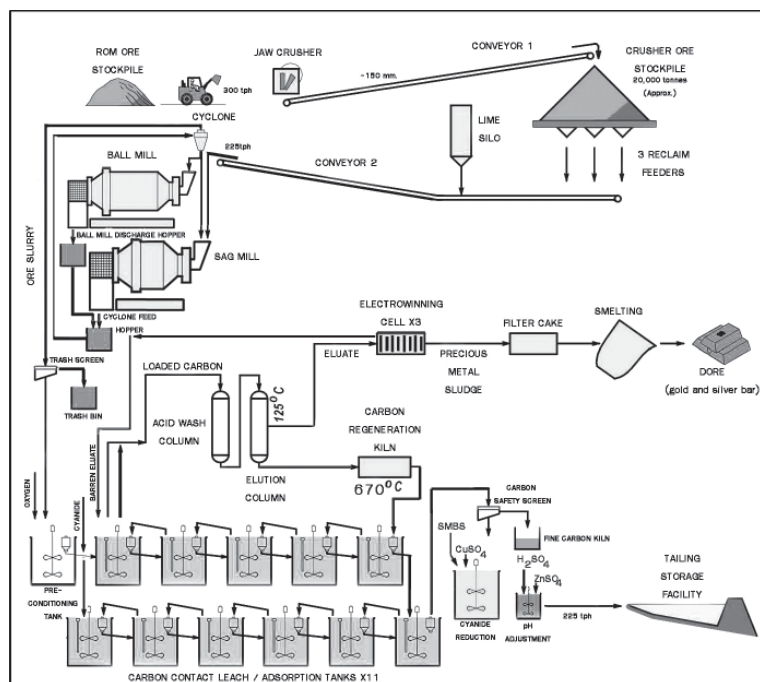


Chatree is a low sulphidation style epithermal gold-silver deposit. It is located within the Loei-Phetchabun Volcanic Belt which runs north to south through Thailand and is associated with the Circum-Pacific Rim of Fire. This belt is rich in mineral deposits and extends from the southern tip of South America to North America, East Asia and Oceania.

Mining at Chatree is undertaken using conventional large-scale mining methods to extract the gold ore from several open pits. Mining costs are kept low due to a low average life of mine strip ratio of 3.7:1, a low ore haulage cost arising from the proximity of ore bodies to processing facilities and an efficient local mining contractor (LotusHall). Gold is recovered using a simple metallurgical process that is common for low sulphidation epithermal gold deposits. This results in overall gold recoveries generally exceeding 90%.

## 8 Information about Kingsgate

A flow sheet outlining the key steps is shown below:



The original plant had a nameplate capacity of one million tonnes per annum, but has since undergone two upgrades to reach its current 2.3 million tonnes per annum nameplate capacity.

Kingsgate is currently undertaking the construction of a new processing plant adjacent to the existing plant. The Chatree North Processing Plant will increase the nameplate processing capacity to five million tonnes per annum and is anticipated to be commissioned in the September quarter of 2011. Chatree has historically operated above its nameplate capacity and expects to continue to do so in the future. Assuming the Chatree North Processing Plant is completed and becomes fully operational, Chatree gold production levels have the potential to increase to a rate of up to 200,000 ounces per annum.

Ausenco has been awarded the Engineering, Procurement, Construction, Management (**EPCM**) contract in relation to the Chatree North Processing Plant. The Ausenco EPCM contract has a target price of \$97 million. Other ancillary works will also be completed at Chatree, including an upgraded electrical substation, second tailings storage facility (**TSF**) and other major earthworks. The total capital cost for the expansion project (inclusive of ancillary works) is estimated at US\$125 million of which approximately US\$45 million had already been spent as at 31 October 2010.

Funding for the Chatree North Processing Plant and the other expansion works is expected to come from a combination of an external debt facility, existing cash reserves and cash flow from existing operations. Investec has been mandated to arrange a debt facility of up to US\$100 million and the current intention is for several Thai banks to be included in the syndicate. Kingsgate has approached several Thai and international banks, each of which has indicated to Kingsgate that it is interested in participating in the facility. On this basis, Kingsgate currently does not have any reason to believe that it will not in due course obtain such a facility. The facility is planned to be in place during the March quarter of 2011. Kingsgate currently has in place a \$60 million revolving credit facility with Investec which is being used to meet Kingsgate's funding requirements prior to the larger facility being concluded.

Chatree continues to be one of the world's safest gold mines, based on publicly available data, with over 14.6 million hours worked (seven years) since the last (and only) LTI. There have been no reportable environmental incidents during the life of the mine and it remains in compliance in all material respects with all applicable environmental regulations under the approved EIA.

## (ii) Exploration

Kingsgate has significant exploration opportunities in Thailand, both at and near Chatree and within the broader region. The areas currently subject to focus comprise 52 SPLs and 76 SPLAs covering approximately 1,837 square kilometres in the Phitsanulok, Phichit, Phetchabun, Lop Buri, Rayong and Chantaburi provinces of Thailand.

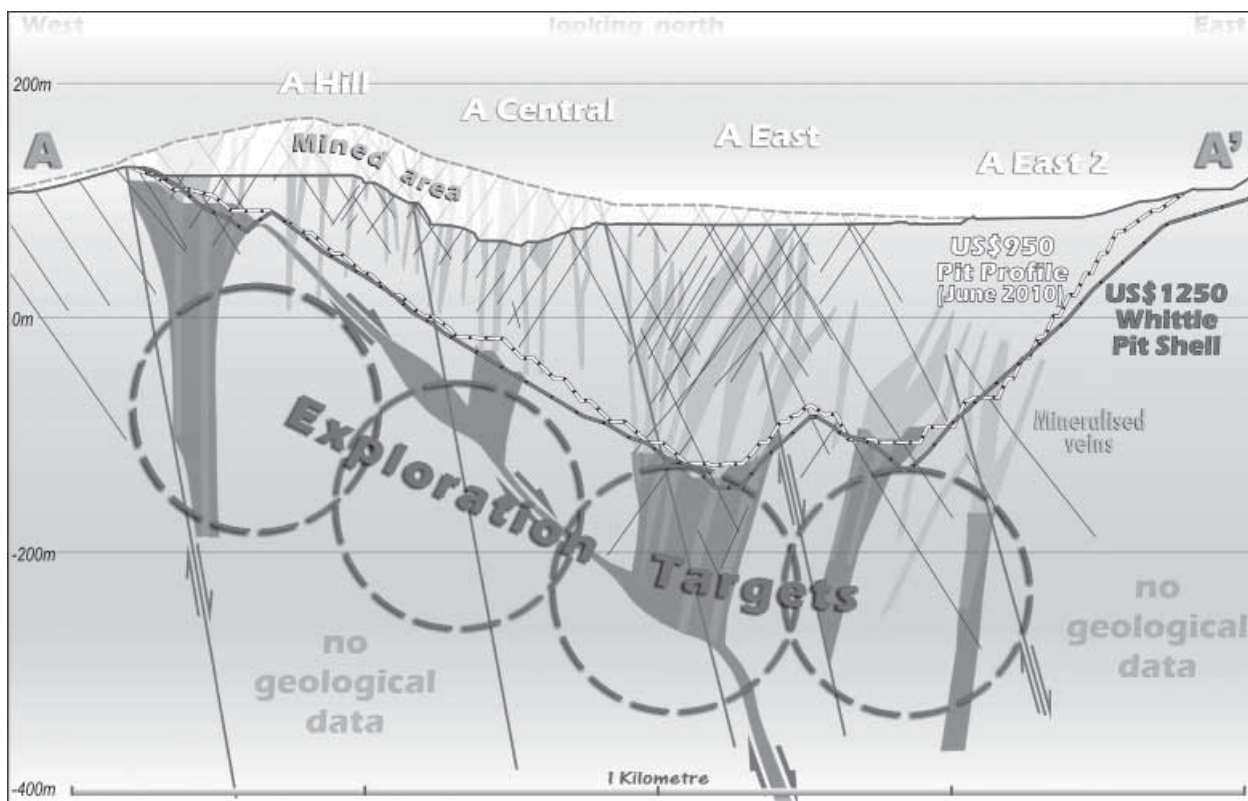
## 8 Information about Kingsgate

Kingsgate's exploration activities are focused on the following key areas:

- within the Chatree Mining Leases and Chatree North Mining Leases, where the strategy is to expand the known open pit resource and reserve base and to follow up identified areas of underground potential;
- in the immediate vicinity of the Chatree Mining Leases and Chatree North Mining Leases where the opportunity exists to transport the ore from any discoveries to the Chatree processing facilities for treatment; and
- on the regional exploration tenements where discoveries are likely to be developed as standalone operations.

There is a significant ongoing drilling program at Chatree. This is aimed at converting resources to reserves through infill drilling on the already identified ore bodies, and extending the currently identified ore bodies both at depth and outside of known mineralised boundaries. Activity for the year ended 30 June 2010 involved 57,016 metres of reverse circulation drilling and 10,805 metres of diamond drilling at a cost of US\$3.4 million. The planned expenditure for the year ending 30 June 2011 is approximately US\$6 million.

In particular, significant potential at Chatree exists through accessing the deeper, higher grade ore zones which have been identified through exploration drilling. These areas have the potential to be the feeder zones for the ore bodies currently being mined and could be accessed either through a deepening of the current planned open pits or via underground mining (which would require additional approvals and, in particular, changes to the mine plan).



In the immediate vicinity of the mining leases, a number of prospects have already been identified through previous exploration work which will be subject to ongoing exploration activity. For example, the Suwan Prospect is located approximately seven kilometres north-west of the Chatree North Mining Leases. This covers an area similar in size to Chatree, with similar geology and geophysical response. The area has virtually no outcrop and is covered by two to 25 metres of alluvium. Drill results have identified a large low grade gold mineralised system. High grade gold veins have been intersected within wide lower grade gold mineralised zones within four main sites currently selected for reverse circulation drilling.

Exploration activities continue in the region around Chatree. Estimated exploration expenditure for this area for the year ended 30 June 2011 is between US\$3 million and US\$5 million. The specific locations of activity are dependent on a variety of factors including land access, results from previous exploration and the granting of the SPLAs.

## 8 Information about Kingsgate

### (c) Historical production and cash cost profile

In the financial year ended 30 June 2010, Chatree produced 132,628 ounces of gold and 549,522 ounces of silver. This was the first full year of production from the Chatree North Mining Leases and proved to be one of Chatree's most successful years, with records set on ore extracted and processed. Mining rates reached their highest ever level at 6.6 million tonnes of ore mined with a 2.4:1 strip ratio of waste to ore. Total cash cost for the financial year was US\$335 per ounce of gold (US\$257 per ounce before Thai royalties). Royalties paid to the Thai government averaged US\$78 per ounce. Total production costs after tax, depreciation and amortisation were US\$408 per ounce of gold.

The table below outlines the recent production history for Chatree.

	Year ended 30 June		
	2008	2009	2010
Waste mined ('000 bank cubic metres)	2,507	4,069	6,432
Ore mined ('000 bank cubic metres)	375	1,674	2,699
Strip ratio of waste to ore	6.7	2.4	2.4
Ore mined (thousand tonnes)	977	3,874	6,583
Ore treated (thousand tonnes)	2,474	1,878	2,705
Head grade of ore treated:			
Gold (grams per tonne)	1.1	1.7	1.7
Silver (grams per tonne)	6.8	15.8	14.9
Gold recovery (%)	88.4	91.2	90.4
Gold produced (ounces)	74,137	93,002	132,628
Silver produced (ounces)	232,039	293,472	549,522

	Year ended 30 June		
	2008	2009	2010
Cash operating costs per ounce in US\$ <sup>29</sup>			
Mining/treatment expense	459	379	317
Refining and transport	2	2	2
By-product credit	(44)	(37)	(62)
Cash operating cost	417	344	257
Royalty*	40	57	78
Total cash cost	457	401	335
Depreciation/amortisation	99	87	73
Total production cost	556	488	408

\* Royalties are calculated on a progressive scale, increasing as the international spot gold price rises, linked to the prices in Thai baht per gram of gold as indicated in the following table:

Announced price/gram (Baht)	Percentage of mineral royalty
0-400	2.5%
>400-600	5.0%
>600-1,000	10.0%
>1,000-1,500	15.0%
more than 1,500	20.0%

31 Kingsgate reports unit costs in accordance with the Gold Institute Standard for Reporting Production Costs. Silver is accounted for as a by-product whereby revenues from silver are deducted from operating costs in the calculation of cash operating costs per ounce, while all royalties payable are included in the calculation of cash operating costs per ounce. The cash operating costs of future production at the Chatree will fluctuate due to changing ore grade, throughput, strip ratio and recovery rate.



## 8 Information about Kingsgate

Gold production for the 2011 financial year is expected to be within the range of 120,000 to 130,000 ounces. a higher proportion of this production will occur in the second half of the financial year when higher grade areas of the open pits are accessed.

Kingsgate has publicly disclosed production guidance and resources and reserves data in respect of its operations in the following recent ASX releases:

- production forecast update (27 September 2010);
- 2010 annual report (26 October 2010);
- quarterly report for the three months ended 30 September 2010 (29 October 2010); and
- 2010 annual general meeting presentation (18 November 2010).

Copies of these releases are available from Kingsgate's website at [www.kingsgate.com.au](http://www.kingsgate.com.au) and the ASX's website at [www.asx.com.au](http://www.asx.com.au).

Further announcements and presentations concerning Kingsgate's updated production guidance and reserves and resources data will continue to be made after the date of this Scheme Booklet, and can be accessed from Kingsgate's website and the ASX's website.

### (d) Mineral Resources and Ore Reserves

As at 30 June 2010, Chatree contained gold resources of 4.32 million ounces and gold reserves of 1.93 million ounces. Chatree also contains silver resources of 36.97 million ounces and silver reserves of 18.63 million ounces.<sup>32</sup> Based on the current mine plan and incorporating the planned commissioning of the Chatree North Processing Plant, the current gold reserve is sufficient for a mine life of 12 years. If additional gold resources are converted into reserves, the mine life would be expected to increase.

The following tables present Kingsgate's most recent statement of Mineral Resources and Ore Reserves as at 30 June 2010.

#### (i) Mineral Resources<sup>33</sup>

The total estimated mineral resource at Chatree as at 30 June 2010 at a 0.3 grams per tonne gold cut-off grade is set out in the following table:

	Category	Tonnage (million tonnes)	Grade Gold (grams per tonne)	Silver	Contained ounces Gold (million ounces)	Silver
Chatree Mine Leases <sup>32</sup>	Measured	23.6	0.79	4.4	0.60	3.36
	Indicated	15.2	0.82	4.2	0.40	2.07
	Inferred	11.5	0.80	4.5	0.30	1.67
	Total	50.3	0.80	4.4	1.30	7.10
Chatree North Mine Leases <sup>33</sup>	Measured	56.2	0.81	8.6	1.47	15.49
	Indicated	41.6	0.74	6.7	0.99	9.00
	Inferred	19.8	0.66	5.0	0.42	3.19
	Total	117.6	0.76	7.3	2.88	27.68
Stockpiles	Total	5.6	0.79	12.1	0.14	2.19
Chatree Total	Measured	79.8	0.81	7.4	2.07	18.85
	Indicated	56.7	0.76	6.1	1.39	11.07
	Inferred	31.4	0.71	4.8	0.72	4.86
	Total	173.5	0.77	6.6	4.32	36.97

32 See Section 14.5 of this Scheme Booklet for the Kingsgate Competent Persons Statement.

33 See Section 14.5 of this Scheme Booklet for the Kingsgate Competent Persons Statement.

34 Includes C North Pit, C Pit, H Pit, S Pit, D Pit and J Pit cut to the end of June 2010 Chatree mine surface.

35 Includes a Pit, a East Pit, Q Pit, K West Pit, and K East Pit at Chatree North mine, cut to the end of June 2010 Chatree mine surface.

## 8 Information about Kingsgate

### (ii) Ore Reserves<sup>36</sup>

The total estimated ore reserve at Chatree as at 30 June 2010 at a 0.4 grams per tonne gold cut-off grade is set out in the following table.<sup>37, 38, 39</sup>

	Category	Tonnage (million tonnes)	Grade Gold (grams per tonne)	Silver	Contained ounces Gold (million ounces)	Silver
Chatree Mining Leases <sup>38, 39, 40</sup>	Proved	5.4	1.06	5.0	0.18	0.86
	Probable	2.7	1.27	4.9	0.11	0.44
	Total	8.1	1.13	5.0	0.29	1.30
Chatree North Mining Leases <sup>41, 42, 43</sup>	Proved	32.0	0.99	10.3	1.02	10.56
	Probable	16.0	0.93	8.9	0.48	4.59
	Total	48.0	0.97	9.8	1.49	15.15
Stockpiles	Total	5.6	0.79	12.1	0.14	2.19
Total from pits	Proved	37.4	1.00	9.5	1.20	11.42
	Probable	18.7	0.98	8.4	0.59	5.02
Chatree total	Total	61.7	0.97	9.4	1.93	18.63

Gold reserves as at 30 June 2010 have been calculated using a gold price of US\$950 per ounce. The spot gold price is currently significantly higher than this level and if maintained, a higher gold price will likely be used in the future for reserve calculations. This will allow a lower cut-off grade to be used and a higher proportion of contained gold in the resource base to be mined through expansion and deepening of the open pits.

Additionally, with a gold price at current spot levels the potential exists for previously mined open pits to be reassessed for future mining. Early mining at the Chatree Mining Leases was undertaken when gold prices were generally in the range of US\$350 to US\$600 per ounce, substantially lower than the current prevailing gold price, leaving a significant quantity of ore which may become economic to mine at current spot prices.

<sup>36</sup> See Section 14.5 of this Scheme Booklet for the Kingsgate Competent Persons Statement.

<sup>37</sup> Reserves are based on a three year average gold price of US\$950 per ounce and a silver price of US\$15.00 per ounce.

<sup>38</sup> All reserves are based on detailed pit designs.

<sup>39</sup> All proportions >0% have been used, hence, no ore discounting has been applied.

<sup>40</sup> C North and D Pits assume the approval to mine through highway 1301 will be granted.

<sup>41</sup> H West and J Pits assume the mining lease approval to the west of Chatree will be granted.

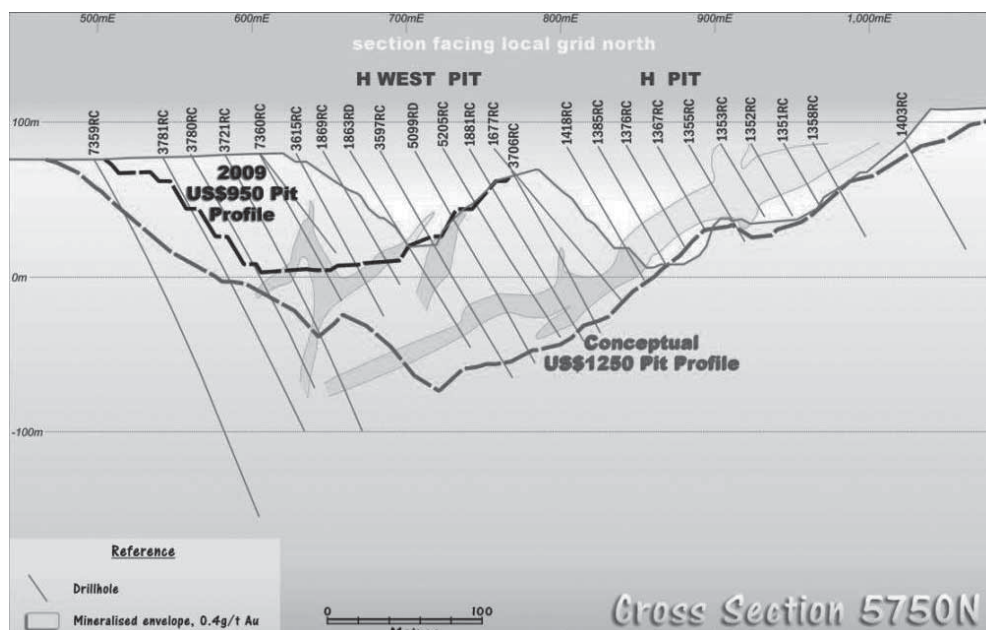
<sup>42</sup> S Pit assumes the mining lease is extended beyond the current northern limit.

<sup>43</sup> Q South Pit assumes the approval to mine through highway 1191 will be granted.

<sup>44</sup> Q South Pit assumes the approval to extend the mining lease to the west of the current mining lease will be granted.

<sup>45</sup> Q South, Q Central and Q North Pits assume the approval to mine through highway 1344 will be granted.

## 8 Information about Kingsgate



### 8.6 Directors and senior management

#### (a) Kingsgate Board



##### **Ross Smyth-Kirk**

Non-Executive Chairman

BCom, CPA, FFin

Mr Smyth-Kirk was appointed to the Kingsgate Board on 29 November 1994 and is also a member of the Audit Committee and Chairman of the Remuneration and Nomination Committees.

Mr Smyth-Kirk was a founding director of the former leading investment management company, Clayton Robard Management Limited, and has had extensive experience in investment management including a close involvement with the minerals and mining sectors. He has been a director on several company boards over the past 28 years in Australia and the United Kingdom. Mr Smyth-Kirk was previously Chairman of Australian Jockey Club Limited.



##### **Gavin Thomas**

Managing Director and Chief Executive Officer

BSc (Geology), FAusIMM

Mr Thomas was appointed to the Kingsgate Board on 16 November 2007. He is currently a director of Mercator Minerals Limited.

Mr Thomas has had a successful career in developing mining companies from the exploration phase into mid-tier gold and/or copper production entities. He has over 37 years of international experience in exploring for, evaluating, developing, operating and reclaiming mines in North and South America, Australia, the Southwest Pacific, Asia and Europe. Among Mr Thomas's credits is the discovery of "Lihir" in Papua New Guinea, one of the largest gold deposits in the world. He has extensive mining experience in Thailand and South America.

## 8 Information about Kingsgate



### **Craig Carracher**

Non-Executive Director

LLB (Sydney), BCL (Oxford)

Mr Carracher was appointed to the Kingsgate Board on 16 November 2007. Mr Carracher is currently a member of the Nomination and Remuneration Committee and the Chairman of the Audit Committee. He is also a non-executive director of the ASX listed Sunland Group Limited.

Mr Carracher brings considerable relevant Thai experience, having been Managing Partner of an international law firm based in Thailand for many years. Mr Carracher has held numerous directorships of listed and private groups throughout Asia and was previously Group General Counsel at Consolidated Press Holdings Limited, Special Advisor to the Chairman of ASIC and Associate to the former Chief Justice of the Supreme Court of New South Wales. He is Managing Director of Telopea Capital Partners, an Asia focused private equity and advisory group with offices in Sydney, Beijing and Hong Kong.



### **Peter McAleer**

Non-Executive Director

BCom (Hons), BL (Kings Inns – Dublin, Ireland)

Mr McAleer has been involved in the discovery and/or successful development of more than 10 base metal and precious metal deposits in Europe, Australia, South America and North America. Previously, Mr McAleer was a director and Chief Executive Officer of Equatorial Mining Limited (now Equatorial Mining Pty Ltd), a director of Mineral El Tesoro (Chile) and Kalahari Diamonds Resources PLC (England), and an executive director of Whim Creek Consolidated NL, Austwhim Resources NL and The Northgate Group of Companies (Canada).

Mr McAleer is a member of the Remuneration and Nomination Committees. He is the current Chairman of Latin Gold Limited and a director of Kenmare Resources PLC (Ireland).

## (b) Kingsgate senior management



### **Peter Warren**

Chief Financial Officer and Company Secretary

BCom, CPA

Mr Warren joined Kingsgate in March 2006 as Chief Financial Officer and is a Certified Practising Accountant (CPA) of 30 years' standing, with an extensive involvement in the resources industry. Prior to joining Kingsgate, he was Company Secretary and Chief Financial Officer of Equatorial Mining Limited (now Equatorial Mining Pty Ltd) and the Australian subsidiaries of the Swiss based Alusuisse Group and has held various financial and accounting positions for Peabody Resources Limited (now CNA Resources Limited) and Hamersley Iron Pty Ltd.



### **Duane Woodbury**

General Manager Strategic Development

BEC (Hons)

Mr Woodbury has been assisting Kingsgate in its business development initiatives since August 2007. He brings to Kingsgate over 18 years of experience in financial markets and corporate finance transactions. Prior to joining Kingsgate, he worked for Macquarie Group in a number of roles including equity capital markets, mergers and acquisitions and institutional stockbroking. Whilst with Macquarie Group, he worked in a number of locations around the world including London, the United States of America and Singapore.



## 8 Information about Kingsgate



### **Joel Forwood**

Manager Corporate and Markets

BSc (Hons), FFin

Mr Forwood joined Kingsgate in November 2010 and has over 25 years in the resource and investment industries covering investor relations, funds management and exploration.

For nearly 10 years, he has been leading investor relations at a number of listed companies, most recently for Ballarat Goldfields and then Lihir Gold Limited. Prior to this, he managed a resources portfolio at Queensland Investment Corporation (QIC) for 10 years. Before QIC, he worked in corporate development for Renison Goldfields following seven years in mineral exploration with BHP.



### **Pakorn Sukhum**

Chief Executive Officer, Akara Mining Limited

BSc (Hons) University of London, MBA Sasin Graduate Institute of Business Administration Thailand

Mr Sukhum joined the management team of Akara Mining Limited as Chief Executive Officer at the end of 2009. He brings to Akara over 20 years of industrial commercial managerial experience in various industries such as metallurgy, chemicals and ceramics in international and domestic markets of Thailand, having held senior management positions in both Thai and multinational joint venture companies such as Basell Poyolefins, Bayer AG, as well as Padeang Industry of Thailand. His major contributions and responsibilities have ranged from project management, commercial marketing and sales to business development.



### **Philip MacIntyre**

Chief Operating Officer and General Manager, Akara Mining Limited

BSc (Hons), FAusIMM, MCIM, SME

Mr MacIntyre joined Kingsgate as the General Manager of Chatree gold mine in July 2001. He has a metallurgical and management background with over 35 years of mine operations experience in Canada, Papua New Guinea, Australia and Thailand. Previously, he was Mine General Manager at the Kidston gold mine in Queensland Australia and, before that, Mill Superintendent at the Porgera Joint Venture in Papua New Guinea, at the Royal Oak Giant mine, at Westmin Resources' Myra Falls mine and at the Premier Gold Project and other projects in Canada.



### **Ronald James**

General Manager Exploration and Resource Development

BSc (Geology), MAusIMM, MAIG

Mr James has 24 years of experience in exploration and mining at management level inclusive of setting up gold mines and exploration projects from their earliest stages through to development and sustainability. Before joining Kingsgate, he was Chief Mine Geologist at the Gold Ridge mine in the Solomon Islands and later Group Exploration Manager for Ross Mining NL. Mr James is familiar with the technical and operating requirements for emerging projects in a variety of terrains and environments and has a strong focus on maximising returns from ore bodies through optimum waste and ore classification, as well as increasing reserves from near-mine resource development.

## 8 Information about Kingsgate

### 8.7 Corporate governance

The Kingsgate Board is responsible for the overall corporate governance of Kingsgate, including adopting appropriate policies and practices and seeking to ensure that Kingsgate Directors, management and employees fulfil their functions effectively and responsibly.

The Kingsgate Board places considerable importance on high standards of ethical behaviour, governance and accountability. The Kingsgate Board is committed to ensuring its corporate governance policies adhere, as much as is practicable, to the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

The Kingsgate Board has recognised the need for the continual development of Kingsgate's corporate governance policies and practices, particularly in view of the Corporate Governance Principles and Recommendations (Second Edition Corporate Governance Guidelines) released in August 2007.

The main corporate governance policies and practices adopted by Kingsgate which are already in effect (and which will continue in effect from implementation of the Schemes) are summarised below. Full details of the main corporate governance policies and practices adopted by Kingsgate during the year ended 30 June 2010 are set out in the Corporate Governance Statement in Kingsgate's 2010 Annual Report.

#### (a) Roles and responsibilities of the Kingsgate Board

The Kingsgate Board is accountable to Kingsgate Shareholders for the proper and prudent investment and preservation of Kingsgate Shareholder funds.

The Kingsgate Board is responsible for:

- overseeing Kingsgate, including its control and accountability systems;
- providing leadership of Kingsgate within a framework of prudent and effective controls which enable risks to be assessed and managed;
- providing input into and final approval of management's development of corporate strategy and performance objectives;
- reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct and legal compliance;
- setting Kingsgate's direction, strategies and financial objectives;
- ensuring compliance with regulatory and ethical standards;
- approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures;
- approving and monitoring financial and other reporting;
- appointing, terminating and reviewing the performance of the Managing Director;
- ratifying the appointment and the termination of senior executives;
- monitoring senior executives' performance and implementation of strategy; and
- ensuring appropriate resources are available to senior executives.

Responsibility for the day-to-day management of Kingsgate is delegated to the Managing Director and the senior executives.

In carrying out its duties, the Kingsgate Board meets formally at least nine times per year. Additional meetings are held to address specific issues or are held as the need arises. Kingsgate Directors also participate in meetings of various Kingsgate Board committees.

#### (b) Composition of the Kingsgate Board

The Kingsgate Board may, in accordance with the Kingsgate Constitution, be comprised of a minimum of three and a maximum of 10 Kingsgate Directors.

The roles of the Non-Executive Chairman and the Managing Director and Chief Executive Officer are exercised by different individuals.

The Managing Director of Kingsgate is not subject to retirement by rotation and along with any Kingsgate Director appointed as an additional or casual Kingsgate Director, is not to be taken into account in determining the number of Kingsgate Directors required to retire by rotation.

## 8 Information about Kingsgate

### (c) Director independence

The Kingsgate Board considers that independence from management and non-alignment with other interests or relationships with Kingsgate are essential for impartial decision making and effective governance.

Kingsgate Directors are deemed to be independent if they are independent of management and have no material business or other relationship with Kingsgate that could materially impede their objectivity or the exercise of independent judgement or materially influence their ability to act in the best interests of Kingsgate.

It is Kingsgate policy that a majority of the Kingsgate Board will be non-executive, independent directors.

All of the Kingsgate non-executive directors, including the Non-Executive Chairman, are considered by the Kingsgate Board to be independent.

### (d) Performance review of the Kingsgate Board and senior executives

Each year, the Kingsgate Board receives reports from management detailing interactions with and outlining the expressed views of Kingsgate Shareholders. The Nomination Committee is responsible for evaluation of the Kingsgate Board, its committees and its key executives.

The Managing Director undertakes an annual review of the performance of each senior executive against individual tasks and objectives.

### (e) Independent professional advice

Kingsgate Directors are able to access members of the management team at any time to request relevant information.

It is also Kingsgate Board policy that Kingsgate Directors may seek independent professional advice at Kingsgate's expense.

### (f) Kingsgate Board committees

To assist the Kingsgate Board in fulfilling its responsibilities, the following committees have been established to consider certain issues and to exercise certain functions:

- Audit Committee;
- Remuneration Committee; and
- Nomination Committee.

Each committee operates under its own charter which is published on Kingsgate's website at [www.kingsgate.com.au](http://www.kingsgate.com.au).

### (g) Ethical standards and code of conduct

The Kingsgate Board and Kingsgate's employees are expected to maintain the highest level of corporate ethics and personal behaviour.

Kingsgate has established a code of conduct which provides an ethical and legal framework for all employees in the conduct of its business. The code of conduct defines how Kingsgate relates to its employees, shareholders and the community in which Kingsgate operates.

The core values of the code of conduct are:

- honesty and integrity;
- fairness and respect; and
- trust and openness.

The code of conduct provides clear directions on conducting business internationally, interacting with governments, communities, business partners and general workplace behaviour, having regard to the best practice corporate governance models. The code of conduct sets out a behavioural framework for all employees in the context of a wide range of ethical and legal issues.

The code of conduct is published on Kingsgate's website at [www.kingsgate.com.au](http://www.kingsgate.com.au).

## 8 Information about Kingsgate

### (h) Share trading policy

In the interests of Kingsgate Shareholder confidence and to comply with insider trading laws, Kingsgate has formal policies governing the trading of Kingsgate's securities by Kingsgate Directors, officers and employees.

The policy prohibits Kingsgate Directors and employees from engaging in short term trading of any of Kingsgate's securities and buying or selling Kingsgate's securities if they possess unpublished, price-sensitive information.

Kingsgate Directors and senior management may buy or sell Kingsgate securities in the four week period following significant announcements by Kingsgate, including the release of the quarterly report, half yearly results and preliminary annual results and the lodgement of Kingsgate's annual report (subject to the prohibition of dealing in Kingsgate's securities if they possess unpublished, price-sensitive information).

Kingsgate Directors and senior management must also receive approval from the Chairman of Kingsgate before buying or selling Kingsgate securities.

### (i) Communication with Kingsgate Shareholders and continuous disclosure

Kingsgate is committed to providing relevant and timely information to Kingsgate Shareholders in accordance with its continuous disclosure obligations under the ASX Listing Rules and the Corporations Act.

Information is communicated to Kingsgate Shareholders through the distribution of Kingsgate's Annual Report and other communications. All releases are posted on Kingsgate's website and released to the ASX in a timely manner.

Kingsgate has practices in place throughout the year governing who may authorise and make disclosures and the method by which the market is to be informed of any price-sensitive information.

Kingsgate's Company Secretary is responsible for communications with the ASX and ensuring that Kingsgate meets its continuous disclosure obligations.

### (j) Annual general meeting

All Kingsgate Shareholders are encouraged to attend and participate in Kingsgate's annual general meeting. Kingsgate Shareholders may attend in person or appoint a proxy as their representative.

Kingsgate's external auditor is routinely invited to and attends the annual general meeting in order to respond to questions raised by Kingsgate Shareholders relating to the content and conduct of the audit and accounting policies adopted by Kingsgate in relation to the preparation of the financial statements.

## 8.8 Kingsgate financial overview

### (a) Basis of presentation of historical financial information

The historical financial information below is a summary of recent financial information relating to Kingsgate from its 30 June 2010 and 30 June 2009 annual financial reports. The information below relates to Kingsgate on a standalone basis and accordingly does not reflect any impact of the Schemes.

This information is presented in an abbreviated form and does not contain all of the disclosure that is provided in an annual report in accordance with the Corporations Act.

The Kingsgate 2010 annual financial report was released on the ASX on 30 August 2010 and the 2009 annual financial report was released on the ASX on 27 August 2009. Copies of these reports, which include notes to the accounts, are available on Kingsgate's website ([www.kingsgate.com.au](http://www.kingsgate.com.au)) or from the ASX's website ([www.asx.com.au](http://www.asx.com.au)).



## 8 Information about Kingsgate

### (b) Statement of financial position

Set out below are Kingsgate's consolidated statements of financial position as at 30 June 2010 and 30 June 2009:

	Year ended 30 June	
	2010 \$'000	2009 \$'000
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	49,098	29,680
Receivables	13,844	9,155
Inventories	11,744	10,521
Other assets	28,615	8,172
<b>Total current assets</b>	<b>103,301</b>	<b>57,528</b>
<b>Non-current assets</b>		
Inventories	37,552	9,393
Exploration, mine property, plant and equipment	221,516	199,700
Deferred tax assets	3,732	4,462
Available-for-sale financial assets	1,071	–
Other assets	1,903	3,890
<b>Total non-current assets</b>	<b>265,774</b>	<b>217,445</b>
<b>TOTAL ASSETS</b>	<b>369,075</b>	<b>274,973</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	15,055	13,665
Provisions	1,003	1,448
Current tax liabilities	3,225	–
Borrowings	10,982	2,103
<b>Total current liabilities</b>	<b>30,265</b>	<b>17,216</b>
<b>Non-current liabilities</b>		
Provisions	11,157	7,162
Payables	5,909	–
Borrowings	82	41
Deferred tax liabilities	5,619	5,514
<b>Total non-current liabilities</b>	<b>22,767</b>	<b>12,717</b>
<b>TOTAL LIABILITIES</b>	<b>53,032</b>	<b>29,933</b>
<b>NET ASSETS</b>	<b>316,043</b>	<b>245,040</b>

## 8 Information about Kingsgate

	Year ended 30 June	
	2010 \$'000	2009 \$'000
<b>EQUITY</b>		
Parent entity interest		
Contributed equity	156,068	129,300
Reserves	4,008	4,579
Retained profits	155,967	111,161
<b>TOTAL EQUITY</b>	<b>316,043</b>	<b>245,040</b>

### (c) Income statement

Set out below are Kingsgate's consolidated income statements for the years ended 30 June 2010 and 30 June 2009:

	Year ended 30 June	
	2010 \$'000	2009 \$'000
<b>Revenue from continuing operations</b>	<b>176,098</b>	<b>114,092</b>
Other income	–	2,432
Changes in inventories of finished goods and work in progress	27,851	20,306
Direct costs of mining and processing	(82,212)	(69,739)
Employee benefits expense	(11,820)	(11,647)
Depreciation and amortisation expenses	(14,004)	(11,575)
Finance costs	(1,823)	(1,698)
Exploration expensed	(385)	(294)
Foreign exchange losses	(2,507)	-
Other expenses from ordinary activities	(8,847)	(8,820)
<b>Profit/(loss) before income tax</b>	<b>82,351</b>	<b>33,057</b>
Income tax benefit/(expense)	(9,285)	(535)
<b>Profit/(loss) after income tax</b>	<b>73,066</b>	<b>32,522</b>
<b>Other comprehensive income</b>		
Exchange differences on translation of foreign operations	1,634	15,911
<b>Total other comprehensive income for the year, net of tax</b>	<b>1,634</b>	<b>15,911</b>
<b>Total comprehensive income for the year</b>	<b>74,700</b>	<b>48,433</b>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	75.2	34.9
Diluted earnings per share	74.5	34.9

## 8 Information about Kingsgate

### (d) Statement of cash flows

Set out below are Kingsgate's consolidated statements of cash flows for the years ended 30 June 2010 and 30 June 2009:

	Year ended 30 June	
	2010 \$'000	2009 \$'000
<b>Cash flows from operating activities</b>		
Receipts from customers	172,083	113,015
Payments to suppliers and employees	(119,392)	(87,602)
Interest received	321	998
Finance costs paid	(1,319)	(1,286)
Income tax paid	(5,225)	(7,067)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>46,468</b>	<b>18,058</b>
<b>Cash flows from investing activities</b>		
Payments for exploration and evaluation	(2,355)	(5,983)
Payments for mine properties, plant, equipment and land	(28,840)	(42,198)
Payments for available-for-sale financial assets	(1,071)	–
<b>Net cash inflow/(outflow) from investing activities</b>	<b>(32,266)</b>	<b>(48,181)</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings, net of transaction costs	–	17,000
Repayment of borrowings	–	(17,000)
Proceeds from borrowings - preference shares	8,643	–
Proceeds from the issue of shares	20,423	15,774
Dividends paid	(24,585)	–
<b>Net cash inflow/(outflow) from financing activities</b>	<b>4,481</b>	<b>15,774</b>
<b>Net increase/(decrease) in cash held</b>	<b>18,683</b>	<b>(14,349)</b>
Cash at the beginning of the financial year	29,680	40,226
Effects of exchange rate changes on cash and cash equivalents	735	545
Reclassification of other deposits	–	3,258
<b>Cash at the end of the reporting period</b>	<b>49,098</b>	<b>29,680</b>

### 8.9 Material changes in Kingsgate's financial position since 30 June 2010 and other developments

#### (a) Material changes

Within the knowledge of the Kingsgate Directors, the financial position of Kingsgate has not materially changed since 30 June 2010, being the date of the last audited financial statements published by Kingsgate other than expenditure of cash reserves and drawdown of loan facilities which have been utilised for the payment of the final dividend and capital expenditure to fund the Chatree North Processing Plant in the amount of \$41 million as at 31 October 2010.

## 8 Information about Kingsgate

### (b) Dividends

As referred to in Section 8.9(a), on 24 September 2010, Kingsgate paid a final unfranked dividend of \$16.9 million (20 cents per Kingsgate Share). In addition to cash payments of the dividend, 286,605 new Kingsgate Shares were issued under the Kingsgate dividend reinvestment plan at an issue price of \$10.58 per share.

### (c) 31 December 2010 quarterly report

Kingsgate will release its 31 December 2010 quarterly report to the ASX on or before 31 January 2011. Following its release, a copy of the 31 December 2010 quarterly report will be available on Kingsgate's website ([www.kingsgate.com.au](http://www.kingsgate.com.au)) or from the ASX's website ([www.asx.com.au](http://www.asx.com.au)).

## 8.10 ASX lodgements and disclosures

The following table outlines all announcements made by Kingsgate on the ASX since 1 July 2010:

Date	Announcement
15 December 2010	<ul style="list-style-type: none"><li>• Supplementary Bidder's Statement for Laguna Resources NL</li><li>• Chatree Drilling Results</li><li>• Change in substantial holding for LRC</li></ul>
14 December 2010	<ul style="list-style-type: none"><li>• Change in substantial holding for LRC</li><li>• Appendix 3B – New Issue Announcement</li></ul>
13 December 2010	<ul style="list-style-type: none"><li>• Change in substantial holding for LRC</li><li>• Appendix 3B - New Issue Announcement</li></ul>
10 December 2010	<ul style="list-style-type: none"><li>• Change in substantial holding for LRC</li><li>• Appendix 3B - New Issue Announcement</li></ul>
9 December 2010	<ul style="list-style-type: none"><li>• Change in substantial holding for LRC</li><li>• Appendix 3B - New Issue Announcement</li></ul>
8 December 2010	<ul style="list-style-type: none"><li>• Change in substantial holding for LRC</li><li>• Appendix 3B - New Issue Announcement</li></ul>
7 December 2010	<ul style="list-style-type: none"><li>• Change in substantial holding for LRC</li><li>• Appendix 3B - New Issue Announcement</li></ul>
6 December 2010	<ul style="list-style-type: none"><li>• Change in substantial holding for LRC</li><li>• Appendix 3B - New Issue Announcement</li><li>• Bidder's Statement - Notice of Despatch to LRC</li></ul>
3 December 2010	<ul style="list-style-type: none"><li>• Change in substantial holding for LRC</li><li>• Appendix 3B - New Issue Announcement</li></ul>
30 November 2010	<ul style="list-style-type: none"><li>• Kingsgate Lodges Bidders Statement for Laguna</li><li>• Kingsgate - Bidders Statement - Laguna Resources NL</li><li>• Laguna Resources – Target's Statement</li></ul>
29 November 2010	<ul style="list-style-type: none"><li>• Notice of Change of Interests of Substantial Holder for LRC</li></ul>
25 November 2010	<ul style="list-style-type: none"><li>• Kingsgate Consolidated Limited Constitution</li></ul>
18 November 2010	<ul style="list-style-type: none"><li>• High grade gold intersections continue at Chatree Gold Mine</li><li>• Chairman's Address to Shareholders at Kingsgate AGM</li><li>• Managing Director / CEO Address 2010 AGM</li><li>• CEO's Presentation 2010 AGM</li><li>• Results of 2010 AGM</li></ul>
29 October 2010	<ul style="list-style-type: none"><li>• Quarterly Activities Report</li></ul>
26 October 2010	<ul style="list-style-type: none"><li>• Notice of Initial Substantial Holder for LRC</li><li>• Kingsgate Consolidated Limited Annual Report 2010</li><li>• DOM: Letter to Shareholders</li></ul>



## 8 Information about Kingsgate

Date	Announcement
25 October 2010	<ul style="list-style-type: none"> <li>• LRC: Takeover Offer by Kingsgate Consolidated Limited</li> <li>• Recommended Takeover Offer by Kingsgate for Laguna</li> </ul>
20 October 2010	<ul style="list-style-type: none"> <li>• Trading Halt</li> <li>• Kingsgate and Dominion Investor Presentation</li> <li>• Investor Presentation</li> <li>• Kingsgate and Dominion Announce Agreed Transaction</li> <li>• DOM: Kingsgate and Dominion announce agreed transaction</li> </ul>
19 October 2010	<ul style="list-style-type: none"> <li>• Notice of Meeting / Explanatory Memorandum / Proxy Form</li> </ul>
15 October 2010	<ul style="list-style-type: none"> <li>• Kingsgate Seeks Development Opportunities</li> </ul>
8 October 2010	<ul style="list-style-type: none"> <li>• Results enhance potential for underground mining at Chatree</li> </ul>
7 October 2010	<ul style="list-style-type: none"> <li>• Change of Director's Interest Notice - Appendix 3Y</li> </ul>
28 September 2010	<ul style="list-style-type: none"> <li>• Appendix 3B - Exercise of Employee Options</li> <li>• Appendix 3B</li> </ul>
27 September 2010	<ul style="list-style-type: none"> <li>• Production Forecast Update</li> <li>• Managing Director and CEO Proposed Share Sales</li> </ul>
22 September 2010	<ul style="list-style-type: none"> <li>• 2010 Post Financials Presentation – Correction</li> </ul>
21 September 2010	<ul style="list-style-type: none"> <li>• Investor Presentation Update</li> <li>• Change in substantial holding</li> </ul>
20 September 2010	<ul style="list-style-type: none"> <li>• Change in substantial holding</li> </ul>
17 September 2010	<ul style="list-style-type: none"> <li>• Change in substantial holding</li> </ul>
16 September 2010	<ul style="list-style-type: none"> <li>• Change in substantial holding</li> </ul>
13 September 2010	<ul style="list-style-type: none"> <li>• Dividend Details</li> </ul>
6 September 2010	<ul style="list-style-type: none"> <li>• Letter to Shareholders</li> </ul>
3 September 2010	<ul style="list-style-type: none"> <li>• Appendix 3B</li> </ul>
30 August 2010	<ul style="list-style-type: none"> <li>• Dividend Details</li> <li>• Presentation Slides - Full year Financials 2010</li> <li>• Full Year Statutory Accounts - Full Copy</li> <li>• Full Year Financial Report 2010</li> </ul>
16 August 2010	<ul style="list-style-type: none"> <li>• Chatree North Plant Expansion Construction Contract</li> <li>• AAX: Ausenco awarded Chatree North Gold Project Contract</li> </ul>
13 August 2010	<ul style="list-style-type: none"> <li>• Appendix 3B Exercise of Employee Options</li> </ul>
3 August 2010	<ul style="list-style-type: none"> <li>• Appendix 3B Exercise of Employee Options</li> </ul>
30 July 2010	<ul style="list-style-type: none"> <li>• Appendix 3B Exercise of Employee Options</li> </ul>
29 July 2010	<ul style="list-style-type: none"> <li>• Mineral Resources and Ore Reserves Statement</li> </ul>
28 July 2010	<ul style="list-style-type: none"> <li>• BOI Incentives Finalised - Plant Expansion Underway</li> </ul>
27 July 2010	<ul style="list-style-type: none"> <li>• Change in substantial holding</li> </ul>
21 July 2010	<ul style="list-style-type: none"> <li>• Quarterly Report Presentation Slides June 2010</li> <li>• Quarterly Report June 2010</li> </ul>
5 July 2010	<ul style="list-style-type: none"> <li>• Appendix 3B Exercise of Employee Options</li> </ul>
1 July 2010	<ul style="list-style-type: none"> <li>• Appendix 3Y Change of Director's Interest Notice</li> <li>• Appendix 3B Exercise of Employee Options</li> </ul>

## 8 Information about Kingsgate

### 8.11 Ownership of Akara and possible initial public offering on The Stock Exchange of Thailand

Akara is a Thai registered company and all of its ordinary shares are owned by Kingsgate. Akara holds all of Kingsgate's Thai mining assets, including Chatree. Thai nationals are required to own a majority of the share capital of Akara under both Thailand's Alien Business Law (majority defined as 50.1%) and the provisions of Akara's Board of Investment (ABOI) approval (majority defined as 51%). In compliance with this requirement, Akara has a Thai shareholder called Sinphum Co. Ltd. (**Sinphum**) which owns preference shares in Akara that comprise the majority of Akara's issued capital. These preference shares have limited voting rights and carry a fixed rate of return and (outside this fixed return) do not participate in the economic returns generated from Chatree.

Whilst the current shareholding structure complies with Thai foreign ownership requirements, Kingsgate has previously announced its intention to explore the possibility of undertaking an initial public offering (**IPO**) of Akara shares on The Stock Exchange of Thailand. Such an IPO would be structured as the sale of ordinary shares to Thai nationals and the preference share structure would be eliminated. This structure would still enable Akara to comply with Thailand's Alien Business Law and ABOI approval. The Kingsgate Board has deferred any decision about such an IPO given current issues with the preference shareholder (see Section 8.12 below for further details) and the current corporate initiatives involving Dominion and Laguna. The IPO is regularly reviewed by the Kingsgate Board and would only be undertaken if Kingsgate Directors view such an initiative to be in the best interests of Kingsgate Shareholders.

### 8.12 Litigation

#### (a) Preference shareholder litigation

As described in Section 8.11 above, Akara has preference shares owned by a Thai national (Sinphum) which equate to approximately 52% of the total share capital of Akara. The rights of the preference shares are contained in the articles of association of Akara. Such rights include the preference shares having a fixed rate of return, certain preferences upon winding up and limited voting rights in relation to Akara (effectively representing 23% of total votes). Based on current information, Sinphum is not registered as the holder of any Kingsgate Shares.

The preference shares were allotted in November 2006 in accordance with a Subscription and Shareholders Agreement (**SSA**) between Kingsgate, Akara and Empire Asia Co Ltd. Empire Asia Co Ltd novated the SSA to Sinphum in July 2007. The SSA was drafted to facilitate an IPO of Akara if the Kingsgate Board elected to proceed with such a course of action. In particular, the SSA included a call option which gave Kingsgate the ability to purchase the preference shares from Sinphum at par value plus a premium.

In July 2010, Kingsgate exercised its call option under the SSA to purchase the preference shares from Sinphum as part of a restructuring related to the possible IPO of Akara. Sinphum has not complied with this obligation and as at the date of this Scheme Booklet the preference shares have not been delivered. Kingsgate strongly believes that Sinphum has no basis not to comply with its obligations under the SSA and is taking the appropriate legal actions to force compliance. This dispute has no impact on the operations of Chatree. This is because, under the terms of the SSA, Kingsgate appoints the majority of directors of the Akara Board, which has responsibility for the overall management of operations at Chatree.

Sinphum has filed a motion with the Thai courts to void the call option under the SSA whilst retaining its own rights under the SSA.

Sinphum has also filed further motions with the Thai courts with regard to Akara's articles of association. In particular, Sinphum claims that Akara's voting rights should be proportionate to the total shares on issue (both preference and ordinary shares). Sinphum also claims that the Thai Civil and Commercial Code which allows for Akara to hold general meetings without a quorum in the event of continued non-attendance by Sinphum should not apply to Akara.

Kingsgate vigorously denies such claims and is opposing them in all relevant proceedings. Furthermore, Kingsgate has legal advice that these are baseless claims. Kingsgate remains very confident that all claims will be resolved in its favour. While the court cases have no impact on the operations at Chatree, any IPO of Akara is likely to be deferred at least until these issues have been fully resolved. As described in Section 8.11 above, any IPO would only take place if the Kingsgate Board considered it to be in the best interests of Kingsgate Shareholders.

## 8 Information about Kingsgate

### (b) Other litigation

A group of Thai villagers has made a claim against the Thai government that the Thai Industry and Forestry Ministries have illegally permitted Akara to conduct mining operations and that the government should withdraw Akara's licences and suspend operations. Kingsgate believes that Akara's mining operations were properly established in accordance with Thai mining law, that those operations continue to comply with all relevant permits and licences and that the villagers' claim is baseless and without merit.

### 8.13 Hedging

Kingsgate has no hedging commitments on any gold production from Chatree and has no current plans to change this strategy.

Being an unhedged producer means Kingsgate is fully exposed to gold price movements. Kingsgate's operating results and cash flow generation would benefit from any increases in gold price and would be adversely impacted by any decreases in gold price.

It is possible that Kingsgate may decide to use debt financing to fund its activities in the future, which may require Kingsgate to enter into hedging commitments. Should this occur, it is Kingsgate's intention that any hedging arrangements will be structured in such a manner as to protect Kingsgate from any adverse movement in the gold price, whilst allowing it to retain exposure to any upwards movement (e.g. through the purchase of put options over the gold price).

### 8.14 Safety, environment and community

#### (a) Safety

Kingsgate has developed a strong safety culture since it commenced operations in November 2000, with no fatality incident and more than 14.6 million hours having been worked since the last (and only) LTI. The company believes it has one of the best safety records of any gold mine in the world. For the year ended 30 June 2010, the LTIFR was 0.06 compared with an industry average of approximately four for Australian open pit mines.

In recognition of the continuing safety performance, Kingsgate has received a number of awards in Thailand, including the Zero Accident Gold Award 2009 and the Thailand National Occupational Health and Safety Award. These were presented to Akara for the company's focus, not only on direct safety, but also the related areas of drug and alcohol testing.

#### (b) Environment

Kingsgate is subject to extensive environmental controls and regulations in Thailand, including the Environmental Act, section 120 of the Minerals Act and Ministerial Regulations No. 25 (B.E. 2517) (1974).

Mining operations are subject to potential environmental risk, typically relating to pollution of the environment as a result of waste treatment. One of the main environmental issues faced by gold mining operations is wastewater and tailings management, since these tailings can contain substances that are potentially harmful to human beings and the environment.

To protect the quality of surface and underground water in the vicinity of Chatree, Kingsgate employs international standard practices for the treatment, handling and storage of tailings residue. The quality of surface and underground water is monitored to ensure that the quality of water exiting the site is not significantly degraded. Further surface water and bore water monitoring stations were installed during 2008 to cover the new areas within and around the Chatree North Mining Leases.

Kingsgate uses a cyanide destruction process to ensure all tailings discharged from the process are fully contained in the current and planned TSF, where any remaining cyanide breaks down under the influence of sunlight, carbon dioxide and other factors.

Kingsgate is committed to best practice environmental management and has demonstrated this commitment by implementing an Environmental Management System based on ISO 14001. The program is based on regular internal and external environmental audits. These audits are key mechanisms that facilitate continual improvement of environmental management programs and systems.

## 8 Information about Kingsgate

Kingsgate maintained its accreditation for ISO 9001 for Quality Management, ISO 14001 for Environmental Management and OHSAS 18001 for Occupational Health and Safety Management for the year ended 30 June 2010. In addition to the environmental audit program described above, Kingsgate also submits to Thai authorities an annual environmental monitoring report in relation to the Chatree mine site. The 2010 environmental audit was completed in March 2010 and confirmed that Chatree is not in breach with its statutory licence requirements, voluntary environmental commitments and company policies.

### (c) Community

Akara is actively involved in assisting the local communities around Chatree. The aim is to prepare and implement a strategy to further develop the quality of life of villagers around Chatree, by engaging directly with the stakeholders in the villages, the local village heads and the local government, as well as Chatree employees.

Community contributions are aimed mainly at education, health and water supply but the approach has been to follow the United Nations Millennium Project goals. In the year ended 30 June 2010, approximately \$0.85 million was contributed to local communities.

### 8.15 Proposed acquisition of Laguna

Kingsgate has made an off-market takeover offer for all of the outstanding shares in Laguna. Kingsgate is offering one Kingsgate Share for every 520 Laguna shares, valuing Laguna at approximately \$0.02 per share or approximately \$25 million in total. The offer has been unanimously recommended by Laguna's Board in the absence of a superior proposal.

Laguna is a gold exploration company focused on its wholly owned Arquerros Project in northern Chile. Arquerros is an advanced epithermal gold and silver project with a current JORC Code resource of 1.1 million ounces of gold equivalent, and the potential to produce 100,000 ounces of gold equivalent per annum. The deposit is located in the Maricunga District of Chile's Atacama region and is 20 kilometres north of the producing La Coipa gold mine and one kilometre south-west of the Chimberos silver mine (now closed). In addition to Arquerros, Laguna has other gold and silver exploration projects including the gold epithermal systems at Guananca, Cerro Iman and Chachitos, and a gold porphyry system at Maricella.

The Laguna offer is consistent with Kingsgate's stated strategic intention to diversify its asset base outside Thailand and to expand its portfolio in Australasia, South East Asia and South America.

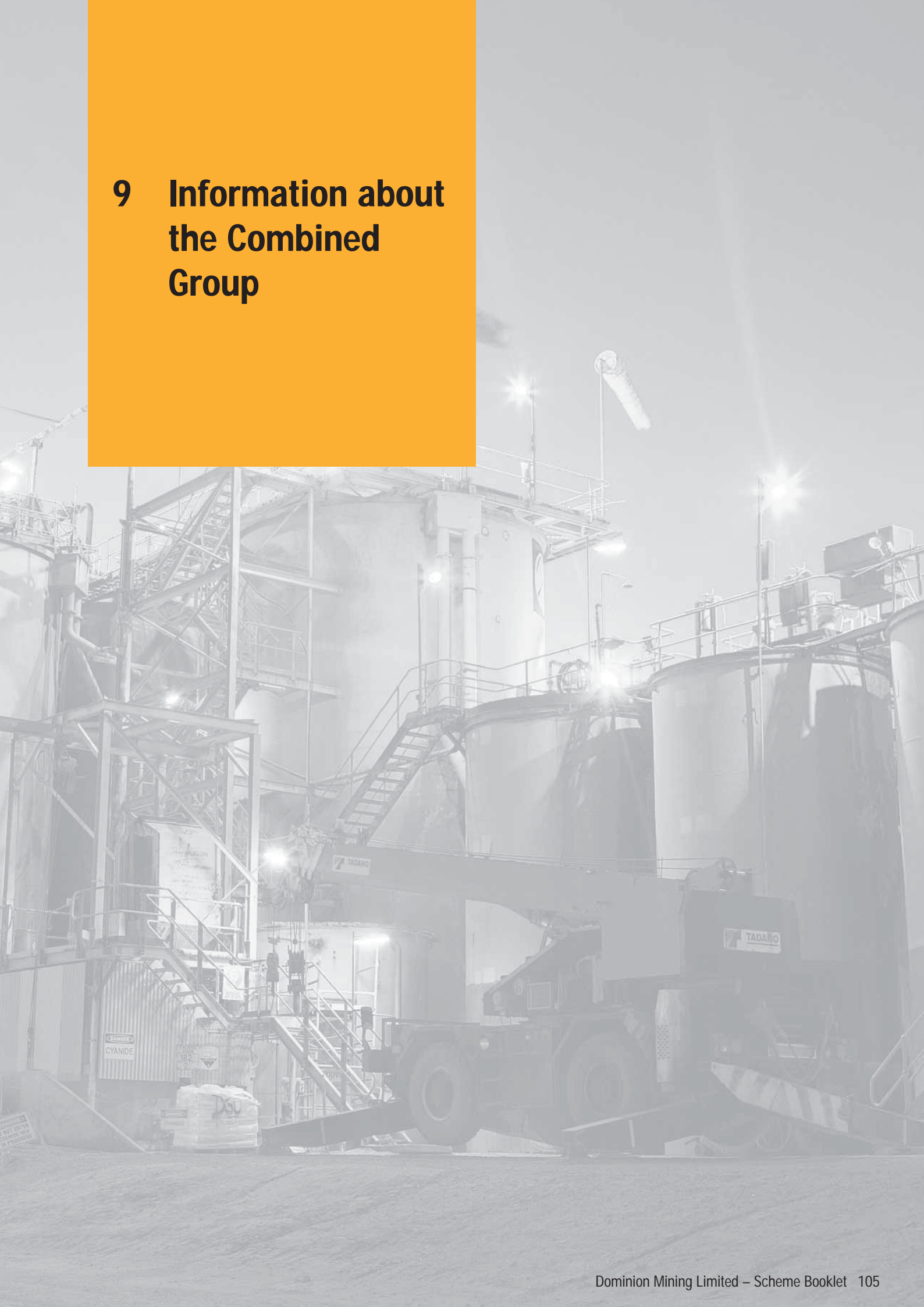
If all Laguna shareholders accept the offer, Kingsgate will be required to issue approximately 2,150,099 Kingsgate Shares.

The Laguna acquisition is not expected to have a material impact on Kingsgate's current financial position. The risks associated with the proposed Laguna acquisition are set out in Section 10.3 of this Scheme Booklet. The offer is currently scheduled to close in January 2011, subject to any extensions of the offer period.

As at 15 December 2010, Kingsgate had a Relevant Interest in 57.37% of Laguna shares on issue, representing majority ownership and effective Control of Laguna. In addition, Laguna announced on 8 December 2010 that Gavin Thomas (Kingsgate's Chief Executive Officer and Managing Director) had been appointed to the Laguna Board as Non-Executive Chairman.



## 9 Information about the Combined Group



## 9 Information about Combined Group

### 9.1 Responsibility for information

The information set out in this Section 9 was prepared by Kingsgate and Kingsgate is responsible for the information contained in this Section 9, except to the extent that information included in this Section 9 was given to Kingsgate by Dominion (in which case Dominion is responsible for such information).

### 9.2 Rationale for the Schemes

The Combined Group will be known as "Kingsgate Consolidated Limited" and will be listed on the ASX with:

- A pro forma implied market capitalisation upon implementation of the Schemes of approximately \$1.6 billion;<sup>46</sup>
- two operating assets – Chatree in central Thailand and Challenger in South Australia – which together produced 213,198 ounces of gold in the year to 30 June 2010;
- the potential to increase the Combined Group's production up to 300,000 ounces per annum assuming the Chatree North Processing Plant is completed and becomes operational;
- gold reserves of 2.4 million ounces and gold resources of 5.3 million ounces;<sup>47</sup>
- a portfolio of exploration tenements and applications in Thailand, South Australia, Western Australia and the Lao People's Democratic Republic;
- experienced operating and development teams with technical expertise in open pit and underground gold mining;
- well respected management with a history of delivering shareholder value; and
- a robust balance sheet with expected strong operational cash flow.

The Combined Group will have its registered head office in Sydney and offices in Perth and Bangkok. The total workforce, including short and long term contractors, is estimated to be over 1,200 people.

### 9.3 Capital structure and ownership

As at 15 December 2010, Kingsgate had 102,032,231 ordinary shares on issue. If the Schemes are implemented, Kingsgate will issue 32,416,416 additional shares to acquire a 100% interest in Dominion pursuant to the Share Scheme and to procure that all Dominion Options are cancelled pursuant to the Option Scheme.

If the Schemes are implemented, current Dominion Shareholders and Dominion Optionholders will own approximately 24% of Kingsgate.<sup>48</sup>

### 9.4 Combined Group Board and management

Should the Schemes be implemented, the Combined Group Board will consist of five directors.

Each of the existing four Kingsgate Directors will continue as directors. Profiles of each of the existing Kingsgate Directors are provided in Section 8.6 of this Scheme Booklet.

Should the Schemes be implemented, Peter Alexander, a Dominion non-executive director, will join the Kingsgate Board. Additionally, Dominion's existing Chairman, Peter Joseph, will be retained as an adviser to the Kingsgate Board. Profiles of Peter Alexander and Peter Joseph are provided in Section 7.4 of this Scheme Booklet.

The senior management team for the Combined Group will comprise the Kingsgate senior management team set out in Section 8.6 of this Scheme Booklet, as well as the senior management team currently employed by Dominion with the exception of the executive directors. Gavin Thomas will continue as Managing Director and Chief Executive Officer of Kingsgate and Peter Warren will continue as Chief Financial Officer of Kingsgate.

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<sup>46</sup> Based on the Kingsgate closing share price of \$11.71 on 19 October 2010, being the last trading date before the Announcement Date, and Kingsgate's offer of 0.31 Kingsgate Shares for each Dominion Share.

<sup>47</sup> See Section 7.3(a)(iii) and Section 8.5(d) of this Scheme Booklet for further information.

<sup>48</sup> Based on Kingsgate Shares on issue as at 15 December 2010, which included 944,445 Kingsgate Shares that have been issued to Laguna shareholders pursuant to the Laguna takeover offer. Should Kingsgate proceed to ownership of 100%, Dominion Shareholders and Dominion Optionholders ownership of Kingsgate will not materially change, decreasing from 24.1% to 23.9% of Kingsgate Shares then on issue.

## 9 Information about Combined Group

### 9.5 Strategy of the Combined Group

If the Schemes are implemented, Kingsgate's strategy for the Combined Group will be to continue to explore, own, develop and operate high quality gold projects. Kingsgate will also continue to evaluate potential acquisitions of other high quality projects, mainly in South East Asia, Australia and South America as set out in Section 8.3 of this Scheme Booklet.

### 9.6 Corporate governance of the Combined Group

The corporate governance policies and practices of the Combined Group will be the same as Kingsgate's existing policies and practices, as set out in Section 8.7 of this Scheme Booklet.

### 9.7 Kingsgate's intentions for the business, assets and employees of Dominion

#### (a) Overview

This Section 9.7 sets out Kingsgate's intentions in relation to:

- the continuation of the business of Dominion;
- any major changes to be made to the business of Dominion including any redeployment of its fixed assets; and
- the future employment of the present employees of Dominion.

These intentions are based on the facts and information concerning Dominion and the general business environment which are known to Kingsgate at the time of preparing this Scheme Booklet.

Final decisions about these matters will only be made by Kingsgate in light of material information and circumstances at the relevant time. Accordingly, the statements set out in this Section 9.7 are statements of current intention only and may change as new information becomes available or as circumstances change.

#### (b) Removal from the ASX

Kingsgate intends to arrange for Dominion to be removed from the official list of the ASX after the Implementation Date of the Share Scheme.

#### (c) Dominion Board

Kingsgate intends to reconstitute the Dominion Board with its own nominees. Those nominees have not yet been identified. Final decisions on the selection of nominees will be made in light of the circumstances at the relevant time.

#### (d) Corporate matters

Kingsgate currently intends that the business and operations of Dominion will be conducted in substantially the same manner as they are presently being conducted. Kingsgate will review the key policies and standards of Dominion and, where appropriate, look to integrate them into Kingsgate's processes as soon as possible.

Kingsgate will also assess the combined portfolio of Kingsgate's and Dominion's operating assets to help to ensure the allocation of capital and deployment of key personnel are prioritised appropriately.

Kingsgate will also assess Dominion's current and proposed exploration properties, including a review of all available technical and financial data, in order to prioritise exploration activities and expenditure. The results of this assessment will be incorporated into Kingsgate's global exploration program.

Kingsgate intends to integrate Dominion's corporate office functions (such as accounting, finance, taxation, legal and company secretarial) with those of Kingsgate. Kingsgate intends to retain Dominion's Perth head office, which is likely to serve as a technical centre supporting the Combined Group's operational and exploration assets globally.

#### (e) Employees

It is Kingsgate's current intention to retain the existing Dominion workforce, other than Dominion's current executive directors, and for those persons to continue in their existing roles.

The growth profile of the Combined Group will provide employees of both Kingsgate and Dominion with enhanced career opportunities. Employees may have the opportunity to work at different sites across the Combined Group's portfolio to develop and best use their technical capabilities.

## 9 Information about Combined Group

### (f) Intentions generally

Other than as set out in this Section 9.7 and elsewhere in this Scheme Booklet, it is Kingsgate's current intention:

- to continue the business of Dominion;
- not to make any major changes to the business of Dominion nor to redeploy any of Dominion's fixed assets; and
- to continue the employment of Dominion's present employees.

### 9.8 Dividend policy

Kingsgate intends to maintain its current dividend policy as outlined in Section 5.7 of this Scheme Booklet.

### 9.9 Potential synergies and other benefits

Kingsgate anticipates that there will be limited synergies arising from the combination of Kingsgate and Dominion, given its intention to retain all employees of Dominion (with the exception of Dominion's current executive directors) subsequent to the transaction.

Other synergies, which are not expected to be material, will include a reduction in corporate, listing and compliance costs.

### 9.10 Pro forma historical financial information

#### (a) Financial profile of the Combined Group

The Combined Group pro forma historical financial information provided in this Scheme Booklet comprises a pro forma consolidated statement of financial position as at 30 June 2010 which has been prepared by consolidating:

- the Kingsgate consolidated historical statement of financial position as at 30 June 2010;
- the Dominion consolidated historical statement of financial position as at 30 June 2010; and
- relevant acquisition accounting and other adjustments required to present the pro forma consolidated statement of financial position of the Combined Group.

Kingsgate has sole responsibility for preparing information contained in this Section 9.10, subject to Dominion taking sole responsibility for the information it has provided to Kingsgate for the purpose of preparing information on Kingsgate following implementation of the Schemes.

#### (b) Basis of preparation

The Combined Group pro forma historical financial information is provided for illustrative purposes and is prepared on the assumption that the Schemes had been implemented on 30 June 2010. The pro forma consolidated statement of financial position is based on Kingsgate's and Dominion's respective financial statements as at 30 June 2010 which were audited by PricewaterhouseCoopers and Ernst & Young, respectively, both of which issued unqualified audit reports. Copies of these financial statements can be found on the respective websites, being [www.kingsgate.com.au](http://www.kingsgate.com.au) and [www.dml.com.au](http://www.dml.com.au).

The Combined Group pro forma historical financial information has been prepared in accordance with the recognition and measurement principles of Australian Accounting Standards, and in accordance with Kingsgate's accounting policies, as set out in the annual financial report of Kingsgate for the year ended 30 June 2010.

The Combined Group pro forma historical financial information has been presented in an abbreviated form insofar as it does not contain all the disclosures required by Australian Accounting Standards applicable to annual financial reports usually provided in an annual report prepared in accordance with the Corporations Act.

PricewaterhouseCoopers Securities Ltd has reported on the Combined Group pro forma historical financial information in an Investigating Accountant's Report which has been included in Appendix 2 to this Scheme Booklet. Dominion Shareholders and Dominion Optionholders should note the comments made in relation to the scope and limitations of the report.

Following a review of the accounting policies disclosed in Dominion's financial statements for the year ended 30 June 2010, the accounting policies of Kingsgate and Dominion are not considered to be materially different. Therefore, at this time, no adjustments have been made to the Combined Group pro forma historical financial information to align accounting policies.

The Combined Group pro forma historical financial information does not take into account the impact of Kingsgate's proposed acquisition of Laguna, details of which are set out in Section 8.15 of this Scheme Booklet. Should Kingsgate be successful in acquiring 100% of the shares in Laguna, the equity and net assets of the Combined Group would increase by approximately \$25 million based on a five-day VWAP for Kingsgate on 15 December 2010 of \$10.31 per Kingsgate Share, being the last practical date before this Scheme Booklet was lodged with ASIC for registration.



## 9 Information about Combined Group

### Combined Group pro forma consolidated statement of financial position

Statement of Financial Position As at 30 June 2010	Kingsgate 2010 \$'000	Dominion 2010 \$'000	Adjustments 2010 \$'000	Pro Forma Combined 2010 \$'000
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	49,098	15,875	(11,344)	53,629
Receivables	13,844	6,329	–	20,173
Inventories	11,744	4,214	–	15,958
Other assets	28,615	277	–	28,892
<b>Total current assets</b>	<b>103,301</b>	<b>26,695</b>	<b>(11,344)</b>	<b>118,652</b>
<b>Non-current assets</b>				
Inventories	37,552	–	–	37,552
Exploration, mine property, plant and equipment	221,516	101,433	219,646	542,595
Deferred tax assets	3,732	16,327	–	20,059
Available-for-sale financial assets	1,071	–	–	1,071
Other assets	1,903	–	–	1,903
<b>Total non-current assets</b>	<b>265,774</b>	<b>117,760</b>	<b>219,646</b>	<b>603,180</b>
<b>TOTAL ASSETS</b>	<b>369,075</b>	<b>144,455</b>	<b>208,302</b>	<b>721,832</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Payables	15,055	12,619	–	27,674
Provisions	1,003	2,945	–	3,948
Current tax liabilities	3,225	–	–	3,225
Borrowings	10,982	75	–	11,057
Derivatives Held for Trading	–	5,598	–	5,598
<b>Total current liabilities</b>	<b>30,265</b>	<b>21,237</b>	<b>–</b>	<b>51,502</b>
<b>Non-current liabilities</b>				
Provisions	11,157	1,070	–	12,227
Payables	5,909	–	–	5,909
Borrowings	82	–	–	82
Deferred tax liabilities	5,619	–	–	5,619
<b>Total non-current liabilities</b>	<b>22,767</b>	<b>1,070</b>	<b>–</b>	<b>23,837</b>
<b>TOTAL LIABILITIES</b>	<b>53,032</b>	<b>22,307</b>	<b>–</b>	<b>75,339</b>
<b>NET ASSETS</b>	<b>316,043</b>	<b>122,148</b>	<b>208,302</b>	<b>646,493</b>

## 9 Information about Combined Group

Statement of Financial Position As at 30 June 2010	Kingsgate 2010 \$'000	Dominion 2010 \$'000	Adjustments 2010 \$'000	Pro Forma Combined 2010 \$'000
<b>EQUITY</b>				
Parent entity interest				
Contributed equity	156,068	53,530	281,370	490,968
Reserves	4,008	11,020	(11,020)	4,008
Retained profits	155,967	57,598	(62,048)	151,517
<b>TOTAL EQUITY</b>	<b>316,043</b>	<b>122,148</b>	<b>208,302</b>	<b>646,493</b>

### (c) Pro forma adjustments

The following pro forma adjustments have been made in producing the Combined Group pro forma consolidated statement of financial position as at 30 June 2010:

- (i) The Schemes are implemented with:
  - (A) Dominion Shareholders receiving 0.31 New Kingsgate Shares for each Dominion Share they hold at a price of \$3.20 per share (based on a five-day VWAP for Kingsgate of \$10.31 per share on 15 December 2010, being the last practical date before the Scheme Booklet was lodged with ASIC for registration); and
  - (B) Dominion Optionholders receiving the Option Scheme Consideration as described in Section 6.6 of this Scheme Booklet.

This has resulted in an increase in contributed equity of \$334,900,000. (See also paragraph (d) below relating to acquisition accounting);
- (ii) a decrease in cash and cash equivalents together with retained profits of \$4,450,000 representing the expensing of Kingsgate's transaction costs associated with the Schemes and a decrease in cash and pre-acquisition retained earnings of Dominion of \$3,215,000 representing Dominion's transaction costs associated with the Schemes;
- (iii) the declaration and payment of a dividend of four cents a share by Dominion post 30 June 2010 settled via the issue of additional shares to a value of \$454,000 under the Dominion dividend reinvestment plan and a cash payment of \$3,679,000; and
- (iv) the elimination of Dominion's contributed equity of \$53,984,000 and pre acquisition reserves of \$11,020,000 and retained earnings of \$54,383,000 on acquisition and consolidation by Kingsgate together with the recognition of additional exploration, mine property, plant and equipment assets of \$219,646,000 arising on acquisition (see paragraph (d) below relating to acquisition accounting).

### (d) Acquisition accounting

Acquisition accounting will be applied in accordance with AASB 3 Business Combinations. The purchase consideration for the proposed acquisition of Dominion will be measured as the fair value of the Kingsgate Shares issued at the date of exchange. The measurement of the purchase consideration in the Combined Group Pro Forma Consolidated Statement of Financial Position of \$3.20 per share is based on Kingsgate's five-day VWAP as at 15 December 2010. Consequently, the value of the purchase consideration for accounting purposes will differ from the amount assumed in the Combined Group Pro Forma Consolidated Statement of Financial Position due to future changes in the market price of Kingsgate Shares.

The difference between the fair value of the consideration transferred by Kingsgate (as discussed in the prior paragraph) and the book value of the assets and liabilities of Dominion has been treated as an increase in exploration, mine property, plant and equipment. Goodwill is the potential residual amount that may arise after the comparison of the fair value of the purchase consideration with the fair value of the net assets (including contingent liabilities) acquired. It is anticipated that no significant goodwill will arise on acquisition as the fair value of Dominion's mine properties, plant and equipment is anticipated to be largely reflective of the fair value of the purchase consideration.

## 9 Information about Combined Group

Following implementation of the Schemes, a detailed valuation of the identifiable assets, liabilities and contingent liabilities of Dominion will be undertaken to ascertain the appropriate allocation of this difference. The tax carrying values of Dominion's assets will also be required to be reset which will result in a net increase in the deferred tax liabilities of the Combined Group. These adjustments will impact depreciation and amortisation charges in future financial periods.

Due to the above, the actual impact of acquisition accounting will vary from that disclosed in the Combined Group pro forma consolidated statement of financial position.

### (e) Other

- (i) Dominion has, as part of its Dominion Options on issue, a series of 600,000 options with an exercise price of \$3.58 per share which expire on 1 January 2011. It is assumed that these options will lapse.
- (ii) As set out in Section 8 of this Scheme Booklet, Kingsgate continues to incur expenditure in the further development of its Chatree operations. Between 1 July and 31 October 2010, an additional \$24 million was expended on the plant upgrade.

### 9.11 Forecast financial information

This Scheme Booklet does not include financial forecasts in relation to Kingsgate or the Combined Group. Kingsgate does not believe a reasonable basis exists to produce reliable and meaningful forecast information, including for the following reasons:

- the volatility of the gold price and its impact on the financial performance of the Combined Group;
- the impact of foreign exchange volatility on the Combined Group's performance given that operating costs of the Combined Group are primarily denominated in Australian dollars and Thai baht while the gold price is denominated in US dollars;
- the potential variability of the ore grade at Chatree and Challenger, particularly as mine planning is based on accessing a number of different ore sources (with different ore grades) which may be subject to rescheduling; and
- volatility in key operating cost inputs such as diesel fuel and explosives, which are outside the Combined Group's control.

Kingsgate believes that financial forecasts prepared in these circumstances would be unduly speculative and misleading and so could have little information value to Dominion Shareholders and Dominion Optionholders.

### 9.12 Production guidance

Based on production forecasts provided by Kingsgate and Dominion as described in Sections 8.5(c) and 7.3(a)(iv) of this Scheme Booklet, respectively, pro forma production of the Combined Group for the 12 months to 30 June 2011 is expected to be 220,000 to 230,000 ounces of gold. The Combined Group has the potential to produce up to 300,000 ounces of gold per annum assuming the Chatree North Processing Plant is completed and becomes fully operational.

### 9.13 Combined Group's hedging policy

As described in Section 8.13 of this Scheme Booklet, Kingsgate has no hedging commitments on any gold production from Chatree and has no current plans to change this strategy. Dominion engages in some gold hedging, as well as fuel hedging. The Combined Group will not engage in any new gold hedging commitments.

It is possible that the Combined Group may decide to use debt financing to fund its activities in the future, which may require the Combined Group to enter into hedging commitments. Should this occur, it is Kingsgate's intention that any hedging arrangements will be structured in such a manner as to protect the Combined Group from any adverse movement in the gold price, whilst allowing it to retain exposure to any upwards movement (e.g. through the purchase of put options over the gold price).

## 10 Risk Factors



## 10 Risk Factors

### 10.1 Responsibility for information

The information set out in this Section 10 was prepared by Kingsgate and Kingsgate is responsible for the information contained in this Section 10, except the information included in Section 10.4 below for which Dominion is responsible.

### 10.2 Introduction

If the Schemes are implemented, Dominion Shareholders and Dominion Optionholders (other than Ineligible Foreign Holders) will receive the Scheme Consideration in the form of Kingsgate Shares. The value of the Proposal to those Dominion Shareholders and Dominion Optionholders will therefore depend upon the future value of Kingsgate Shares. The future value of Kingsgate Shares will itself depend on the future performance of the Combined Group. Dominion Shareholders and Dominion Optionholders should therefore consider the risks which may affect future performance.

In the immediate term, Dominion Shareholders and Dominion Optionholders should also consider the risks relating to the Schemes and integration risks. These risks are set out in Section 10.8 of this Scheme Booklet.

The risks which are known to Kingsgate and which may have a material adverse impact on the future performance of the Combined Group are described in this Scheme Booklet and include the risks set out in this Section 10. For ease of reference, the risks described in this Section 10 have been divided as follows:

- (a) operational risks affecting Kingsgate;
- (b) operational risks affecting Dominion;
- (c) general operational and mining risks affecting both Kingsgate and Dominion;
- (d) risks affecting the financial performance of the Combined Group;
- (e) risks relating to holding Kingsgate Shares; and
- (f) risks relating to the Schemes and integration risks.

The risks identified in this Scheme Booklet are not necessarily exhaustive. Kingsgate gives no assurance or guarantee of future performance or profitability of, or payment of dividends by, the Combined Group. Kingsgate also gives no assurance or guarantee that the risks set out in this Scheme Booklet will not change, or that additional risks will not arise. There may be other material risks which are not disclosed in this Scheme Booklet because they are not known to Kingsgate or were not considered to be material as at the date of this Scheme Booklet.

Many of the risks described in this Section 10 are inherent to Dominion and Kingsgate as separate entities. Some risks may be mitigated by the use of safeguards and appropriate systems and controls and insurances. However, many of the risks are outside the control of Kingsgate, Dominion and the Combined Group.

This Section 10 does not take into account the investment objectives, financial situation or particular needs of individual Dominion Shareholders or Dominion Optionholders. It is important that Dominion Shareholders and Dominion Optionholders carefully read this Scheme Booklet in its entirety (particularly the risks set out in this Section 10), consider their personal circumstances and seek independent professional advice before deciding how to vote in relation to the Proposal.

### 10.3 Operational risks affecting Kingsgate

This Section 10.3 sets out the operational risks which are specific to Kingsgate by virtue of its ownership of Akara which holds the Kingsgate Group's Thai mining assets (including Chatree). They are risks which will affect the Combined Group if Kingsgate acquires Dominion.

#### Gold production costs at Chatree

Chatree is an open pit mine. The open pit mining process typically starts at the top of the ore body and progresses to deeper levels. Production efficiency typically decreases as mining depth increases given the increased costs of transporting the ore and waste out of the open pit. As production efficiency decreases, unit costs at Chatree will increase and the operating margin could be materially and adversely affected.

## 10 Risk Factors

The mining rate at Chatree currently exceeds the processing rate, which allows Kingsgate to process the highest grade ore mined through the processing plant and to stockpile the lower grade ore. If additional reserves of a similar grade as that which Kingsgate currently processes are not identified, lower grade ore will need to be processed which will result in reduced gold production and increased unit costs, which in turn may have a material adverse effect on Kingsgate's business and results of operation.

### Increased processing capacity at Chatree

Kingsgate is currently constructing the Chatree North Processing Plant to increase the total nameplate processing capacity at Chatree from the current 2.3 million tonnes per annum to approximately five million tonnes per annum of ore. There is no guarantee that the Chatree North Processing Plant will be commissioned and operate as expected or will result in anticipated higher gold production. The timing, completion, successful commissioning and efficient operation of any processing facility may be adversely affected by any number of factors outside of Kingsgate's reasonable control, including failures or delays in sourcing equipment and materials of the required quality or in the required quantities, labour shortages, failures to obtain the required licences, defects in design or construction and adverse weather conditions. Any delays or failures in successfully completing any increase in Kingsgate's production capacity may materially and adversely affect Kingsgate's business, financial condition, results of operations and prospects.

Kingsgate will require additional licences from the Thai authorities (refer to the risk factor "Licences and permits in Thailand" set out below for further details) to operate this plant and whilst Kingsgate expects to receive such licences in due course, there is no guarantee this will occur.

### Capital expenditure requirements at Chatree

Kingsgate intends to meet its capital expenditure requirements at Chatree, including for the construction of the Chatree North Processing Plant, from a combination of existing cash reserves, cash flows from operations and external sources of financing. There is no certainty that Kingsgate will be able to generate the necessary funds or obtain required financing at an acceptable cost, in which case the planned construction and improvements may not proceed as currently planned.

### Licences and permits in Thailand

Thai regulatory authorities exercise considerable discretion in deciding whether to issue licences, the timing of issuing licences and renewal of licences and monitoring of licensees' compliance with licence terms. Requirements imposed by these authorities, which require Kingsgate to comply with numerous industrial standards, recruit qualified personnel, maintain necessary equipment and quality control systems, monitor operations, maintain appropriate filings and, upon request, submit appropriate information to the licensing authorities, may be costly and time consuming and may result in delays in the commencement or continuation of exploration or production operations. Various factors can also influence whether any alleged non-compliance by Kingsgate with licensing regulations and the terms of licences could lead to suspension or termination of Kingsgate's licences and permits, and/or to administrative, civil and criminal liability.

Kingsgate's business depends on the continuing validity of its licences, the issuance of new licences and compliance with the terms of those licences. Currently, Kingsgate operates mining operations under 14 mining leases. Nine of these leases will expire in 2028, four will expire in 2020 and one will expire in December 2012. Kingsgate will apply to renew these licences at the appropriate time. All leases allow Kingsgate to apply for a five year extension.

Kingsgate holds 51 SPLs for mineral exploration in other regions outside of Chatree which will expire on 9 August 2011 and one which will expire on 9 November 2012. Kingsgate intends to reapply for substantially all of these SPLs, and granting of these SPLs will be subject to the same procedures as outlined in relation to SPLAs in the risk factor "Thai mining policies" set out below. Successful exploration under these SPLs may lead to Kingsgate making new applications for mining leases but there is no guarantee that any applications will lead to the grant of mining leases.

Kingsgate requires additional licences from various Thai authorities to operate the Chatree North Processing Plant including a factory licence from the Ministry of Industry and a licence for metallurgical processing from the Director-General of the Department of Primary Industries and Mines (DPIM). Whilst Kingsgate expects to receive such licences in due course, failure to receive these licences could materially and adversely affect Kingsgate's business, financial condition, results of operations and prospects.

## 10 Risk Factors

The legal and regulatory basis for the licensing requirements is subject to frequent change. It is possible that licences applied for and/or issued in reliance on acts and policies relating to mining operation rights issued by the DPIM may be challenged by any third parties whose rights are adversely affected by the issuance of the licences, or otherwise determined to be invalid or revocable if such acts or policies were found to be beyond the authority of the DPIM or if the licences were issued in breach of the required procedures. Such deficiencies may subject Kingsgate's mining leases to administrative claims. In the event of a material violation of the relevant procedures by Kingsgate, the licensing authorities may require Kingsgate to suspend its operations or Kingsgate may incur substantial costs in eliminating or remedying the violation, which could have a material adverse effect on Kingsgate's business and results of operations.

Additionally, any environmental issues raised by non-government organisations, environmentalists or any other stakeholders may significantly influence the relevant authorities in their consideration of any issuance of mining leases and SPLs.

In addition to the licences described above, Kingsgate is required to obtain other licences and approvals and to comply with other Thai laws and regulations. There is no certainty that Kingsgate will be able to obtain, maintain or procure renewal of all necessary licences and comply with all legal requirements necessary to conduct mining operations in the future and, in the event that it fails to do so, operations in Thailand could be interrupted or cease completely, either of which could have a material adverse effect on Kingsgate's business and results of operations.

Expatriates represent less than 1% of the workforce at Chatree and require working visas to work in Thailand. Should these visas not be granted or should the regulations governing the grant of these visas change, Kingsgate may not be able to retain the expatriate workers at Chatree.

### Thai mining policies

The Ministry of Industry is developing new gold exploration and mining policies. Before these policies are announced, no SPL application will be approved, including those made by Kingsgate.

Under the Thai Minerals Act, an SPL for mineral exploration has a maximum validity period of no more than five years from the date of issuance. Once an SPL for gold exploration expires in accordance with the legal period, it cannot be renewed in respect of the same area and a new application must be made instead. Kingsgate currently holds 51 SPLs for areas located in Phichit and Phitsanulok provinces which will expire on 9 August 2011 and one in Chantaburi province expiring on 9 November 2012. Additionally, Kingsgate has 76 SPLAs under review for areas located in Phichit, Phetchabun, Phitsanulok, Chantaburi, Lop Buri and Rayong provinces in Thailand.

If the new gold exploration and mining policies have not been announced before expiration of Kingsgate's current SPLs or the new gold exploration and mining policies impose more stringent requirements on new applications, the continuity of Kingsgate's exploration plan and potential applications for new mining leases may be affected and Kingsgate's business, financial condition, results of operations and prospects may be materially and adversely affected.

### Gold to be offered to Thai government

According to the Gold Exploration and Development Policy issued by the Thai Ministry of Industry in 1987, a mining lease holder must offer to sell its gold products to the Thai government before making an offer to sell to any other person. The DPIM applies this policy as part of the terms and conditions of each mining contract entered into between the DPIM and the mining lease holder, including Kingsgate. The Ministry of Finance (**MOF**) issued a letter to the Ministry of Industry in 1999 stating that it did not intend to purchase Kingsgate's gold. The MOF may in the future change its policy and require Kingsgate to sell its gold to the Thai government. The policy does not specify the details of how such a transaction would be conducted.

### Tax benefits

Kingsgate currently operates in Thailand with approvals provided by the Thai Board of Investment (**TBOI**). The TBOI is empowered to promote investment in Thailand in projects beneficial to the economy, society and national security by extending commercial benefits to these projects after imposing certain conditions. Kingsgate's original sponsorship for Chatree included the benefit of an eight year full 30% corporate income tax holiday on Kingsgate's net profit derived from the promoted activity from 27 November 2001 (which expired in November 2009) followed by a five year period of 50% tax reduction from the 30% corporate income tax, exemption from import duties on machinery and other rights and benefits based on location and types of activities.

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The TBOI approval received recently for the Chatree North Processing Plant exempts Kingsgate from corporate income tax on its net profit derived from the promoted activity for up to 125% of Kingsgate's investment capital for a period of eight years. The exemption period commences from the date when Kingsgate first derives income from the promoted activity conducted at the Chatree North Processing Plant and includes exemption from certain import duties and other rights and benefits.

Under the terms and conditions of Kingsgate's TBOI approvals, Kingsgate must comply with the following significant conditions to continue to enjoy TBOI privileges and tax exemptions:

- reporting its financial conditions, the ratio of shareholdings and other matters;
- implementing a system to prevent and control damage to the environment;
- maintaining a mining lease or a mining operation licence throughout the promotion period; and
- having no less than 51% of Akara's share capital held by Thai nationals (where share capital is taken to include ordinary shares, all of which are held by Kingsgate Capital Pty Ltd, a wholly owned subsidiary of Kingsgate) and the Akara preference shares (held by Sinphum).

There is no certainty that Kingsgate will be able to comply with all the terms and conditions of its TBOI approvals in the future. Failure to comply with the terms and conditions of TBOI approvals may result in revocation of tax and other benefits provided those approvals, which revocation may materially and adversely affect Kingsgate's business, financial condition, results of operations and prospects.

### Thai royalty payments

In addition to corporate income taxes, Kingsgate is subject to Thai royalties on mineral production (see Section 8.5(c) of this Scheme Booklet).

Kingsgate's Thai royalty payments may increase in the future. A significant increase in Kingsgate's Thai royalty payments may have a material adverse effect on Kingsgate's profitability.

### Thai environmental and health laws

Kingsgate's operations involve the use of environmentally hazardous materials, as well as the discharge of materials and contaminants into the environment, disturbance of land, potential harm to flora and fauna, and other environmental concerns. Kingsgate is subject to the extensive environmental controls and regulations in Thailand, particularly the Thai Environmental Act.

Environmental regulations are undergoing recurrent modification in Thailand and Kingsgate regularly evaluates its obligations relating to new and changing legislation. New laws and regulations, the imposition of more stringent requirements for licences, increasingly strict requirements or new interpretations of existing environmental laws, regulations for licences or the discovery of previously unknown contamination may oblige Kingsgate to incur further expenditure to modify operations, install pollution control equipment, perform site clean-ups, curtail or cease operations or pay fees or fines or make other payments for discharges or other breaches of environmental standards.

Although Kingsgate's management believes that its operations are currently in compliance in all material respects with applicable regulations, there is no certainty that Thai authorities will not impose additional regulations or increase the levels of fees or fines for non-compliance, which could result in a significant increase in Kingsgate's expenditure in relation to environmental matters. The introduction of more stringent environmental laws and regulations dealing with gold exploration and production and environment restoration program, could lead to the need for special rehabilitation and decommissioning reserves or an increase in Kingsgate's environmental obligations, which could have a material adverse effect on Kingsgate's business, financial condition, results of operations and prospects.

Additionally, Kingsgate is obliged under the Thai Environmental Act to prepare an EIA report which must include a social impact assessment and a health impact assessment in any application for a mining lease, and to hold a public hearing of people residing in the vicinity of any proposed gold mine. If Kingsgate's mining activity is considered a project which may be harmful to the environment and people's health, by the Ministry of Natural Resources and Environment (MNRE), the opinion of an independent environment and health organisation will be required before Kingsgate can receive EIA approval in relation to a particular project.



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Kingsgate believes that it has prepared all EIAs which are required in connection with its existing operations at Chatree.

Projects and activities which may be harmful to the environment and people's health are not permitted under section 67 paragraph 2 of the Constitution of the Kingdom of Thailand year 2007 (**2007 Constitution**) unless the impact of such has been considered at a public hearing attended by those affected and advice has been sought from an independent body comprising representatives from environmental and health groups and higher education institutions involved in undertaking environmental and health studies.

Under section 67 of the 2007 Constitution, government agencies, state-owned-enterprises or private companies which own projects or businesses that are viewed as potentially causing a severe impact on the environment, natural resources and health of the people in the vicinity (**Severe Projects**) must conduct an EIA. The EIA must be prepared pursuant to the MNRE notification regarding rules, procedures, practices and guidelines for preparing EIA reports for projects which may cause severe impacts on the community's environment, natural resources and health dated 29 December 2009 (**EIA Report Regulation for Severe Projects**). The Ministry of Industry announced eight Severe Projects on 14 September 2009 and the MNRE announced 11 Severe Projects on 31 August 2010 (together, **Severe Project Notifications**). As part of an application for relevant licences or permits, an operator must conduct an EIA in accordance with the EIA Report Regulation for Severe Projects (including a Health Impact Assessment (**HIA**) as part of the EIA). In addition, the results of the EIA must be discussed with, and an opinion sought from, an independent body comprised of representatives from various interested groups.

The Severe Projects announced by the MNRE, comprising 11 types of projects and businesses, include gold mining operators using cyanide in the production process (which would include Kingsgate) while the Severe Projects announced by the Ministry of Industry do not include Kingsgate's operations. In a decision of the Central Administrative Court on 2 September 2010 in relation to projects in the Map Ta Phut area, it was ruled that licences to operate the Severe Projects under the Severe Project Notifications that were issued after the effectiveness of the 2007 Constitution which have not yet arranged for the EIA (including the HIA) or otherwise complied with the requirements under the Severe Project Notifications, be revoked. Although Kingsgate, by using cyanide in the production process, is considered a Severe Project under the Severe Project Notifications, it is unclear how the DPIM will apply the court decision to mining leases such as those of Kingsgate which were granted after the effectiveness of the 2007 Constitution. There can be no assurance that Kingsgate will not be required to amend its existing EIA to include the HIA and other requirements under the EIA Report Regulation for Severe Projects with respect to mining leases issued in 2008, in order to receive the necessary permits and commence operations in compliance with section 67 of the 2007 Constitution, or take additional steps with respect to the existing mine and metallurgical processing plant in order to remain operational.

In the event Kingsgate is required to amend its existing EIA and take any additional action, there can be no certainty that it will be able to comply with the requirements in a timely manner or at all. In addition, if any law or order requires Kingsgate to comply with its terms, or if any interested person whose rights are adversely affected by any permits or operation invokes a section 67 complaint and initiates legal proceedings against Kingsgate, it cannot be certain that such occurrence would not materially and adversely affect Kingsgate's business, financial condition, results of operations and prospects.

Kingsgate anticipates that it may be required to obtain an HIA for the Chatree North Processing Plant. As a consequence, Kingsgate has voluntarily started the process to obtain such an HIA. In the event that it is ultimately determined that an HIA is required and Kingsgate is not able to obtain it prior to completion of the Chatree North Processing Plant, or that HIA is not acceptable to the relevant Thai authorities, Kingsgate may be unable to commission the Chatree North Processing Plant on time. This would limit Kingsgate's operations at Chatree and would adversely impact the operations and financial performance of the Combined Group.

### Need for further land

Kingsgate currently owns or has access to the majority of the land on which it operates. Future development resulting from successes in exploration might require Kingsgate to extend its operations beyond the land it currently owns. Kingsgate may incur significant expenditures associated with purchasing, leasing or gaining access to the additional land needed to conduct future mining operations. There is no certainty that Kingsgate will have access to the funds required to finance any such acquisition or lease. Even if Kingsgate has access to sufficient funds, there is no certainty it will be successful in obtaining access to the required land, particularly when the land is a forest where additional Thai government approval is required.

For the present or future needs of Kingsgate's operations, its subsidiary Suan Sak Patana Limited (**Suan Sak**) has acquired the possession right in relation to certain plots of land which do not have any title documents under the Land Code of Thailand

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(**non-title document land**). As previous land occupiers have no right of ownership over non-title document land, Suan Sak's possession rights are established by an agreement whereby the previous land occupiers renounced their possession over the land in favour of Suan Sak. However, as this particular non-title document land is considered to be forest land belonging to the Thai State under Thai law, this agreement is not enforceable against claims by the Thai government. There is no certainty that Kingsgate will have access to the non-title document land if the Thai government seeks to end Suan Sak's possession. Additionally, Suan Sak has permitted some plots of the non-title document land it occupies to be used by the previous land occupiers under a land use agreement. It is possible the previous land occupiers may seek to reoccupy the land, in which case Suan Sak must apply for a court injunction within one year in order to avoid losing its right of possession.

### Thailand economic and political risk

Substantially all of Kingsgate's assets and operations are located in Thailand. Consequently, Kingsgate is subject to economic, political, legal and regulatory conditions in Thailand that differ in certain significant respects from those prevailing in more developed economies such as Australia.

Kingsgate's businesses and operations in Thailand are subject to the changing economic conditions prevailing from time to time in Thailand. Factors that may adversely affect the Thai economy include:

- political instability;
- exchange rate fluctuations;
- a prolonged period of inflation or increase in regional interest rates;
- changes in taxation;
- natural disasters, including tsunamis, earthquakes, fires, floods, droughts and similar events;
- scarcity of credit or other financing, resulting in lower demand for products and services provided by companies in the region;
- increases in oil prices;
- other regulatory, political or economic developments in or affecting Thailand; and
- recent and threatened terrorist activities in South East Asia, including continued violence in the southern parts of Thailand.

There is no certainty that the Thai economy will meet current projections or improve in the future. Any downturn in the Thai economy could have a material adverse effect on Kingsgate's business, financial condition, results of operations and prospects.

Prior Thai governments have intervened in the Thai economy and occasionally made significant changes in policies including, among other things, foreign exchange controls, wage and price controls, capital controls and limits on imports, at times partially reversing such policies soon after the new policies were announced.

Prolonged political instability in Thailand could have a material adverse effect on economic and legal conditions in Thailand, which in turn could have a material adverse effect on Kingsgate's business, financial condition, results of operations and prospects. Recent political events interrupted regular Thai government functions which resulted in delays in decision making at official levels, including a delay in granting Kingsgate's application for a new TBOI approval and delay in announcing new gold exploration and mining policies (which will impact the approval for all SPLAs including those of Kingsgate). It is also unclear whether the current political leadership will lead to any policy reforms affecting the gold mining sector in Thailand or Kingsgate in particular. Moreover, there may be a general election in 2011 and it is unforeseeable which political parties would form the government, or what national policies, including those related to the mining industry, would be adopted. Any such policy reforms could be inconsistent with Kingsgate's existing strategy and could have a material adverse effect on Kingsgate's business, financial condition, results of operations and prospects.

Thailand is also subject to a greater risk of violence and terrorist attack than more developed countries.

The region recently has experienced increasingly serious and frequent incidents of violence, including bombings of power stations, which caused blackouts in the provinces. If the security condition in Thailand deteriorates and violence spreads to northern provinces of Thailand, Kingsgate's business, financial condition, results of operations and prospects may be materially and adversely affected.

In addition, the wars in Iraq and Afghanistan, as well as events occurring in response to or in connection with these wars, including future terrorist attacks against targets in the Middle East, South East Asia or other regions, rumours or threats of terrorist attacks or war, actual conflicts involving the Middle East and trade disruptions, may impact Kingsgate's suppliers, contractors or customers and adversely impact Kingsgate's operations. Political or economic developments related to these

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crises could adversely affect the Thai economy and the global economy and could have a material adverse effect on Kingsgate's business, financial condition, results of operations and prospects.

### Litigation by the preference shareholder

The preference shareholder of Akara (Sinphum) has commenced legal action against Akara and Kingsgate regarding several issues relating to the rights of the preference shares and Sinphum's rights under the SSA. The background to this legal action is discussed in detail in Section 8.12(a) of this Scheme Booklet.

Kingsgate vigorously denies all of Sinphum's claims and is opposing them in all relevant proceedings, and has received legal advice that these are baseless claims and are without merit. Although Kingsgate is confident in its position, there is no certainty that the relevant decision-making bodies will find in favour of Kingsgate in relation to all claims. Any decision in favour of Sinphum could have a material adverse impact on Kingsgate's ability to control its Thai operations (including undertaking an IPO of Akara should the Kingsgate Board elect to do so) and potentially its future financial performance.

### Laguna acquisition

Kingsgate's proposed acquisition of Laguna is discussed in detail in Section 8.15 of this Scheme Booklet. If the Laguna offer is successful, Kingsgate will issue Kingsgate Shares to Laguna shareholders and existing Kingsgate Shareholders will therefore be diluted.

If the acquisition of Laguna is successful, Kingsgate will be indirectly exposed to all of the risks which currently face Laguna, including risks associated with exploring for minerals and mining in Chile and some of the general mining risks of the type described in Section 10.5 below.

There is also a risk that Laguna's exploration tenements will not show positive results and, if they are mined, will not produce the results that were expected. This may have an adverse effect on the Combined Group's financial performance.

## 10.4 Operational risks affecting Dominion

This Section 10.4 sets out the operational risks which are specific to Dominion. These are risks which already affect Dominion's operations and so are risks which will affect the Combined Group if Kingsgate acquires Dominion.

### Woomera Prohibited Area

Dominion's primary asset, the Challenger mine, is located within the "non-core" Woomera Prohibited Area (**WPA**). The WPA is an area of about 127,000 square kilometres in central South Australia that has been designated under the Defence Force Act 1903 (Cth) and the Defence Force Regulations 1952 (Cth) as a prohibited area for the purpose of the testing of war materials. The Australian government's Department of Defence (**DOD**) effectively controls access to the WPA for mining and exploration purposes. The DOD's decision to grant access in any given case will usually turn on safety and national security considerations. The Challenger mine's location within the WPA creates various risks for Dominion.

Dominion is a party to land access agreements with the Australian government in relation to Dominion's presence in the WPA. One access agreement governs Dominion's access to the Challenger mine. This access agreement confers upon Dominion the right to carry on extractive activities until 2011, with an option to extend the agreement until 2021 at Dominion's sole discretion.

Other arrangements govern Dominion's access to tenements elsewhere in the WPA. Under these arrangements, Dominion has provided certain undertakings to the Australian government, including:

- waiving any claims for compensation against the Australian government where loss or damage to Dominion results from the DOD's lawful activities in the WPA;
- indemnifying the Australian government for damage caused by Dominion in the WPA; and
- obeying orders from the DOD to evacuate the WPA or to remain within a part of the WPA or to observe radio silence.

Complying with these undertakings may lead to a disruption of operations at the Challenger mine and the suffering of financial loss. There is no certainty that the Australian government will renew any land access agreements with Dominion going forward, or grant access to new exploration tenements within the WPA. There is also no guarantee that the Australian government will not seek to terminate the land access agreements, although there are only limited circumstances when it is contractually entitled to do so. Dominion's failure to obtain or renew land access agreements in the WPA could have a materially adverse effect on Dominion's financial performance going forward.

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Dominion currently has a number of exploration licences in relation to areas within the WPA. Many of these licences relate to areas surrounding the Challenger mine. Going forward, the Combined Group may explore these areas for new gold ore bodies that are suitable for development into new gold projects (subject to existing joint venture arrangements that Dominion has entered into). However, given the Australian government's sensitivities to safety and national security, it may be more difficult than might normally be the case to obtain a mining permit in relation to those new areas. In particular, it is likely that the DOD would first wish to undertake a detailed assessment of the proposed mining activity to determine whether it had any safety or national security concerns. Such an assessment may take months or even years and there is no certainty that a mining permit would be approved at the end of the process.

The DOD's testing of war materials in the WPA creates some risk of accidental damage to the Challenger mine and the exploration tenements for which Dominion currently has a licence, or for which the Combined Group might obtain a licence in the future. Such an accident could lead to structural damage to the Challenger mine and its infrastructure and other exploration tenements. Any accident of this sort could lead to operations in the WPA being suspended or terminated and this would have a material adverse impact on the operations and financial performance of the Combined Group.

### Personnel

Underground mining involves highly technical skills and requires particular expertise. Dominion has personnel with such skills and expertise working at the Challenger mine. There is a risk that Kingsgate will not be able to retain those personnel (or other key members of the Dominion workforce) following the implementation of the Schemes. This may have an adverse impact on both the integration of the businesses and the longer term performance of the Combined Group.

### Exploration tenements and mining leases

All mineral resources in Australia are owned by a State or Territory government or the Australian government. Mineral exploration and mining activities may only be conducted by companies which have obtained exploration or mining licences. Dominion currently operates the Challenger mine pursuant to a mining licence granted by the State of South Australia. Dominion's exploration licences were similarly granted by the States of South Australia and Western Australia. There is no certainty that the Challenger mining licence or exploration licences will be renewed in the future, or that mining licences will be granted in respect of exploration areas which might contain gold ore bodies. There is also no guarantee that, if such licences are granted, they will be granted in a timely manner or that Dominion will be in a position to comply with all of the conditions which are imposed.

The terms of certain of Dominion's exploration tenements oblige Dominion to commit a certain level of expenditure within a prescribed timeframe. Some of Dominion's exploration tenements have been under-expended to date. These tenements may therefore be subject to forfeiture according to their terms and the Combined Group may thereby lose the right to explore these tenements. It is Kingsgate's view that none of these exploration tenements is material to the operations of the Combined Group.

### Production and operating

The Challenger mine is an underground mine (as opposed to an open pit mine). Underground mining carries a particular degree of risks. Various production and operational factors could affect the success of operations at the Challenger mine going forward, including mine collapses, unanticipated mining or geological conditions, climatic conditions, equipment failures, transport interruptions and cost overruns. These factors would affect the financial performance of the Challenger mine and so affect the performance of the Combined Group.

### Native title

Dominion's mining and exploration tenements and other entitlements to property and minerals may be affected by native title claims, unregistered agreements, transfers or unknown defects in title. Native title claims and Aboriginal heritage issues may have a material adverse impact on the Combined Group's activities and may hinder or prevent its mining and exploration activities.

### Royalties

Dominion must pay royalties, including a royalty equal to 3.5% of Challenger related revenue to the South Australian government and a fixed production royalty of \$4 per ounce to local indigenous groups. There is no certainty that the royalty payable to the South Australian government will not increase in the future, or that additional royalties will not be levied against Dominion. Such royalties may adversely affect the Combined Group's financial performance.



## 10 Risk Factors

### Mining taxes

It is possible that the operations of Dominion will in the future be subject to some form of mining tax (in addition to the regulatory costs and taxes to which Dominion is already subject).

On 2 May 2010, the Australian government proposed a number of changes to the Australian taxation system, including changes which sought to impose additional taxes on the Australian mining industry. This was to be implemented through the introduction of a 40% Resource Super Profits Tax (**RSPT**) on Australian resource projects. It is likely that the RSPT would have applied to Dominion. The RSPT would not have applied to Kingsgate given that Kingsgate has no Australian projects.

The Australian government announced on 2 July 2010 that it proposed to replace the proposed RSPT with a Minerals Resource Rent Tax (**MRRT**), and that the MRRT would only apply to Australian iron ore and coal projects. As such, the MRRT would not apply to any of Dominion's or Kingsgate's existing or proposed operations.

However, there is no certainty that the Australian government will not apply the MRRT (or a similar tax) to gold projects in the future. Any such tax would be likely to have an adverse financial effect on the Combined Group's financial performance.

### 10.5 General operational and mining risks

This Section 10.5 sets out operational and mining risks which are common to Kingsgate and Dominion (and to most mining companies). Dominion is already subject to many of these types of risks.

#### Dependency on mining specialists and senior management

The businesses of Kingsgate and Dominion are highly dependent on qualified geologists, mining engineers and other mining specialists. Only a limited number of skilled mining specialists with adequate qualifications and experience are available, and there is an increasing demand for such qualified personnel as more international companies invest in mining industries. Personnel with underground mining skills will be particularly important to the Combined Group, as described in Section 10.4 above. The loss or diminution of the services of any mining specialists and/or members of the senior management team or an inability to attract or retain similar personnel could have a material adverse effect on the Combined Group's business, financial condition, results of operations or prospects.

#### General mining

Kingsgate and Dominion, like other mining companies, are subject to all of the hazards and risks normally associated with the exploration, development and production of natural resources from open pit or underground mining. These hazards can be difficult to predict and are often affected by factors outside of the control of Kingsgate and Dominion. These factors include, but are not limited to:

- environmental hazards;
- industrial accidents;
- electricity stoppages;
- equipment failures and mechanical breakdowns;
- labour disputes;
- fires;
- accidents associated with the use of explosives and chemical hazardous substances;
- accidents associated with the operation of transportation equipment;
- failure of mining pit slopes and tailings dam walls; and
- other natural phenomena, such as floods or inclement weather conditions.

The occurrence of any of these or similar factors could delay production, increase production costs and result in injury or death to persons and damage to property and the environment, as well as associated liability for the Combined Group. The liability resulting from any of these risks may not be adequately covered by insurance, and there is no certainty that the Combined Group will be able to obtain additional insurance coverage at reasonable rates. The Combined Group may therefore incur significant costs which could have a material adverse effect on the Combined Group's business, financial condition, results of operations and prospects.

## 10 Risk Factors

### Exploration

Gold exploration is highly speculative in nature, involves many risks and frequently is not productive. There can be no assurance that the Combined Group's gold exploration efforts will be successful. Success in increasing mineral reserves is a result of a number of factors, including the quality of the Combined Group's management and its level of geological and technical expertise, the quality of land available for exploration and other factors. Once gold mineralisation is discovered, it may take several years in the initial phases of drilling until production is possible, during which time the economic feasibility of production may change. Substantial expenditures are required to establish proven and probable mineral reserves through drilling, to determine the optimal metallurgical process to extract the metals from the ore and, in the case of new properties, to construct mining and processing facilities. As a result of these uncertainties, no assurance can be given that the Combined Group's exploration programs will result in the expansion or replacement of current mineral reserves with new mineral reserves.

### Financing costs

The net funds of the Combined Group may not be sufficient for expenditure that may be required to expand its operations or projects or for other capital expenditure, further exploration or feasibility studies or otherwise in connection with the Combined Group's operations. The Combined Group may need to raise additional debt or equity funds in the future. There is no assurance that the Combined Group will be able to obtain additional debt or equity funding when required in the future, or that the terms associated with such funding will be acceptable to the Combined Group. This is particularly so, as recent market events and conditions, including disruptions in the international credit markets and other financial systems and the deterioration of global economic conditions, have generally impeded access to capital or have increased the cost of capital. This may have an adverse effect on the Combined Group's financial results and operations, as well as its acquisition strategy.

### Dangerous substances

Operating the Chatree and Challenger mines involves the handling and storage of explosive, toxic and other dangerous substances including cyanide and other pollutants, which may result in environmental restoration expenses being incurred and liabilities to persons.

More stringent laws, regulations and policies may be implemented by relevant authorities and there is no certainty that the Combined Group will be able to comply with any future laws, regulations and policies in relation to the handling of dangerous substances. In addition, there is no certainty that accidents arising from the mishandling of dangerous substances will not occur in the future. Should the Combined Group or its contractors fail to comply with any relevant laws, regulations and policies or should any accident occur as a result of the mishandling of dangerous substances, the Combined Group's business, financial condition, results of operations and prospects may be materially and adversely affected.

### Mine closure costs

Mining operations (including those at the Chatree and Challenger mines) have a finite life and eventual closure of these operations will entail costs and risks regarding ongoing monitoring, rehabilitation and compliance with environmental standards.

The key risks for mine closure are:

- the long term management of permanent engineered structures;
- the achievement of environmental closure standards; and
- the orderly retrenchment of employees and contractors.

The successful completion of these tasks is dependent on an ability to successfully implement negotiated agreements with the relevant local government, community and employees. The consequences of a difficult closure range from increased closure costs and handover delays to ongoing environmental impact and damage to corporate reputation if desired outcomes cannot be achieved.

### Insurance

Much of the operating assets of Kingsgate and Dominion are insured. However, the relevant insurance coverage may be insufficient to cover replacement costs in the event of loss.

Kingsgate and Dominion also carry limited insurance coverage for material damages, business interruption and third party personal injury and property damage claims arising from operations. Accordingly, uninsured losses of production assets may be incurred and may be subject to claims not covered, or not sufficiently covered, by insurance, which could have a material adverse effect on the Combined Group's business, financial condition, results of operations and prospects.

## 10 Risk Factors

### Weather conditions

Severe weather conditions may require the Combined Group to curtail operations and may result in damage to the relevant project site, to equipment or to facilities, or to contractors' equipment, which could result in the temporary suspension of operations or generally reduce productivity. During periods of curtailed activity due to adverse weather conditions, operating expenses may continue to be incurred while production is slowed down or is stopped altogether. Any damages to projects or delays in its operations caused by severe weather could materially and adversely affect the Combined Group's business and results of operations.

### Competition

The Combined Group will be subject to competition from other gold miners. Competitors include current miners and future entrants into the market. Other companies have competitive advantages such as new technology and new production processes. Others have greater financial resources and operational experience than Kingsgate and Dominion. The Combined Group may be unable to successfully compete and may suffer material adverse consequences.

### Employee relations

The Combined Group will be dependent on its workforce to extract and process minerals. Kingsgate and Dominion have programs to recruit and train the necessary personnel for their operations and each endeavours to maintain good relations with their workforces to minimise the possibility of strikes, lockouts and other stoppages. A prolonged labour disruption at any of the Combined Group's projects may have a material adverse impact on the Combined Group's operations and financial performance.

### Mineral title

Kingsgate and Dominion have investigated title to all of their material mineral properties and, to the best of their knowledge, title to all such properties is in good standing. Nonetheless, it is possible that those properties may be subject to prior unregistered agreements or transfers, and title may be affected by undetected defects. There may be valid challenges to the title of the Combined Group's properties which, if successful, could impair development and operations and affect the Combined Group's financial position (by a reduction to its land assets). As described in Section 10.3 of this Scheme Booklet, there are various circumstances in which Kingsgate's title to properties owned by Akara might be challenged. There can be no certainty that title to the properties of the Combined Group will not be challenged.

### Litigation

The Combined Group may be subject to litigation and other claims, with and without merit, based on the conduct of Kingsgate and Dominion prior to implementation of the Schemes and the conduct of the Combined Group following implementation. Due to the inherent uncertainty of the litigation process, there can be no assurance that the resolution of any particular litigation will not have a material adverse effect on the Combined Group's future cash flow or financial condition.

Kingsgate and Dominion are not aware of any current litigation affecting them, other than the litigation described in Section 8.12 of this Scheme Booklet.

### Health and safety

The businesses of Kingsgate and Dominion are subject to strict health and safety laws and regulations. The Combined Group may become liable for past and current conduct of Kingsgate and Dominion which violates such laws and regulations. Penalties for breaching health and safety laws can be significant and include criminal penalties. Victims of workplace accidents may also commence civil proceedings against the Combined Group. These events might not be insured against by the Combined Group or may not be insurable. In addition, any changes in health and safety laws and regulations may increase compliance costs for the Combined Group. Such an event would negatively impact the financial results of the Combined Group.

### Supply of utilities, auxiliary materials and spare parts

The operations of Kingsgate and Dominion require constant access to various utilities (including electricity, diesel fuel and water), auxiliary materials (including explosives, oxygen, grinding media, lime, sodium cyanide, sodium metabisulphite and active carbon) and spare parts (particularly vehicle and mining machinery parts).

## 10 Risk Factors

There is no certainty that these utilities, as well as other utilities which the Combined Group may come to need for its operations, will continue to be available, or easily available, to the Combined Group. For example, electricity supplies could be interrupted by issues at the electricity plant or increases in electricity prices. The supply of diesel fuel, particularly in Thailand, may be more difficult to source, or to source at relatively low prices. There is also no certainty that supplies of auxiliary materials or spare parts will not be interrupted or that their prices will not increase in the future.

In the event that the existing suppliers to Kingsgate and Dominion cease to supply them with, or there are fluctuations in the prices of, utilities, auxiliary materials or spare parts, the Combined Group's operations may be adversely affected.

### Reliance on contractors

Much of the exploration, mining and mine construction work of Kingsgate and Dominion is subcontracted. Such arrangements with contractors carry with them risks including that the contractors may take actions contrary to instructions or requests, be unable or unwilling to fulfil their obligations, or have economic or other interests or goals that are inconsistent with those of Kingsgate or Dominion. The operations of Kingsgate and Dominion can be affected by the performance of their contractors. If any contractor fails to perform their tasks or if Kingsgate or Dominion fails to maintain a long term and stable working relationship with that contractor and is unable to find suitable alternative suppliers, the Combined Group's business, financial condition, results of operations and prospects may be adversely affected.

## 10.6 Risks affecting the financial performance of the Combined Group

This Section 10.6 sets out the risks which may affect the financial performance of the Combined Group. If financial performance is affected, the Combined Group's ability to pay dividends and the value of Kingsgate Shares may also be affected.

### Gold price volatility

Kingsgate and Dominion are gold miners. Kingsgate's and Dominion's earnings are significantly affected by the price of gold. The earnings of the Combined Group will therefore also be significantly affected by the price of gold.

The gold market is sensitive to changes in general economic conditions and may be subject to significant volatility. As a result, it is not possible to forecast the gold price. The gold price is influenced by various factors, many of which are not within the control of Kingsgate or Dominion, including, but not limited to:

- global and regional economic and political conditions;
- global supply and demand and expectations of future supply and demand;
- speculative trading;
- actual or expected purchase or release of built-up reserves of gold by central banks or other large holders or dealers, as well as purchases under hedging contracts;
- changes in the use of gold in industrial applications or as an investment;
- fluctuations in the demand for jewellery;
- military conflicts and acts of terrorism;
- currency exchange rates, particularly movements in the value of the US dollar against other currencies; and
- actual or expected inflation and interest rates.

Significant sustained declines in the price of gold may render less economical, or uneconomical, any of the gold extraction and/or exploration activities to be undertaken by Kingsgate and Dominion and may have a material adverse effect on the Combined Group's business, financial condition, results of operations and prospects.

### Hedging

Hedging activities are intended to protect a company from fluctuations in the price of gold and to minimise the effect of declines in the gold price on results of operations for a period of time. Although hedging activities may protect a company against a low gold price, they may also limit the price that can be realised on gold that is subject to forward sales and call options where the market price of gold exceeds the gold price in a forward sale or call option contract.

As described in Section 9.13 of this Scheme Booklet, the Combined Group does not intend to engage in any new hedging commitments. However, the Combined Group will honour Dominion's existing hedging arrangements. Those existing arrangements may limit the price that can be realised on Dominion's gold, to the extent such gold is hedged.



## 10 Risk Factors

It is possible that the Combined Group may decide to use debt financing to fund its activities in the future, which may require the Combined Group to enter into hedging commitments. Should this occur, it is Kingsgate's intention that any hedging arrangements will be structured in such a manner as to protect the Combined Group from any adverse movement in the gold price, whilst allowing it to retain exposure to any upwards movement (e.g. through the purchase of put options over the gold price).

### Gold resource and reserve estimates

Like all mining companies, Kingsgate and Dominion depend upon their resources and reserves. The gold resource and reserve estimates of the Chatree and Challenger mines are based on a number of assumptions that have been made by Competent Persons (as defined in the 2004 Edition of the JORC Code) in accordance with the JORC Code. Resource and reserve estimates involve expressions of judgement based on various factors such as knowledge, experience and industry practice, and the accuracy of these estimates may be affected by many factors, including quality of the results of exploration drilling and sampling of the ore body and analysis of the ore samples, as well as the procedures adopted by and experience of the person making the estimates. There is no certainty that the Combined Group's resource and reserve estimates will be recovered in the stated quantities, qualities or yields.

Estimates of the resources and reserves at the Chatree and Challenger mines may change significantly when new information becomes available or new factors arise, and interpretations and conclusions on which resource and reserve estimates are based may prove to be inaccurate. Resource estimates indicate in situ mineral occurrences from which gold may be recovered, but do not take into account whether such resource could be mined or whether gold could be recovered economically from them, nor do resource estimates incorporate mining dilution or allow for mining losses. The reserve estimates of Kingsgate and Dominion represent the amount of gold that Kingsgate and Dominion believe can be profitably mined and processed and are calculated based on estimates of future production costs and gold prices. In the future, Kingsgate may need to revise the reserve estimates of the Chatree and Challenger mines; for instance, the extraction of a portion (or all) of the gold reserve at the mines becomes uneconomical as a result of increases in production costs or decreases in gold prices.

### Exchange rates

Kingsgate's operating costs are substantially denominated in Thai baht and Dominion's are substantially denominated in Australian dollars. The revenue of both companies is denominated in US dollars. Therefore, if the US dollar weakens relative to the Thai baht or the Australian dollar, the Combined Group's financial results could be materially and adversely affected.

## 10.7 Risks relating to holding Kingsgate Shares

There are certain risks to holding Kingsgate Shares. In general, these risks do not differ from the risks associated with holding shares in any Australian listed company, including Dominion.

### Dilution

Kingsgate may in the future wish to raise additional funds or enter into contracts where the consideration is the issue of Kingsgate Shares. If Kingsgate raises additional funds by issuing additional shares, or enters into contracts of this sort, the interest of existing Kingsgate Shareholders may be diluted.

The issue of a substantial number of Kingsgate Shares, or the availability of such shares for sale, may adversely affect the prevailing market price for Kingsgate Shares. A decline in the market price of Kingsgate Shares could impair Kingsgate's ability to raise additional capital through the issue of securities or enter into contracts of the type described above.

### Price and volume fluctuation

It is important to recognise that the value of shares in a listed company is subject to fluctuations in the stock market, which can be precipitated by a wide range of factors.

If the Schemes are approved and implemented, Dominion Shareholders and Dominion Optionholders will receive a specified number of New Kingsgate Shares, rather than a number of New Kingsgate Shares with a specified market value, in exchange for the Dominion Shares and Dominion Options they hold. As a result, the value of the consideration to be provided under the Schemes will depend upon the market price of Kingsgate Shares.

## 10 Risk Factors

Furthermore, under the Schemes, Kingsgate will issue a significant number of New Kingsgate Shares. Some Dominion Shareholders and some Dominion Optionholders may not intend to continue to hold their New Kingsgate Shares and may wish to sell them on market. If such sales are substantial, supply of Kingsgate Shares may exceed demand which may place downward pressure on the market price of Kingsgate Shares. The market for Kingsgate Shares may be illiquid and volatile following implementation of the Schemes, at least in the period shortly after New Kingsgate Shares commence trading on the ASX.

### Dividend policy

Kingsgate and Dominion have in recent times paid dividends to shareholders. Subject to applicable law, the board of directors of the Combined Group will be responsible for determining whether it is appropriate to declare a dividend. The Combined Group's dividend policy will be the same as Kingsgate's existing dividend policy, which is set out in Section 5.7 of this Scheme Booklet. However, there is no guarantee the Combined Group will pay dividends or any particular level of dividends.

### Australian and overseas economies

Kingsgate's share price may be affected by the condition of the Australian and overseas economies (including the aggregate investment being undertaken and economic output occurring in those economies, inflation and interest rates and the prices of products which are inputs used in the operations of the Combined Group).

### Investor sentiment and brokers

The price of Kingsgate Shares may be affected by investor sentiment, local and international stock market conditions, adverse industry publicity and recommendations by brokers and analysts.

## 10.8 Risks relating to the Schemes and integration risks

Dominion Shareholders and Dominion Optionholders should bear in mind that the Schemes themselves are subject to various risks. These risks are not ongoing and should not affect the value of Kingsgate Shares once the Schemes are implemented. There may separately be risks associated with the integration of the Kingsgate and Dominion businesses.

### Court approvals and delays

There is a risk that the Court may not approve the Schemes. There is also a risk that some or all of the aspects of the approvals required for the Schemes to be implemented may be delayed or may not be granted.

### Quotation of New Kingsgate Shares

Prior to the Second Court Date, Kingsgate will apply for the New Kingsgate Shares to be issued under the Schemes to be quoted on the ASX. Quotation of the New Kingsgate Shares will not be automatic but will depend on the ASX exercising its discretion. However, as Kingsgate is already admitted to the official list of the ASX and Kingsgate shares in the same class as those to be issued under the Schemes are already quoted, Kingsgate believes quotation of the New Kingsgate Shares is likely to occur.

### Sale Facility

There is no guarantee as to the price that will be achieved for the sale of New Kingsgate Shares under the Sale Facility.

### Transaction costs

Kingsgate and Dominion will incur transaction and integration costs in connection with the Schemes.

Both Kingsgate and Dominion will pay transaction fees and other expenses related to the Schemes, including financial advisers' fees, filing fees, legal and accounting fees, regulatory fees and mailing costs. It is difficult to predict the full extent of integration costs before the integration process begins.

The Combined Group may incur additional unanticipated costs as a consequence of difficulties arising from efforts to integrate the operations of the businesses.

### Due diligence and reliance on information

Before executing the Scheme Implementation Agreement, Kingsgate and Dominion undertook due diligence on information about each other provided for the purpose of negotiating the Scheme Implementation Agreement. Such investigations were carried out in a limited timeframe. Kingsgate and Dominion are both satisfied that they have sufficient information to proceed with the Proposal.

## 10 Risk Factors

Whilst Kingsgate and Dominion each decided to proceed with the Proposal, there is a risk that not all material information was provided by the other party in the due diligence process. If this were the case, there may be other risks associated with the combination of Kingsgate and Dominion which are presently unknown. Additionally, there is a risk that the information provided may contain inaccuracies or have changed due to changes in the economy or other risk factors outside the control of either Kingsgate or Dominion.

After implementation of the Schemes, the Combined Group will be subject to any unknown liabilities of either Kingsgate or Dominion which may have an adverse effect of the Combined Group's performance and financial condition.

### Controls and systems integration

The Schemes will lead to the combination of the businesses of Kingsgate and Dominion which have previously operated independently. The long term success of the Combined Group will depend, in part, on the success of integrating the businesses and the strengths of management and operational structures which are implemented.

There will be costs and risks involved in the integration of the Kingsgate and Dominion businesses and the establishment of efficient management and operational structures. There is a risk that the integration of accounting, intellectual property and financial systems, human resources and other support functions and management systems, controls and processes may take longer or cost more than expected.

### Change of control provisions

Upon implementation of the Schemes, a change of control in Dominion will occur. It is possible that material contracts to which Dominion is a party may be subject to pre-emptive, rights, review or termination upon this change of control. While Kingsgate is not aware of any counterparty that may wish to terminate a material contract, should any such contracts be terminated, the Combined Group would lose the benefit of the contract and may be unable to obtain similarly terms upon entry into replacement contracts (should such replacement contracts be available).

### Accounting

Kingsgate will be required to perform a fair value assessment of all of Dominion's assets and liabilities if the Schemes are implemented. This assessment may result in increased depreciation and amortisation charges. There is a risk that these charges may be substantially greater than those that would exist in Kingsgate and Dominion as separate businesses. This may reduce the future earnings of the Combined Group. See Section 9.10(d) of this Scheme Booklet for further information.

# **11 Taxation Implications of the Share Scheme**



## 11 Tax Implications of the Share Scheme

### 11.1 Introduction

This Section provides a general summary of the Australian tax consequences of the Share Scheme for certain Dominion Shareholders.

The following is merely intended as a general summary of the application of the taxation law, in particular the *Income Tax Assessment Act 1936* (Cth) and *Income Tax Assessment Act 1997* (Cth) (together, the **Tax Act**), to relevant Dominion Shareholders in respect of the disposal of their Dominion Shares in exchange for New Kingsgate Shares under the Share Scheme. This summary does not take account of the specific circumstances of any particular Dominion Shareholder and is not intended to be relied upon as detailed taxation advice. Dominion Shareholders should obtain their own specific advice in respect of the taxation consequences of the Share Scheme for them.

The summary that follows only deals with the consequences under the Tax Act for a Dominion Shareholder who:

- is resident of Australia for Australian tax purposes;
- is not a 'temporary resident' for Australian tax purposes;
- did not acquire their Dominion Shares in respect of any employment with Dominion or its subsidiaries; and
- holds their Dominion Shares on capital account and not as trading stock or otherwise as revenue assets for Australian tax purposes.

The following summary is based on the Australian taxation law and announcements, rulings and administrative practice of the Australian Taxation Office in effect at the date of this Scheme Booklet.

### 11.2 Capital gains tax consequences of disposal of Dominion Shares

The disposal of their Dominion Shares to Kingsgate under the Share Scheme will be a CGT event for the Dominion Shareholder.

#### Pre-CGT Dominion Shares

For a Dominion Shareholder who acquired their Dominion Shares before 20 September 1985 (**Pre-CGT Dominion Shares**) (and in the case of a Dominion Shareholder that is a company or trust, has not had a change in majority underlying interests since that date such that they are deemed to have acquired any Pre-CGT Dominion Shares at the time of that change), any capital gain or loss arising in respect of their Pre-CGT Dominion Shares will be disregarded.

#### Post-CGT Dominion Shares

In respect of Dominion Shares that were acquired (or deemed to be acquired) by the Dominion Shareholder on or after 20 September 1985 (**Post-CGT Dominion Shares**), subject to the roll-over relief discussed in Section 11.3 below, a capital gain will arise for the Dominion Shareholder in respect of their Post-CGT Dominion Shares if the 'capital proceeds' from the CGT event in respect of those Dominion Shares exceed the cost base of the Post-CGT Dominion Shares. A capital loss will arise if the 'capital proceeds' are less than the 'reduced cost base' of the Post-CGT Dominion Shares. Any such capital loss can be offset against capital gains derived by the Dominion Shareholder in the same income year or carried forward to offset against capital gains in future income years.

The 'capital proceeds' will be equal to the Australian dollar market value of the New Kingsgate Shares the Dominion Shareholder receives in return for their Post-CGT Dominion Shares under the Share Scheme, determined as at the time when the New Kingsgate Shares are allotted to the Dominion Shareholders.

The CGT cost base of the Post-CGT Dominion Shares would generally include the amount paid, plus the market value of any property given, by the Dominion Shareholder to acquire those Post-CGT Dominion Shares, plus any relevant 'incidental costs' incurred by the Dominion Shareholder in acquiring or disposing of the Post-CGT Dominion Shares (such as brokerage fees, stamp duty and professional advisers' fees, to the extent not otherwise deductible). Certain amounts are excluded from the 'reduced cost base' for the purpose of calculating a capital loss.

## 11 Tax Implications of the Share Scheme

If a capital gain arises for a Dominion Shareholder that is not disregarded under the scrip for scrip roll-over provisions (see Section 11.3 below), a Dominion Shareholder who is an individual or a complying superannuation entity may be entitled to the benefit of the CGT 'discount' provisions if they have held their Post-CGT Dominion Shares for at least 12 months. In the case of an individual, the assessable net capital gain (after offsetting any capital losses) is reduced by one half (50%) under these provisions and in the case of a complying superannuation entity, the assessable net capital gain is reduced by one third (33 1/3%). Capital gains derived by an individual or complying superannuation entity through a trust can also obtain the benefit of the CGT 'discount' provisions.

### 11.3 Scrip for scrip roll-over relief

A Dominion Shareholder who derives a capital gain on the disposal of their Post-CGT Dominion Shares should be eligible to choose roll-over relief under the scrip for scrip roll-over provisions. This position will be put beyond any doubt if and when proposed legislation currently before the Commonwealth Parliament is enacted, as discussed further below.

If the Dominion Shareholder chooses for the roll-over relief to apply (assuming it is available), the capital gain that the Shareholder would otherwise make on disposal of their Post-CGT Dominion Shares under the Share Scheme will be disregarded and the cost base and acquisition date of their Post-CGT Dominion Shares will be transferred to their New Kingsgate Shares (see Section 11.4 below).

Under the current law, the roll-over relief will be available to a Dominion Shareholder in respect of the exchange of their Post-CGT Dominion Shares for replacement shares in Kingsgate (i.e. New Kingsgate Shares) under the Share Scheme if:

- (a) that exchange is considered to be in consequence of a 'single arrangement' (which should be the case here);
- (b) the Dominion Shareholder would otherwise make a capital gain on the transfer of its Post-CGT Dominion Shares to Kingsgate;
- (c) the arrangement is one in which at least the owners of all voting shares in Dominion could participate and in which participation was available on substantially the same terms for all of the owners of interests of a particular type in Dominion; and
- (d) Kingsgate and/or members of Kingsgate's wholly owned company group obtain a holding of at least 80% of the voting shares in Dominion as a result of the arrangement (which will be the case here, as Kingsgate will acquire 100% of the Dominion Shares under the Share Scheme).

In relation to the requirements in paragraph (c) above, the Share Scheme should be regarded as being an arrangement in which all Dominion Shareholders can participate on substantially the same terms, notwithstanding the Sale Facility for Ineligible Foreign Holders. The Australian Taxation Office has in the past issued Class Rulings to this effect in relation to arrangements involving such facilities.

In any event, the *Tax Laws Amendment (2010 Measures No. 4) Act 2010* (Cth), which received Royal Assent and came into effect on 7 December 2010, amended the scrip for scrip roll-over relief provisions to provide that it will not be necessary for the requirements in paragraph (c) above to be satisfied in cases where the arrangement is, or is part of or includes (relevantly) a compromise or arrangement entered into by the acquiring entity under Part 5.1 of the Corporations Act approved by order of a court made for the purpose of section 411(4)(b) of that Act (as the Share Scheme would be). This amendment gives effect to an announcement by the then Assistant Treasurer on 6 January 2010 and applies to CGT events that happen on or after that date. As the Share Scheme will satisfy this alternative requirement, the arrangement will qualify for scrip for scrip roll-over relief regardless of whether it satisfies the requirements referred to in paragraph (c) above.

A Dominion Shareholder does not need to document their choice to apply the roll-over relief, other than to complete their Australian income tax return for the relevant income year consistently with that choice. It may, however, be prudent for the Shareholder to keep a formal record of the choice with their taxation records.

The scrip for scrip roll-over relief is not available in respect of Pre-CGT Dominion Shares or in respect of Post-CGT Dominion Shares for which a capital loss arises.

## 11 Tax Implications of the Share Scheme

### 11.4 New Kingsgate Shares

#### No scrip for scrip roll-over relief

For a Dominion Shareholder who does not, or cannot, choose roll-over relief (including in respect of Pre-CGT Dominion Shares, for which as noted above, the roll-over is not available):

- the first element of the cost base for CGT purposes of the New Kingsgate Shares acquired in return for their Dominion Shares under the Share Scheme will be equal to the market value of the those Dominion Shares (as at the time when the Dominion Shares are transferred to Kingsgate and the New Kingsgate Shares allotted to Dominion Shareholders), which should in turn be equal to the market value of the New Kingsgate Shares at that time<sup>49</sup>; and
- the New Kingsgate Shares will be treated as having been acquired, (including for the purpose of the CGT 'discount' provisions) when they are allotted to the Dominion Shareholder.

#### Scrip for scrip roll-over relief

For a Post-CGT Dominion Shareholder who can, and does, choose roll-over relief:

- the first element of the cost base for CGT purposes of the New Kingsgate Shares acquired in return for their Post-CGT Dominion Shares under the Share Scheme will be deemed to be equal to the cost base of the shareholder's Post-CGT Dominion Shares, with the total cost base of the shareholder's Post-CGT Dominion Shares being apportioned on a reasonable basis across the New Kingsgate Shares received by the Dominion Shareholder in exchange for them<sup>50</sup>. For New Kingsgate Shares acquired in return for Pre-CGT Dominion Shares, the first element of the cost base will be equal to the market value of those Pre-CGT Dominion Shares (as at the time when the Dominion Shares are transferred to Kingsgate and the New Kingsgate Shares allotted to Dominion Shareholders), which should in turn be equal to the market value at that time of the New Kingsgate Shares acquired in return for the pre-CGT Dominion Shares; and
- for the purpose of the CGT 'discount' provisions, the New Kingsgate Shares will be treated as having been acquired when the relevant Post-CGT Dominion Shares were originally acquired (or deemed under the CGT provisions to have been acquired) by the Dominion Shareholder. For other CGT purposes, they will be treated as having been acquired when they are allotted to the Dominion Shareholder.

### 11.5 GST

The transfer of Dominion Shares to Kingsgate under the Share Scheme should not give rise to any GST liability for any Dominion Shareholder. However, there may be consequences in relation to any input tax credits that may be claimed by a Dominion Shareholder for any GST included in any costs they incur in respect of any legal or other advice sought in respect of the Share Scheme.

### 11.6 Stamp duty

No Australian stamp duty will be payable by Dominion Shareholders on the transfer of their Dominion Shares to Kingsgate in return for the issue or allotment of New Kingsgate Shares. Any stamp duty applicable to the Dominion Shares will be payable by Kingsgate.

<sup>49</sup> The first element of cost base is the money paid or required to be paid, and the market value of any property given or required to be given, in respect of acquiring the CGT asset. Other elements include: the incidental costs incurred in acquiring or disposing of the CGT asset (such as brokerage fees, stamp duty and professional advisers' fees, to the extent not otherwise deductible) and certain costs of owning the CGT asset and certain capital expenditure incurred for the purpose or the expected effect of which is to increase or preserve the CGT asset's value or to establish, preserve or defend title to the CGT asset.

<sup>50</sup> The first element of cost base is the money paid or required to be paid, and the market value of any property given or required to be given, in respect of acquiring the CGT asset. Other elements include: the incidental costs incurred in acquiring or disposing of the CGT asset (such as brokerage fees, stamp duty and professional advisers' fees, to the extent not otherwise deductible) and certain costs of owning the CGT asset and certain capital expenditure incurred for the purpose or the expected effect of which is to increase or preserve the CGT asset's value or to establish, preserve or defend title to the CGT asset.





## **12 Taxation Implications of the Option Scheme**



## 12 Taxation Implications of the Option Scheme

### 12.1 Introduction

This Section provides a general summary of the Australian tax consequences of the Option Scheme for certain Dominion Optionholders who acquired their Options under the Dominion ESOP.

The following is merely intended as a general summary of the application of the taxation law, in particular the *Income Tax Assessment Act 1936* (Cth) (**1936 Act**) and *Income Tax Assessment Act 1997* (Cth) (**1997 Act**) (together, **Tax Act**), to relevant Dominion Optionholders in respect of the cancellation of their Dominion Options in return for New Kingsgate Shares under the Option Scheme. This summary does not take account of the specific circumstances of any particular Dominion Optionholder and is not intended to be relied upon as detailed taxation advice. Dominion Optionholders should obtain their own specific advice in respect of the taxation consequences of the Option Scheme for them.

The summary that follows only deals with the consequences under the Tax Act for a Dominion Optionholder who:

- is resident of Australia for Australian tax purposes;
- is not a 'temporary resident' for Australian tax purposes;
- acquired their Dominion Options wholly in respect of employment with the Dominion Group in Australia; and
- holds their Dominion Options on capital account for Australian tax purposes.

The following summary is based on the Australian taxation law and announcements, rulings and administrative practice of the Australian Taxation Office in effect at the date of this Option Scheme Booklet.

### 12.2 General

As all of the Dominion Optionholders acquired their Dominion Options before 1 July 2009, the employee share scheme (ESS) provisions in Division 13A of Part III of the 1936 Act as then in force (**former Division 13A**) are relevant in relation to the Dominion Options.

The taxation consequences for a Dominion Optionholder in respect of the cancellation of their Dominion Options will depend on a number of factors, as follows:

- (a) whether the Dominion Options were acquired by the Dominion Optionholder at a 'discount' for the purpose of former Division 13A. The Dominion Optionholder will not have acquired their Dominion Options for a 'discount' if the consideration they paid for the grant of the Dominion Options was not less than the market value of those options (as determined under former Division 13A) at the time of grant or, if no consideration was paid for the grant of the options, the market value of the options at the time of grant was zero under former Division 13A (**Scenario 1**);
- (b) whether the Dominion Optionholder:
  - (i) made an election under section 139E of the 1936 Act to be assessed in respect of their Dominion Options under former Division 13A at the time of acquisition (**Up-front Taxation**) (**Scenario 2**); or
  - (ii) chose to defer taxation in respect of their Dominion Options until the occurrence of a 'cessation time' under former Division 13A (**Deferred Taxation**) (**Scenario 3**); and
- (c) in respect of a Dominion Optionholder who chose Deferred Taxation, whether the optionholder has ceased employment with the Dominion Group 30 days or more before cancellation of the Dominion Options under the Option Scheme (**Scenario 4**).

The taxation consequences in the various scenarios are discussed below.

### 12.3 Scenario 1 – Dominion Options not acquired at a 'discount'

The ESS provisions are not applicable to Dominion Options that were not acquired at a 'discount' (refer to Section 12.2 above) and only the capital gains tax (CGT) provisions in the 1997 Act will be relevant to the cancellation of any such Dominion Options under the Option Scheme. The CGT consequences in this scenario are discussed below.

#### CGT event – capital gain or loss

A CGT event C2 will occur for the Dominion Optionholder upon cancellation of their Dominion Options under the Option Scheme.

A capital gain will arise for the Dominion Optionholder if their 'capital proceeds' from the CGT event exceed the cost base of their Dominion Options.

## 12 Taxation Implications of the Option Scheme

A capital loss will arise if the 'capital proceeds' are less than the 'reduced cost base' of their Dominion Options. Any such capital loss can be offset against capital gains derived by the Dominion Optionholder in the same income year or carried forward to offset against capital gains in future income years.

### 'Capital proceeds'

The 'capital proceeds' from the CGT event C2 will be equal to the Australian dollar market value of the New Kingsgate Shares the Dominion Optionholder receives in return for the cancellation of their Dominion Options under the Option Scheme, determined as at the time when the Option Scheme is implemented and the New Kingsgate Shares are allotted to the Dominion Optionholder.

### Cost base

The CGT cost base of the Dominion Options would generally include any amount paid, plus the market value of any property given, by the Dominion Optionholder to acquire those Dominion Options, plus any relevant 'incidental costs' incurred by the Dominion Optionholder in acquiring or disposing of them (such as professional advisers' fees, to the extent not otherwise deductible). Certain amounts are excluded from the 'reduced cost base' for the purpose of calculating a capital loss.

### CGT 'discount'

A Dominion Optionholder who is an individual may be entitled to the benefit of the CGT 'discount' provisions in respect of any capital gain arising on cancellation of their Dominion Options, as they have held their Dominion Options for at least 12 months. In that case, the Dominion Optionholder will only be assessable on one half (50%) of the net capital gain (after offsetting any capital losses available to the Dominion Optionholder).

### Scrip for scrip roll-over relief

No scrip for scrip roll-over relief is available in respect of any capital gain or loss arising on cancellation of the Dominion Options under the Option Scheme. The scrip for scrip roll-over relief in subdivision 124-M of the 1997 Act will not apply as the Dominion Options are not being exchanged for 'similar interests' as required under those provisions, as the New Kingsgate Shares are shares rather than options to acquire shares.

## 12.4 Scenario 2 – Dominion Optionholders who chose Up-front Taxation

For Dominion Optionholders who elected under section 139E of the 1936 Act to be taxed under former Division 13A in respect of their Dominion Options at the time of acquisition, only the CGT provisions will be relevant to the cancellation of their Dominion Options under the Option Scheme. The CGT consequences in this scenario are discussed below.

### CGT event – capital gain or loss

A CGT event C2 will occur for the Dominion Optionholder upon cancellation of their Dominion Options under the Option Scheme.

A capital gain will arise for the Dominion Optionholder if their 'capital proceeds' from the CGT event exceed the cost base of their Dominion Options.

A capital loss will arise if the 'capital proceeds' are less than the 'reduced cost base' of their Dominion Options. Any such capital loss can be offset against capital gains derived by the Dominion Optionholder in the same income year or carried forward to offset against capital gains in future income years.

### 'Capital proceeds'

The 'capital proceeds' from the CGT event C2 will be equal to the Australian dollar market value of the New Kingsgate Shares the Dominion Optionholder receives in return for the cancellation of their Dominion Options under the Option Scheme, determined as at the time when the Option Scheme is implemented and the New Kingsgate Shares are allotted to the Dominion Optionholder.

### Cost base

The first element of the cost base of the Dominion Options will be equal to the market value of the Dominion Options (as determined under the valuation rules in former Division 13A) at the time they were acquired. The cost base would also include any relevant 'incidental costs' incurred by the Dominion Optionholder in acquiring the Dominion Options or in disposing of them under the Option Scheme (such as professional advisers' fees, to the extent not otherwise deductible). Certain amounts are excluded from the 'reduced cost base' for the purpose of calculating a capital loss.

## 12 Taxation Implications of the Option Scheme

### CGT 'discount'

A Dominion Optionholder who is an individual may be entitled to the benefit of the CGT 'discount' provisions in respect of any capital gain arising on cancellation of their Dominion Options, as they have held their Dominion Options for at least 12 months. In that case, the Dominion Optionholder will only be assessable on one half (50%) of the net capital gain (after offsetting any capital losses available to the Dominion Optionholder).

### Scrip for scrip roll-over relief

No scrip for scrip roll-over relief is available in respect of any capital gain or loss arising on cancellation of the Dominion Options under the Option Scheme. The scrip for scrip roll-over relief in subdivision 124-M of the 1997 Act will not apply as the Dominion Options are not being exchanged for 'similar interests' as required under those provisions, as the New Kingsgate Shares are shares rather than options to acquire shares.

### 12.5 Scenario 3 – Dominion Optionholders who chose Deferred Taxation and have ceased employment 30 days or more before cancellation of the Dominion Options under the Option Scheme

For a Dominion Optionholder who chose Deferred Taxation and who has ceased to be an employee of the Dominion Group at a time that is 30 days or more before the cancellation of their Dominion Options under the Option Scheme (without their Dominion Options having lapsed or been exercised):

- the Dominion Optionholder will have been assessable under the ESS provisions on the market value of their Dominion Options at the time of cessation of employment; and
- only the CGT provisions will be relevant on the cancellation of their Dominion Options under the Option Scheme.

The CGT consequences in this scenario are discussed below.

### CGT event – capital gain or capital loss

A CGT event C2 will occur for the Dominion Optionholder upon cancellation of their Dominion Options under the Option Scheme.

A capital gain will arise for the Dominion Optionholder if their 'capital proceeds' from the CGT event exceed the cost base of their Dominion Options.

A capital loss will arise if the 'capital proceeds' are less than the 'reduced cost base' of their Dominion Options. Any such capital loss can be offset against capital gains derived by the Dominion Optionholder in the same income year or carried forward to offset against capital gains in future income years.

### 'Capital proceeds'

The 'capital proceeds' from the CGT event C2 will be equal to the Australian dollar market value of the New Kingsgate Shares the Dominion Optionholder receives in return for the cancellation of their Dominion Options under the Option Scheme, determined as at the time when the Option Scheme is implemented and the New Kingsgate Shares are allotted to the Dominion Optionholder.

### Cost base

The first element of the cost base of the Dominion Options will be equal to the market value of the options under the relevant ESS provisions at the time when their employment ceased. Where the cessation of employment occurred on or after 1 July 2009, the Dominion Optionholder could have chosen to determine the market value under general principles (ignoring anything that would prevent the conversion of the Dominion Options to money) or under the valuation rules in former Division 13A (which were based on a modified Black-Sholes methodology). It is noted that no Dominion Optionholders ceased employment prior to 1 July 2009.

The cost base would also include any relevant 'incidental costs' incurred by the Dominion Optionholder in acquiring the Dominion Options or in disposing of them under the Option Scheme (such as professional advisers' fees, to the extent not otherwise deductible). Certain amounts are excluded from the 'reduced cost base' for the purpose of calculating a capital loss.

## 12 Taxation Implications of the Option Scheme

### Acquisition date and CGT 'discount'

Where the cessation of employment occurred on or after 1 July 2009, the Dominion Options are deemed to have been acquired by the Dominion Optionholder for the purpose of the Tax Act (other than the ESS provisions) immediately before that 'cessation time'. Accordingly, the CGT 'discount' provisions will not apply to reduce any assessable net capital gain arising for the Dominion Optionholder upon cancellation of their Dominion Options unless the 'cessation time' occurred 12 months or more before the cancellation of the Dominion Options.

### Scrip for scrip roll-over relief

No scrip for scrip roll-over relief is available in respect of any capital gain or loss arising on cancellation of the Dominion Options under the Option Scheme. The scrip for scrip roll-over relief in subdivision 124-M of the 1997 Act will not apply as the Dominion Options are not being exchanged for 'similar interests' as required under those provisions, as the New Kingsgate Shares are shares rather than options to acquire shares.

## 12.6 Scenario 4 – Dominion Optionholders who chose Deferred Taxation and have not ceased employment 30 days or more before cancellation of the Dominion Options

### ESS provisions

For Dominion Optionholders who chose Deferred Taxation and have not ceased to be an employee of the Dominion Group more than 30 days before the cancellation of their Dominion Options under the Option Scheme, the new ESS provisions in Division 83A of the 1997 Act and Division 83A of the *Income Tax (Transitional Provisions) Act 1997* (Cth) (together, **Division 83A**) will apply upon cancellation of their Dominion Options and the CGT 'discount' provisions will not apply.<sup>51</sup>

In this scenario, the cancellation of the Dominion Options will give rise to an 'ESS deferred taxing point' under Division 83A for the Dominion Optionholder and the market value of their Dominion Options at that time will be included in their assessable income under that Division for the income year in which the cancellation occurs.

For this purpose, the market value of the Dominion Options will be determined under general principles, ignoring anything that would prevent the conversion of the Dominion Options to money. That market value should be equal to the value of the New Kingsgate Shares acquired in return for the cancellation of the Dominion Options under the Option Scheme.

This amount will be assessable as remuneration income and not as a capital gain. This means that any capital losses available to the Dominion Optionholder will not be able to be offset against the amount assessable under Division 83A and the CGT 'discount' provisions will not apply to that amount.

### Scrip for scrip roll-over relief

No scrip for scrip roll-over relief is available in respect of the Division 83A assessable amount.

Section 83A-130 of the 1997 Act will not apply here. Section 83A-130 applies where existing 'ESS interests' (i.e. shares or rights in a company) acquired under an employee share scheme ('old interests') are disposed of and replaced by new ESS interests ('new interests') in connection with certain company takeovers and restructures, to the extent that the 'new interests' can reasonably be regarded as 'matching' the 'old interests'. If it applies, section 83A-130 treats the 'new interests' as a continuation of the 'old interests'. However, in this case, the New Kingsgate Shares (the 'new interests') would not reasonably be regarded as 'matching' the Dominion Options (the 'old interests') which they replace for this purpose, being shares rather than options.

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<sup>51</sup> If employment ceases within 30 days before the Dominion Options are cancelled (and the Dominion Options do not lapse and are not exercised), the 'ESS deferred taxing point' under Division 83A will occur at the time of cancellation rather than at the time of cessation of employment.



## 12 Taxation Implications of the Option Scheme

### 12.7 New Kingsgate Shares

#### Cost base

The first element of the cost base to the Dominion Optionholder of the New Kingsgate Shares acquired in return for the cancellation of their Dominion Options under the Option Scheme will be equal to the market value of those Dominion Options when they are cancelled, which should in turn be equal to the market value of the New Kingsgate Shares at that time.<sup>52</sup>

#### Date of acquisition

The New Kingsgate Shares will be treated as having been acquired when they are allotted to the Dominion Optionholder.

### 12.8 GST

The cancellation of Dominion Options under the Option Scheme should not give rise to any GST liability for any Dominion Optionholder. However, there may be consequences in relation to any input tax credits that may be claimed by a Dominion Optionholder for any GST included in any costs they incur in respect of any legal or other advice sought in respect of the Option Scheme.

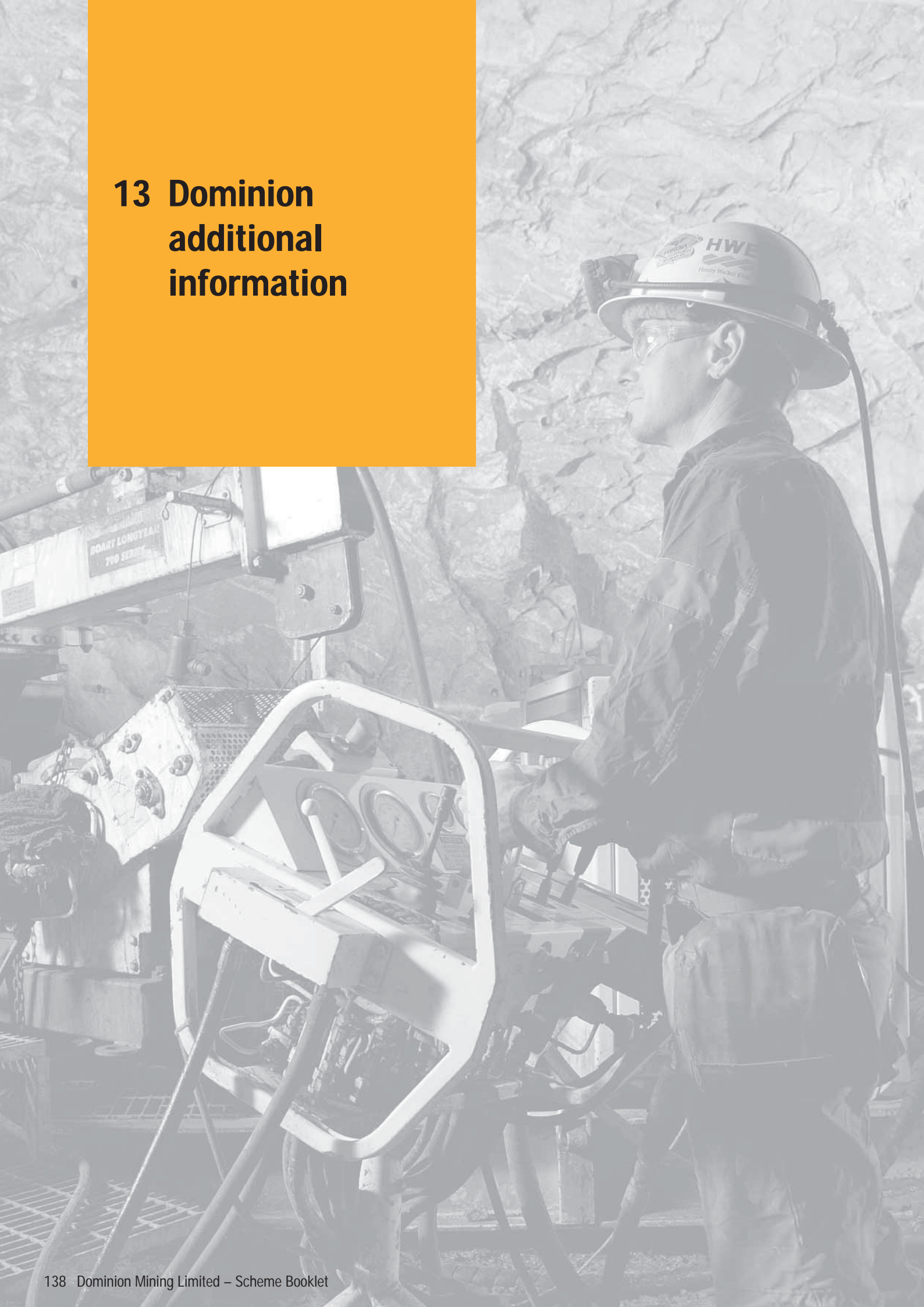
### 12.9 Stamp duty

No Australian stamp duty will be payable by Dominion Optionholders on the cancellation of their Dominion Options in return for the issue or allotment of New Kingsgate Shares.

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<sup>52</sup> The first element of cost base is the money paid or required to be paid, and the market value of any property given or required to be given, in respect of acquiring the CGT asset. Other elements include: the incidental costs incurred in acquiring or disposing of the CGT asset (such as brokerage fees, stamp duty and professional advisers' fees, to the extent not otherwise deductible) and certain costs of owning the CGT asset and certain capital expenditure incurred for the purpose or the expected effect of which is to increase or preserve the CGT asset's value or to establish, preserve or defend title to the CGT asset.

## 13 Dominion additional information



## 13 Dominion Additional Information

### 13.1 Dominion Directors

The Dominion Directors in office at the date of lodgement of this Scheme Booklet for registration by ASIC are:

Name	Position
Peter Joseph AM	Chairman
Jonathan Shellabear	Managing Director
Ross Coyle	Executive Director
John Gaskell	Non-Executive Director
Peter Alexander	Non-Executive Director

Each of the Dominion Directors recommends Dominion Shareholders vote in favour of the Schemes, in the absence of a superior proposal. Please refer to Section 3.1 of this Scheme Booklet for further details.

### 13.2 Interests in Dominion held by Dominion Directors

As at the date of this Scheme Booklet, the Dominion Directors have the following relevant interests in securities in Dominion:

Name	No. of Dominion Shares held	No. of Dominion Options held
Peter Joseph AM	9,485,727	Nil
Jonathan Shellabear	56,352	1,050,000 (350,000 @ \$3.60 expiring 4 June 2012, 350,000 @ \$3.96 expiring 4 June 2012 and 350,000 @ \$4.36 expiring 4 June 2012)
Ross Coyle	122,330	Nil
John Gaskell	66,597	Nil
Peter Alexander	117,824	Nil

The effect of the Schemes on the interests of the non-executive directors referred to above will be no different from the effect on the like interests of other persons.

In addition to the securities referred to above, Jonathan Shellabear also holds 500,000 Dominion Performance Rights. Mr Shellabear has entered into a cancellation deed with Dominion and Kingsgate pursuant to which those Dominion Performance Rights will be cancelled with effect from the Implementation Date of the Schemes in consideration for the payment of \$102,000 in cash payable within three Business Days of their cancellation.

### 13.3 Interests in Kingsgate held by Dominion Directors

No marketable securities in Kingsgate are held by, or on behalf of, any Dominion Director as at the date of this Scheme Booklet.

### 13.4 Payments or other benefits in connection with retirement from office

Save as set out in this Section 13.4, it is not proposed that any payment or other benefit will be made or given to any Dominion director, secretary or executive officer of Dominion, or any body corporate related to Dominion, as compensation for loss of, or as consideration for or in connection with, his or her retirement from office as Dominion director, secretary or executive officer of Dominion or a body corporate connected with Dominion.

#### (a) Entitlements under services agreements

The service agreements for Jonathan Shellabear, Managing Director, and Ross Coyle, executive director, allow Dominion to terminate their respective employment with 12 months' notice or payment (based on annual salary) in lieu of notice. In the case of redundancy both are entitled to one year's annual salary in lieu of notice and one year's annual salary as a redundancy payment. Messrs Shellabear and Coyle may both resign by giving six months' notice. Ross Coyle is entitled to a retirement benefit equal to two years of his annual salary.

## 13 Dominion Additional Information

The service agreements for Tony Poustie, general manager exploration, and Peter Bamford, general manager operations, allow Dominion to terminate their respective employment with 12 months' notice or payment (based on annual salary) in lieu of notice. In the case of redundancy both are entitled to 12 months' payment of their respective annual salary and both may resign by giving three months' notice.

On termination, the executive directors and executive officers are entitled to payment of accrued annual and long service leave.

### (b) Entitlements conditional upon the Schemes becoming Effective

If the Schemes become Effective, the Dominion Directors will be entitled to the following payments:

- (i) Peter Joseph AM – a retirement payment of \$340,725 (inclusive of superannuation);
- (ii) Jonathan Shellabear – a redundancy payment of \$927,900 (inclusive of superannuation) plus the payment of \$102,000 in consideration for the cancellation of the 500,000 Dominion Performance Rights he holds (see Section 13.6 of this Scheme Booklet for further details);
- (iii) John Gaskell – a retirement payment of \$152,841 (inclusive of superannuation);
- (iv) Peter Alexander – a retirement payment of \$74,836 (inclusive of superannuation); and
- (v) Ross Coyle – a retirement payment of \$692,000 (inclusive of superannuation).

### 13.5 Appointments to the Combined Group Board

On implementation of the Schemes, Peter Alexander, a Dominion non-executive director, will join the Kingsgate Board.

Dominion's existing Chairman, Peter Joseph, will also be retained, on arm's length terms, as an adviser to the Kingsgate Board.

### 13.6 Other agreements or arrangements connected with or conditional on the Schemes

Except as set out below, in Section 13.10 below in relation to the holding of Dominion Options or Dominion Performance Rights or as set out elsewhere in this Scheme Booklet, there is no agreement or arrangement made between any director, secretary or executive officer of Dominion and any other person in connection with or conditional on the outcome of the Schemes:

- (a) each Dominion Director who holds Dominion Shares at the Share Scheme Record Date will be entitled to receive Share Scheme Consideration in accordance with the terms of the Share Scheme;
- (b) the Dominion Director (being Jonathan Shellabear) who holds Dominion Options at the Option Scheme Record Date will be entitled to receive Option Scheme Consideration in accordance with the terms of the Option Scheme;
- (c) if the Schemes becomes Effective, on implementation of the Schemes, Peter Alexander, a Dominion non-executive director, will join the Kingsgate Board. Peter Alexander will be paid directors' fees in accordance with Kingsgate's existing fee arrangements for directors;
- (d) if the Schemes becomes Effective, Dominion's existing Chairman, Peter Joseph, will be retained as an adviser to the Kingsgate Board. See Section 13.5 above for further information;
- (e) under the Scheme Implementation Agreement, Kingsgate has waived, and must procure that each other member of the Kingsgate Group waives, all rights and claims that they may have against the current or former officers, employees, professional advisers and agents of the Dominion Group in relation to any matter arising directly or indirectly in connection with the Scheme Implementation Agreement, the Schemes or the Scheme Deed Polls, except to the extent that such rights or claims arise out of the fraud, wilful misconduct or wilful default of such person;
- (f) Kingsgate has acknowledged in the Scheme Implementation Agreement, that none of Dominion, and the officers, employees, professional advisers and agents of Dominion or of its Related Entities, makes any representation or warranty as to the accuracy of any Dominion due diligence information disclosed to Kingsgate (**Dominion DD Information**), accepts any responsibility for any false, inaccurate or misleading Dominion DD Information or any conclusion drawn or opinion formed as a result of examining the Dominion DD Information, accepts any responsibility to inform Kingsgate of any matter arising or coming to the notice of Dominion which may affect or qualify the Dominion DD Information or is liable for any loss or any kind (including without limitation any consequential or economic loss) arising from any inaccuracy, incompleteness or similar defect in the Dominion DD Information or any default, negligence or lack of care in relation to the preparation or provision of the Dominion DD Information; and



## 13 Dominion Additional Information

(g) Mr Jonathan Shellabear, Dominion's existing Managing Director, has entered into a cancellation deed with Dominion and Kingsgate in respect of the 500,000 Dominion Performance Rights he holds. Under the cancellation deed, those Dominion Performance Rights will be cancelled with effect from the Implementation Date of the Schemes in consideration for the payment of \$102,000 in cash payable within three Business Days of their cancellation.

### 13.7 Interests held by Dominion Directors in contracts of Kingsgate

Other than as set out in Section 13.6 above, no Dominion Director has an interest in any contract entered into by Kingsgate.

### 13.8 Other interests of Dominion Directors

Except as set out in this Scheme Booklet, no Dominion Director has any other interest material to the Schemes.

### 13.9 Directors' intentions regarding the business, assets and employees of Dominion

If the Schemes becomes Effective, all Dominion Shares will be transferred to Kingsgate, all Dominion Options will be cancelled and Kingsgate will be the sole shareholder of Dominion. It is the present intention of Kingsgate to reconstitute the Dominion Board and the boards of Dominion's subsidiaries so that it controls those boards. As such, it is not possible for the Dominion Directors to provide a statement of their intentions regarding:

- the continuation of the business of Dominion;
- any major changes to be made to the business of Dominion, including any redeployment of the fixed assets of Dominion; or
- the future employment of the present employees of Dominion.

The intentions of Kingsgate in relation to these matters are outlined above in Section 9 of this Scheme Booklet.

### 13.10 Consequences of the Schemes for Dominion employee incentive schemes

#### Dominion ESOP

Under the Dominion ESOP, Dominion Options have been issued to employees of Dominion. As at the date of this Scheme Booklet, 7,191,000 Dominion Options were outstanding. It is noted that 600,000 Dominion Options were issued in January 2009 with a vesting date of 1 January 2010 and an expiry date of 1 January 2011. To the extent that the holders of those Dominion Options have not exercised them on or before 1 January 2011 and become Dominion Shareholders who participate in the Share Scheme, those Dominion Options will expire on 1 January 2011 and will not participate in the Option Scheme.

Under the Scheme Implementation Agreement, Dominion has agreed not to exercise its discretion under the Dominion ESOP to permit employees to exercise their Dominion Options early by reason of the Court making an order to convene the Share Scheme Meeting.

All Dominion Options outstanding under the Dominion ESOP as at the Option Scheme Record Date will be dealt with under the Option Scheme and, if it becomes Effective, Dominion Optionholders will receive between 0.023 and 0.085 New Kingsgate Shares per Dominion Option depending on the exercise price and expiry date of the options held.<sup>53</sup> See Section 6.6 of this Scheme Booklet for further details.

If the Option Scheme does not become Effective, and Kingsgate waives the relevant condition precedent such that the Share Scheme nevertheless proceeds, Kingsgate should, if it elects to do so, be able to rely on the general compulsory acquisition provisions of Part 6A.2 of the Corporations Act to acquire the outstanding Dominion Options. For further information concerning the compulsory acquisition procedure, see Section 1.3 of this Scheme Booklet.

#### Managing Director's Long Term Incentive Plan

The Dominion Options issued to Jonathan Shellabear in accordance with his Long Term Incentive Plan approved at an extraordinary general meeting of Dominion on 24 April 2008, will be dealt with under the Option Scheme on the same basis as the other Dominion Options issued under the Dominion ESOP (see above).

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<sup>53</sup> With the aggregate entitlement of a Dominion Optionholder rounded up or down to the nearest whole number of New Kingsgate Shares, with fractions of 0.5 or more being rounded up and fractions of less than 0.5 being rounded down.

## 13 Dominion Additional Information

The Dominion Performance Rights issued to Jonathan Shellabear under his Long Term Incentive Plan which were approved at the extraordinary general meeting of Dominion on 24 April 2008, will be cancelled in return for the payment of \$102,000 in cash by Dominion, if the Share Scheme becomes Effective (see Section 13.6 of this Scheme Booklet).

### 13.11 Consents

The following persons have given and, before the date on which this Scheme Booklet was lodged with ASIC for registration, have not withdrawn, their consent to be named in this Scheme Booklet in the form and context in which they are named:

- (a) Johnson Winter & Slattery, as Australian legal adviser to Dominion;
- (b) Goldman Sachs & Partners Australia Pty Ltd, as financial adviser to Dominion;
- (c) KPMG Corporate Finance (Aust) Pty Ltd, as Independent Expert;
- (d) AMC Consultants Pty Ltd, as author of the Independent Technical Specialist's Report;
- (e) PricewaterhouseCoopers Securities Ltd, as Investigating Accountant;
- (f) Registries Limited, as Dominion's share registry; and
- (g) Kingsgate, in respect of the Kingsgate Scheme Booklet Information.

The following persons have given and, before the date on which this Scheme Booklet was lodged with ASIC for registration, have not withdrawn, their consent to the inclusion in this Scheme Booklet of the following statements in the form and context in which they are included:

- (a) KPMG Corporate Finance (Aust) Pty Ltd, in respect of the Independent Expert's Report and references to that report in this Scheme Booklet;
- (b) AMC Consultants Pty Ltd, in respect of the Independent Technical Specialist's Report, and references to that report in this Scheme Booklet; and
- (c) PricewaterhouseCoopers Securities Ltd, in respect of the Investigating Accountant's Report and references to that report in this Scheme Booklet.

Each person referred to in this Section 13.11 has not authorised or caused the issue of this Scheme Booklet, does not make, or purport to make, any statement in this Scheme Booklet or any statement on which a statement in this Scheme Booklet is based other than as specified in this Section 13.11 and, to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Scheme Booklet except in respect of those reports or statements to which they have consented as specified in this Section 13.11.

### 13.12 Creditors of Dominion

The Schemes, if implemented, are not expected to materially prejudice Dominion's ability to pay its creditors as it involves the acquisition of shares, and cancellation of options to acquire shares, in Dominion. No material new liability (other than transaction costs) is expected to be incurred by Dominion as a consequence of the implementation of the Schemes. Dominion has paid and is paying all of its creditors within normal terms of trade and is solvent and trading in an ordinary commercial manner.

### 13.13 Reserves and resources information – Competent Persons Statement

#### (a) Exploration Results, Mineral Resources or Ore Reserves

Subject to paragraph (b) below, the information in this Scheme Booklet that relates to Exploration Results, Mineral Resources or Ore Reserves of Dominion is based on information compiled by Peter Bamford, Tony Poustie and Paul Androvic who are full-time employees of Dominion and members of the Australasian Institute of Mining and Metallurgy.

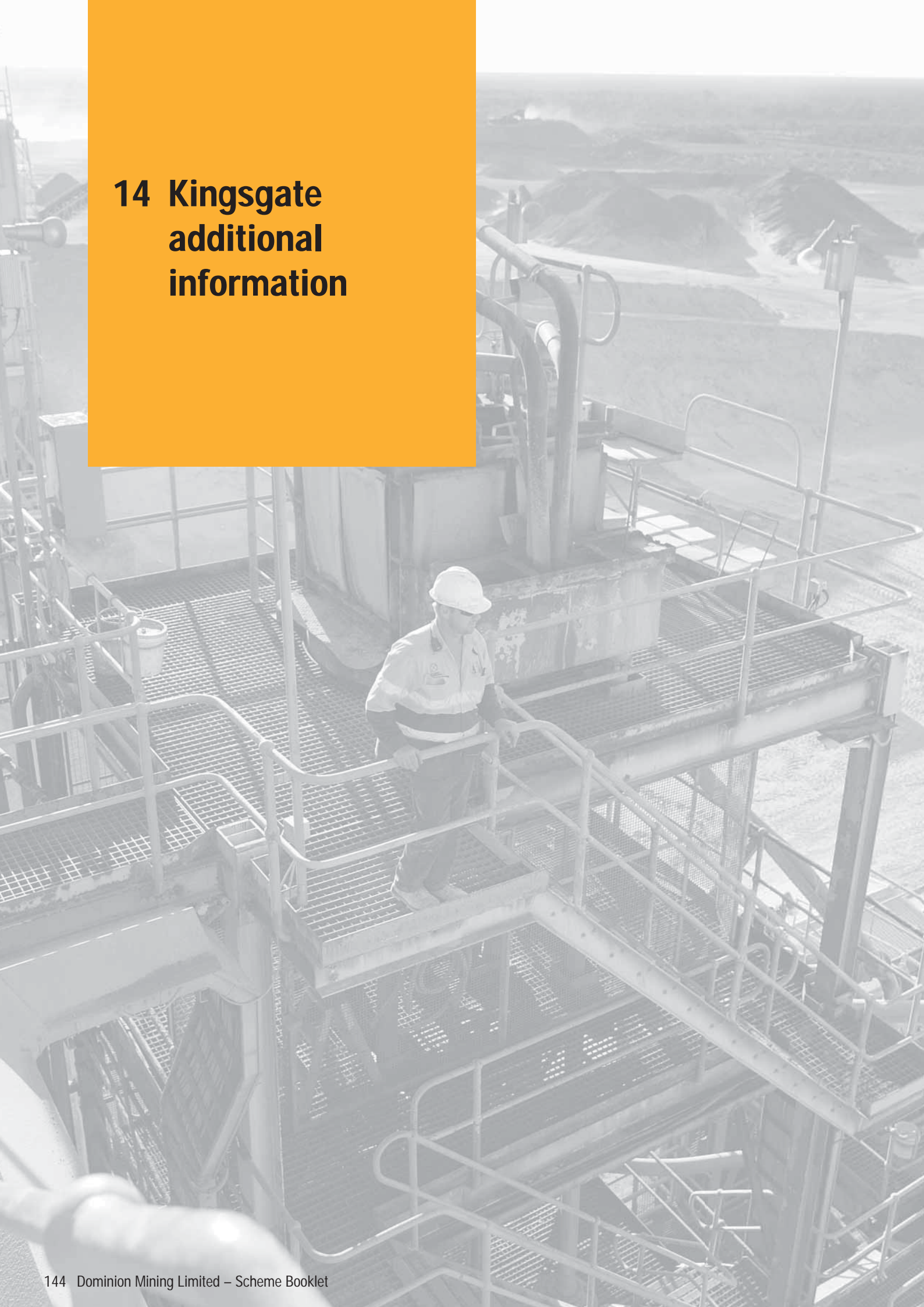
Peter Bamford, Tony Poustie and Paul Androvic have sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking, to qualify as Competent Persons as defined in the 2004 Edition of the JORC Code. Peter Bamford, Tony Poustie and Paul Androvic consent to the inclusion in this Scheme Booklet of the matters based on their information in the form and context in which it appears.

## 13 Dominion Additional Information

### (b) Barton Project

The information in Section 7.3(b) of this Scheme Booklet that relates to Exploration Results and Mineral Resources for the Barton Project is based on information compiled by Tony Poustie who is a full-time employee of Dominion and Steven Gilman who is Senior Partner of TZ Minerals International Pty Ltd. Tony Poustie and Steven Gilman, who are fellows of the Australasian Institute of Mining and Metallurgy, have sufficient experience which is relevant to the style of deposit under consideration and to the activity, which they are undertaking, to qualify as Competent Persons as defined in the 2004 Edition of the JORC Code. Tony Poustie and Steven Gilman consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.

## **14 Kingsgate additional information**





## 14 Kingsgate additional information

### 14.1 Interests in Dominion Shares

As at the date of this Scheme Booklet:

- Kingsgate has no Relevant Interest in any Dominion Shares or Dominion Options; and
- the voting power of Kingsgate in Dominion was nil.

### 14.2 Dealings in Dominion Shares in the previous four months

Except for the consideration agreed to be provided under the Schemes, during the four months before the date of this Scheme Booklet, neither Kingsgate nor any of its associates provided (or agreed to provide) consideration for any Dominion Shares or Dominion Options under a purchase or an agreement.

### 14.3 Benefits to the holders of Dominion Shares and Dominion Options

Except as set out in this Scheme Booklet, during the four months before the date of this Scheme Booklet, neither Kingsgate nor any of its associates gave, or offered or agreed to give, a benefit to another person where the benefit was likely to induce the other person, or an associate of the other person, to:

- vote in favour of the Schemes; or
- dispose of Dominion Shares or Dominion Options,

where the benefit was not offered to all Kingsgate Shareholders or Kingsgate optionholders.

### 14.4 Benefits to Dominion Directors

Kingsgate will not be making any payment or giving any benefit to any current Dominion Director as compensation or consideration for, or otherwise in connection with, their resignation from the Dominion Board, if the Schemes become Effective and the Dominion Board is accordingly reconstituted, other than as required under the relevant person's employment contract with Dominion (as to which see Section 13.4 of this Scheme Booklet).

### 14.5 Reserves and resources information – Competent Persons Statement

The information in this Scheme Booklet that relates to Exploration Results, Mineral Resource or Ore Reserves of Kingsgate is based on information compiled by the following Competent Persons: Ronald James, Fiona Davidson, Guy Davies and Suphanit Suphananthi who are employees of the Kingsgate Group and members of the Australasian Institute of Mining and Metallurgy and Rob Spiers who is an employee of Hellman & Schofield Pty Ltd and member of the Australian Institute of Geoscientists. These people qualify as Competent Persons as defined in the 2004 Edition of the JORC Code and possess relevant experience in relation to the mineralisation being reported herein as Exploration Results, Mineral Resources and Ore Reserves. Each Competent Person has consented to the inclusion in this Scheme Booklet of these statements and the inclusion of the material in the form and context in which it appears.

## **15 General additional information**



## 15 General additional information

### 15.1 To inspect and obtain copies of the Dominion Share Register and the Dominion Option Register

Under sections 170 and 173 of the Corporations Act, a Dominion Shareholder has the right to inspect, and to ask for a copy of, the Dominion Share Register which contains details of the name and address of Dominion Shareholders and a Dominion Optionholder has the right to inspect, and to ask for a copy of, the Dominion Option Register which contains details of the name and address of Dominion Optionholders.

A copy of the Dominion Share Register will be given to any Dominion Shareholder and a copy of the Dominion Option register will be given to any Dominion Optionholder upon request and payment of the prescribed fee under the Corporations Act.

### 15.2 ASIC relief

Regulation 5.1.01 of the Corporations Regulations requires that, unless ASIC allows otherwise, the Scheme Booklet must contain all of the matters set out in Part 2 of Schedule 8 to the Corporations Regulations in relation to the Option Scheme and in Part 3 of Schedule 8 to the Corporations Regulations in relation to the Share Scheme. As some of these requirements are not applicable or appropriate, ASIC has allowed the following variations in this Scheme Booklet:

#### (a) Option Scheme – prescribed disclosure requirements

ASIC has allowed Dominion to omit from this Scheme Booklet the list of Dominion Optionholders and other matters that would otherwise be required by paragraphs 8201(a), 8201(b), 8201(c), 8201(d), 8201(e), 8203(a) and 8203(b) of Part 2 of Schedule 8 to the Corporations Regulations to be set out in this Scheme Booklet.

#### (b) Payments or benefits proposed to be given to Dominion directors, secretaries or executive officers

Paragraph 8302(d) of Part 3 of Schedule 8 to the Corporations Regulations requires the disclosure of particulars of any payment or other benefit that is proposed to be made or given to any director, secretary or executive officer of Dominion or any related body corporate as compensation for loss of, or as consideration for or in connection with his or her retirement from, office of the relevant company.

ASIC has allowed Dominion to vary its compliance with this requirement. The effect of ASIC's consent is that Dominion will only disclose particulars of any payment or other benefit that is proposed to be made or given to any director, secretary or executive officer of Dominion or any related body corporate as compensation for loss of, or as consideration for or in connection with his or her retirement from, office only to the extent that the director, secretary or executive officer will lose office or retire from office in connection with the Share Scheme.

### 15.3 ASX Listing Rule 6.23.2 waiver

Subject to the Share Scheme being approved by the Dominion Shareholders and the Court, the ASX has granted a waiver to Dominion from compliance with ASX Listing Rule 6.23.2 to permit the Dominion Options and the Dominion Performance Rights to be cancelled without requiring shareholder approval.

### 15.4 No unacceptable circumstances

The directors of Dominion and Kingsgate believe that the Schemes do not involve any circumstances in relation to the affairs of Dominion and Kingsgate that could reasonably be characterised as constituting 'unacceptable circumstances' for the purpose of section 657A of the Corporations Act.

### 15.5 Warranties from Dominion Shareholders and Dominion Optionholders

Dominion Shareholders' attention is drawn to the warranties that Dominion Shareholders who participate in the Share Scheme will be deemed to have given, if the Share Scheme is implemented, under clause 8.3 of the Share Scheme (as set out in Appendix 4 to this Scheme Booklet).

Further, Dominion Optionholders' attention is drawn to the warranties that Dominion Optionholders who participate in the Option Scheme will be deemed to have given, if the Option Scheme is implemented, under clause 7.3 of the Option Scheme (as set out in Appendix 6 to this Scheme Booklet).

## 15 General additional information

In particular, the Schemes provide that each Dominion Shareholder and Dominion Optionholder is deemed to have warranted to Dominion in its own right and for the benefit of Kingsgate that:

- (a) all of their Dominion Shares or Dominion Options (as applicable) (including any rights and entitlements attaching to those Dominion Shares or Dominion Options) which are transferred to Kingsgate under the Share Scheme, or which are cancelled under the Option Scheme, will, on the date they are transferred to Kingsgate or cancelled, be fully paid and free from all mortgages, charges, liens, encumbrances and interests of third parties of any kind, whether legal or otherwise and restrictions on transfer of any kind; and
- (b) they have full power and capacity to sell and to transfer their Dominion Shares (including any rights and entitlements attaching to those Dominion Shares) to Kingsgate or, subject to the relevant option terms, to deal with their Dominion Options (including any rights and entitlements attaching to those Dominion Options) (as applicable).

### 15.6 Supplementary information

Dominion will issue a supplementary document to this Scheme Booklet if it becomes aware of any of the following between the date of lodgement of this Scheme Booklet for registration by ASIC and the date of the Share Scheme Meeting:

- (a) a material statement in this Scheme Booklet is false or misleading;
- (b) a material omission from this Scheme Booklet;
- (c) a significant change affecting a matter included in this Scheme Booklet; or
- (d) a significant new matter has arisen and it would have been required to be included in this Scheme Booklet if it had arisen before the date of lodgement of this Scheme Booklet for registration by ASIC.

Depending on the nature and timing of the changed circumstances and subject to obtaining any relevant approvals, Dominion may circulate and publish the supplementary document by any or all of:

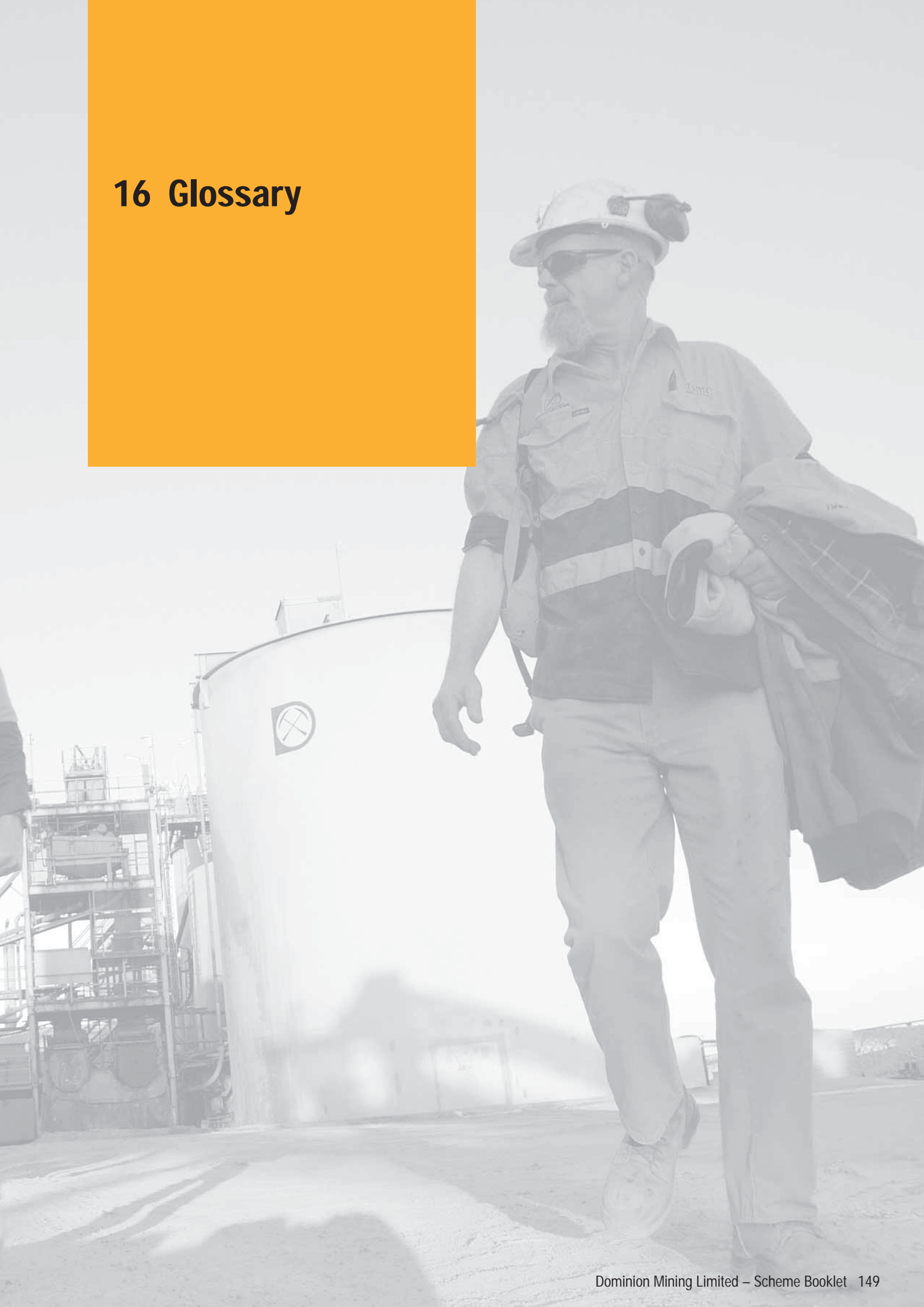
- (a) placing an advertisement in a prominently published newspaper that is circulated throughout Australia;
- (b) posting the supplementary document on Dominion's website at [www.dml.com.au](http://www.dml.com.au);
- (c) making an announcement to the ASX; or
- (d) issuing a supplementary explanatory statement.

### 15.7 Other material information

Other than as contained in or referred to in this Scheme Booklet, there is no other information material to the making of a decision by Dominion Shareholders and Dominion Optionholders about whether or not to vote in favour of the relevant Scheme, being information that is known to Dominion or a director of a related body corporate of Dominion and which has not previously been disclosed to Dominion Shareholders and Dominion Optionholders.



## 16 Glossary



## 16 Glossary

**ADR Custodian** has the meaning given to that term in Section 6.9 of this Scheme Booklet.

**Announcement Date** means 20 October 2010, the date that Dominion and Kingsgate announced the execution of the Scheme Implementation Agreement.

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

**ASX** means, as the context requires, ASX Limited (ABN 98 008 624 691) or the securities market conducted by ASX Limited.

**ASX Listing Rules** means the official listing rules of the ASX.

**ASX Settlement Operating Rules** means the operating rules of the settlement facility provided by ASX Settlement Pty Limited (ABN 49 008 504 532).

**Bidder Material Adverse Change** has the meaning given to that term in the Scheme Implementation Agreement.

**Bidder Prescribed Occurrence** has the meaning given to that term in the Scheme Implementation Agreement.

**Board** means, in relation to a company, the board of directors of that company.

**Business Day** means a Business day as defined in the ASX Listing Rules.

**CGT** means Australian capital gains tax.

**Chatree Mining Leases** means the four mining leases approved by the Thai Minister of Industry on 19 June 2000. This group of mining leases is for gold mining and is valid for 20 years from the date of issuance, expiring on 18 June 2020. The permitted areas total approximately 466 acres.

**Chatree North Mining Leases** means:

- (a) the nine mining leases approved by the Thai Minister of Industry on 22 July 2008. This group of mining leases is for gold and silver mining and is valid for 20 years from the date of issuance, expiring on 21 July 2028. The permitted areas total approximately 986 acres; and
- (b) the one mining lease transferred from a third party on 10 March 1995. This mining lease is for gold and silver mining and is valid for 19 years from the date of issuance (3 December 1993), expiring on 2 December 2012. The permitted areas total approximately 37 acres.

**Chatree North Processing Plant** means the ore processing plant currently under construction adjacent to the existing Chatree processing plant and expected to be commissioned in the September quarter of 2011.

**Combined Group** means, after the Implementation Date of the Share Scheme, the Kingsgate Group or, as the context requires, Kingsgate.

**Combined Group Board** means the Kingsgate Board following the Share Scheme becoming Effective.

**Competing Proposal** means a proposed transaction or arrangement pursuant to which a person other than Kingsgate or any of its Related Entities would, if the proposed transaction or arrangement is entered into or completed substantially in accordance with its terms:

- (a) directly or indirectly acquire, have a right to acquire or otherwise acquire an economic interest in, all or a substantial part of, the business conducted by the Dominion Group;
- (b) acquire a Relevant Interest in, or enter into any agreement connected with or relating to the acquisition of a Relevant Interest in, 20% or more of Dominion Shares or otherwise acquire Control of Dominion or the Dominion Group; or
- (c) otherwise acquire or merge with Dominion whether by way of takeover offer, scheme of arrangement, shareholder approved acquisition, capital reduction, share buy back, sale or purchase of assets, joint venture, reverse takeover, dual-listed company structure or other synthetic merger or any other transaction or arrangement.

**Control** has the meaning given to that term in section 50AA of the Corporations Act.

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

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

**Court** means the Federal Court of Australia.

**Dominion** means Dominion Mining Limited (ABN 37 000 660 864).

## 16 Glossary

**Dominion ADR** means an American Depositary Receipt issued by The Bank of New York Mellon Corporation, representing ownership in Dominion Shares.

**Dominion Board** means the Board of Dominion.

**Dominion Constitution** means Dominion's constitution.

**Dominion Director** means a director of Dominion.

**Dominion ESOP** means the Dominion Employee Share Option Plan.

**Dominion Group** means Dominion and each Related Entity of Dominion.

**Dominion Option** means an option to acquire one unissued Dominion Share.

**Dominion Option Register** means the register of optionholders of Dominion maintained by or on behalf of Dominion in accordance with section 168(1) of the Corporations Act.

**Dominion Optionholder** means a person who is registered in the Dominion Option Register as a holder of Dominion Options.

**Dominion Performance Right** means a performance right issued under the Dominion Long Term Incentive Plan (in respect of the Managing Director of Dominion).

**Dominion Scheme Booklet Information** means all information in this Scheme Booklet other than the Kingsgate Scheme Booklet Information, the Independent Expert's Report and the Investigating Accountant's Report and such other information as has been identified by Kingsgate and Dominion in writing as Dominion Scheme Booklet Information.

**Dominion Share** means a fully paid ordinary share in the capital of Dominion.

**Dominion Share Register** means the register of members of Dominion maintained by or on behalf of Dominion in accordance with section 168(1) of the Corporations Act.

**Dominion Shareholder** means a person who is recorded in the Dominion Share Register as a holder of Dominion Shares.

**Effective**, when used in relation to the Share Scheme and the Option Scheme (if the Option Scheme proceeds), means the coming into effect, pursuant to section 411(10) of the Corporations Act, of the orders of the Court made under section 411(4)(b) of the Corporations Act approving the Share Scheme or the Option Scheme (as applicable).

**Effective Date** means the date on which the relevant Scheme becomes Effective.

**End Date** has the meaning given to that term in the Scheme Implementation Agreement.

**Exploration Results** has the meaning given to that term in the JORC Code.

**FY** means financial year.

**Implementation Date** for a Scheme, means the date on which the Share Scheme or the Option Scheme (if the Option Scheme proceeds) is to be implemented, being the fifth Business Day after the relevant Scheme Record Date or such other date Dominion and Kingsgate agree in writing.

**Independent Expert** means KPMG Corporate Finance (Aust) Pty Ltd (ABN 43 007 363 215).

**Independent Expert's Report** means the report set out in Appendix 1 to this Scheme Booklet.

**Independent Technical Specialist's Report** means the Independent Technical Specialist's Report set out as appendix 8 to the Independent Expert's Report.

**Ineligible Foreign Holder** means, as the context requires, either or both of the Dominion Shareholders and Dominion Optionholders referred to in Section 6.8 of this Scheme Booklet.

**Inferred Mineral Resource** has the meaning given to that term in the JORC Code.

**Investec** means Investec Bank (Australia) Limited (ABN 55 071 292 594)

**Investigating Accountant** means PricewaterhouseCoopers Securities Ltd (ABN 54 003 311 617).

**Investigating Accountant's Report** means the report set out in Appendix 2 to this Scheme Booklet.

## 16 Glossary

**JORC Code** means the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, which is available at [www.jorc.org](http://www.jorc.org).

**Kingsgate** means Kingsgate Consolidated Limited (ABN 42 000 837 472) or the Kingsgate Group or member of the Kingsgate Group, as the context requires.

**Kingsgate Board** means the Board of Kingsgate.

**Kingsgate Constitution** means Kingsgate's constitution.

**Kingsgate Director** means a director of Kingsgate.

**Kingsgate Group** means Kingsgate and each Related Entity of Kingsgate.

**Kingsgate Option** means an option to acquire one unissued Kingsgate Share.

**Kingsgate Scheme Booklet Information** means the letter from the Chairman of Kingsgate in this Scheme Booklet, Sections 5, 8, 9, 10 and 14 of this Scheme Booklet (other than such information that has been identified by Kingsgate and Dominion in writing as Dominion Scheme Booklet Information) and such other information as has been identified by Kingsgate and Dominion in writing as Kingsgate Scheme Booklet Information, and for the avoidance of doubt does not include the Dominion Scheme Booklet Information, the Independent Expert's Report and the Investigating Accountant's Report.

**Kingsgate Share** means a fully paid ordinary share in the capital of Kingsgate.

**Kingsgate Shareholder** means a person who is registered as a holder of Kingsgate Shares.

**Laguna** means Laguna Resources NL (ABN 36 008 460 366).

**Mineral Resource** has the meaning given to that term in the JORC Code.

**New Kingsgate Share** means a Kingsgate Share to be issued by Kingsgate under the Share Scheme or the Option Scheme.

**Option Scheme** means a scheme of arrangement under Part 5.1 of the Corporations Act between Dominion and the Dominion Optionholders substantially in the form set out in Appendix 6 to this Scheme Booklet or in such other form as Dominion and Kingsgate agree in writing.

**Option Scheme Consideration** means the consideration to be provided by Kingsgate under the Option Scheme, as described in Section 6.6 of this Scheme Booklet.

**Option Scheme Deed Poll** means the deed poll set out in Appendix 7 to this Scheme Booklet.

**Option Scheme Meeting** means the meeting of Dominion Optionholders to be convened by the Court in relation to the Option Scheme pursuant to section 411(1) of the Corporations Act for the purpose of considering and, if thought fit, approving the Option Scheme.

**Option Scheme Record Date** means the time and date for determining Dominion Optionholders entitled to receive Option Scheme Consideration, being 7.00pm (Sydney time) on the fifth Business Day after the Effective Date of the Option Scheme or such other date and time (after the Effective Date) as Dominion and Kingsgate agree in writing.

**Option Scheme Resolution** means the resolution to be put to Dominion Optionholders to approve the Option Scheme (such resolution will be put to Dominion Optionholders at the Option Scheme Meeting and must be approved by the requisite majorities of Dominion Optionholders under section 411(4) of the Corporations Act).

**Ore Reserve** has the meaning given to that term in the JORC Code.

**Proposal** means the proposed acquisition of all of the Dominion Shares by Kingsgate and the proposed cancellation of all of the Dominion Options under the Schemes.

**Proxy Form** means the proxy form accompanying this Scheme Booklet.

**Registries** means Registries Limited (ABN 14 003 209 836).

**Related Entity** of a corporation means:

(a) a related body corporate of that corporation within the meaning of section 50 of the Corporations Act; and



## 16 Glossary

(b) a trustee of any unit trust in relation to which that corporation, or a corporation referred to in paragraph (a), directly or indirectly:

- (i) controls the right to appoint the trustee;
- (ii) is in a position to control the casting of, more than one half of the maximum number of votes that might be cast at a meeting of holders of units in the trust; or
- (iii) holds or is in a position to control the disposal of more than one half of the issued units of the trust.

**Relevant Interest** has the meaning given to that term in sections 608 and 609 of the Corporations Act.

**Sale Agent** means a person appointed by Kingsgate to sell the New Kingsgate Shares that are attributable to Ineligible Foreign Holders under the Sale Facility.

**Sale Facility** means the sale facility described in Section 6.8 of this Scheme Booklet.

**Scheme Booklet** means this document, including the explanatory statements in relation to the Share Scheme and the Option Scheme as required under section 412(1) of the Corporations Act in respect of the Share Scheme and the Option Scheme.

**Scheme Consideration** means, as the context requires, either or both of the Share Scheme Consideration and the Option Scheme Consideration.

**Scheme Deed Polls** means, as the context requires, either or both of the Share Scheme Deed Poll and the Option Scheme Deed Poll.

**Scheme Implementation Agreement** means the Scheme Implementation Agreement dated 20 October 2010 between Dominion and Kingsgate, a copy of which is set out in Appendix 3 to this Scheme Booklet.

**Scheme Meetings** means, as the context requires, either or both of the Share Scheme Meeting and the Option Scheme Meeting.

**Scheme Record Date** means, as the context requires, the Share Scheme Record Date or the Option Scheme Record Date.

**Schemes** means both of the Share Scheme and the Option Scheme and **Scheme** means either of them.

**Second Court Date** means the first day of hearing of an application made to the Court for an order pursuant to section 411(4)(b) of the Corporations Act approving the Share Scheme and, if required, the Option Scheme or, if the hearing of such application is adjourned for any reason, means the first day of the adjourned hearing.

**Second Court Hearing** means the hearing before the Court to approve the Share Scheme and, if required, the Option Scheme following the Scheme Meetings.

**Share Scheme** means a scheme of arrangement under Part 5.1 of the Corporations Act between Dominion and the Dominion Shareholders substantially in the form set out in Appendix 4 to this Scheme Booklet or in such other form as Dominion and Kingsgate agree in writing.

**Share Scheme Consideration** means the consideration to be provided by Kingsgate under the Share Scheme, as described in Section 6.5 of this Scheme Booklet.

**Share Scheme Deed Poll** means the deed poll set out in Appendix 5 to this Scheme Booklet.

**Share Scheme Meeting** means the meeting of Dominion Shareholders to be convened by the Court in relation to the Share Scheme pursuant to section 411(1) of the Corporations Act for the purpose of considering and, if thought fit, approving the Share Scheme.

**Share Scheme Record Date** means the time and date for determining Dominion Shareholders entitled to receive Share Scheme Consideration, being 7.00pm (Sydney time) on the fifth Business Day after the Effective Date of the Share Scheme or such other date and time (after the Effective Date) as Dominion and Kingsgate agree in writing.

**Share Scheme Resolution** means the resolution to be put to Dominion Shareholders to approve the Share Scheme (such resolution will be put to Dominion Shareholders at the Share Scheme Meeting and must be approved by the requisite majorities of Dominion Shareholders under section 411(4) of the Corporations Act).

**SPL** means special prospecting licence.

**SPLA** means application for a special prospecting licence.

## 16 Glossary

**Superior Proposal** means a bona fide written Competing Proposal received by Dominion after the date of the Scheme Implementation Agreement which the Dominion Board determines, acting in good faith and acting reasonably (after consultation with, and the receipt of written advice from, its external legal advisers practising in the area of corporate law):

- (a) is reasonably capable of being valued and completed, taking in to account all aspects of the Competing Proposal and the person or persons making it; and
- (b) would, if completed substantially in accordance with its terms, be more favourable to the Dominion Shareholders than the Share Scheme, taking into account all aspects of the Competing Proposal.

**Target Material Adverse Change** has the meaning given to that term in the Scheme Implementation Agreement.

**Target Prescribed Occurrence** has the meaning given to that term in the Scheme Implementation Agreement.

**VWAP** means volume weighted average price, calculated by dividing the value of trades by the volume of trades over a given period.

# Appendix 1

## Independent Expert's Report (including Technical Expert's Report)

# Appendix 1

## Independent Expert's Report (including Technical Expert's Report)



**KPMG Corporate Finance (Aust) Pty Ltd**  
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The Directors  
Dominion Mining Limited  
15 Outram Street  
West Perth WA 6005

9 December 2010

Dear Sirs

### Independent expert report & Financial services guide

## 1 Introduction

On 20 October 2010, Dominion Mining Limited (Dominion or the Company) and Kingsgate Consolidated Limited (Kingsgate) jointly announced they had entered into a Scheme Implementation Agreement (SIA). The SIA documents the proposed acquisition by Kingsgate of all of the issued shares in Dominion to be completed by way of Scheme of Arrangement (the Share Scheme). The SIA also documents the proposed cancellation of all of the outstanding Dominion employee options via an Option Scheme of Arrangement (the Option Scheme).

Dominion is an Australian based gold production and exploration company listed on the Official List of ASX Limited (ASX). As at 8 December 2010, the Company had a market capitalisation of approximately \$332<sup>1</sup> million. Dominion's principal asset comprises its 100% interest in the Challenger gold project (the Challenger Project) located 740 kilometres (km) north-west of Adelaide, South Australia.

Kingsgate is an Australian gold production and exploration company listed on each of the Official List of ASX and the Frankfurt Stock Exchange (FSE). As at 8 December 2010, Kingsgate had a market capitalisation of approximately \$1,080 million. Kingsgate's flagship asset is its 100% interest in the Chatree gold project (the Chatree Project) located 280km north of Bangkok, Thailand.

## 2 Summary of the Share Scheme and the Option Scheme

The broad terms of the Share Scheme are that Dominion shareholders at the Record Date as defined in the Scheme Booklet will receive 0.31 new fully paid ordinary Kingsgate shares for each fully paid ordinary Dominion share on issue (the Share Scheme Consideration). Under the Option Scheme, all Dominion options (the Options) on issue will be cancelled in exchange for Kingsgate shares based on the assessed value of each option calculated by reference to the Black-Scholes option pricing methodology and certain nominated assumptions (the Option Scheme Consideration).

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<sup>1</sup> All amounts are denominated in Australian dollars (\$) unless specifically noted otherwise



# Appendix 1

## Independent Expert's Report (including Technical Expert's Report)



*Dominion Mining Limited*  
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All new Kingsgate shares issued pursuant to the Share Scheme and the Option Scheme will rank *pari passu* with Kingsgate's existing fully paid ordinary shares.

Completion of the Share Scheme and the Option Scheme require the approval of Dominion shareholders and Dominion optionholders respectively and also the satisfaction of various conditions precedent. The Directors of Dominion have, in the absence of a superior proposal and subject to the Independent Expert opining that the Share Scheme is in the best interests of Dominion shareholders and the Option Scheme is in the best interests of Dominion optionholders, unanimously recommended Dominion shareholders vote in favour of the Share Scheme and Dominion optionholders vote in favour of the Option Scheme and, as at the date of this report, have not withdrawn or modified their recommendation.

### 2.1 Conditions precedent

The Share Scheme and the Option Scheme are subject to a number of conditions precedent, including amongst others:

- Receipt of required regulatory and court approvals, including approval from the Australian Foreign Investment Review Board (FIRB)
- Approval of the Share Scheme by Dominion shareholders
- Approval of the Option Scheme by Dominion optionholders
- The Independent Expert opining that the Share Scheme and the Option Scheme are in the best interests of Dominion shareholders and Dominion optionholders respectively.

We note however that a number of the conditions precedent are able to be waived by Dominion and/or Kingsgate. In this regard we have been advised that whilst completion of the Share Scheme is currently conditional upon the completion of the Option Scheme, it is likely Kingsgate will waive this condition in the event the Option Scheme is not approved.

Further details in relation to the terms of the Share Scheme, the Option Scheme and conditions precedent are set out in the Scheme Booklet.

### 3 Scope of the Report

This report has been prepared for inclusion in the Scheme Booklet to accompany the Notices of Meeting convening separate Court ordered meetings of Dominion shareholders and Dominion optionholders in accordance with Section 411 of the Corporations Act 2001, as amended (the Act). The purpose of the meetings will be to seek separate approval of the Share Scheme by Dominion shareholders and the Option Scheme by Dominion optionholders.

The sole purpose of this report is an expression of the opinion of KPMG Corporate Finance (Aust) Pty Ltd (KPMG) as to whether:

## Appendix 1

### Independent Expert's Report (including Technical Expert's Report)



*Dominion Mining Limited*  
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- the Share Scheme is in the best interests of Dominion shareholders
- the Option Scheme is in the best interests of Dominion optionholders.

This report should not be used for any other purposes or by any other party.

#### 3.1 Technical requirement

Section 412(1) of the Act requires that an explanatory statement issued in relation to a proposed scheme of arrangement under Section 411 of the Act includes information that is material to the making of a decision by a member as to whether or not to agree with the relevant proposal.

Part 3 of Schedule 8 of the Corporations Regulations specifies that the explanatory statement to be sent to shareholders must include a report prepared by an expert where either:

- a party to the scheme of arrangement has a shareholding of not less than 30% of the voting shares in the company; or
- the parties to the proposed scheme have a common director(s).

The independent expert report must state whether, in the expert's opinion, the proposed scheme of arrangement is in the best interests of the members of the body as a whole and set out the expert's reason(s) for forming that opinion.

There is no statutory requirement for Dominion to commission an independent expert report in the present circumstances as neither of the criteria above is satisfied. However, in order to ensure that Dominion shareholders and Dominion optionholders are fully informed in reaching a decision as to whether to accept or reject the Share Scheme and the Option Scheme respectively, the Directors of Dominion retained KPMG to prepare an independent expert report as to whether the Share Scheme is considered to be in the best interests of Dominion shareholders and the Option Scheme is considered to be in the best interests of the Dominion optionholders.

#### *"In the best interests"*

Regulatory Guide 111 "Content of expert reports" (RG111) issued by the Australian Securities and Investments Commission (ASIC) indicates the principles and matters which it expects a person preparing an expert report for inclusion in an explanatory statement to consider in determining whether the scheme of arrangement is "in the best interests of the members". With respect to determining the meaning of "in the best interests" paragraphs 111.17 to 111.19 of RG 111 state:

*"If an expert would conclude that a proposal was 'fair and reasonable' if it was in the form of a takeover bid, it will also be able to conclude that the scheme is in the best interests of the members of the company.*

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*If an expert would conclude that the proposal was 'not fair but reasonable' if it was in the form of a takeover bid ..... it is still open to the expert to also conclude that the scheme is 'in the best interests of the members of the company' .....*

*If an expert concludes that a scheme proposal is 'not fair and not reasonable', then the expert would conclude that the scheme is not in the best interests of the members of the company".*

Accordingly, the primary issues we are required to consider is whether

- the consideration offered under the Share Scheme, being 0.31 new Kingsgate shares for every Dominion share on issue, is fair to the Dominion shareholders
- the consideration offered under the Option Scheme, is fair to Dominion optionholders.

In our opinion any assessment of whether the Share Scheme and the Option Scheme are in the best interests of Dominion shareholders and Dominion optionholders respectively also requires consideration of the other advantages and disadvantages likely to accrue to Dominion shareholders if the Share Scheme proceeds and to Dominion optionholders if the Option Scheme proceeds, with those if they do not.

Accordingly, in the context of our report:

- the Share Scheme will be in the best interests of Dominion shareholders, if Dominion shareholders are assessed as being better off if the Share Scheme proceeds than if it does not; and
- the Option Scheme will be in the best interests of Dominion optionholders, if Dominion optionholders are assessed as being better off if the Option Scheme proceeds than if it does not.

## 4 Summary of opinion

### 4.1 Summary of opinion – the Share Scheme

**The Share Scheme is, in the absence of a superior offer in the best interests of Dominion shareholders**

In our opinion, having considered the overall implications of the Share Scheme, the Share Scheme is in the best interests of Dominion shareholders. In forming this opinion, we consider the Share Scheme is fair and reasonable to Dominion shareholders.

The primary matter considered by us in forming this opinion was whether the Share Scheme Consideration based on the proposed share swap ratio, being 0.31 new Kingsgate shares for each Dominion share on issue, is fair to Dominion shareholders.

Whilst the Share Scheme has been assessed as being fair at the date of the this report and therefore pursuant to the operation of RG111 is deemed to also be reasonable, in our view, although not

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“technically” necessary, evaluation of the Share Scheme requires assessment of both value and any other matters that may impact upon Dominion shareholders, in particular the risk profile of holding a share in Dominion in its current form compared to a share in the expanded Kingsgate.

In particular, Dominion shareholders will be exposed to new risks relating to Kingsgate including, but not limited to, country risk in Thailand and specific risks associated with Kingsgate’s projects, including the expansion of the Chatree Project and litigation currently on foot (further details in relation to this litigation are set out in section 9 of this report and also in sections 8 and 10 of the Scheme Booklet).

Our assessment of the key issues considered in forming our opinion, and the issues that Dominion shareholders should consider in deciding whether to support the Share Scheme, are set out below.

### 4.1.1 Assessment of the fairness of the Share Scheme

**The Share Scheme Consideration to be received by Dominion shareholders of 0.31 Kingsgate shares for each Dominion share on issue is fair**

We have assessed the underlying value of Dominion as a whole to lie in the range of \$277.7 million to \$349.5 million, or between approximately \$2.67 and \$3.38 per Dominion share on a 100% control basis.

Our range of assessed values has been prepared on a sum of the parts basis and incorporates corporate cost savings that would generally be available to a pool of purchasers. It does not include other strategic or operational benefits unique to Kingsgate associated with control of Dominion. With respect to an offer for Dominion it is reasonable to expect there to be a premium to reflect the advantages associated with acquiring a pool of assets and other strategic and operational benefits.

Our range of values represents a (discount) / premium of between a (6.0)% and a premium of 39.7% when compared to the volume weighted average trading price (VWAP) for a Dominion share when measured at various points in the 3 months prior to the announcement of the Share Scheme as set out in table below.

**Table 1: (Discount) / premium to Dominion’s historical VWAP**

Period up to and including 19 October 2010	Dominion VWAP \$	KPMG value Low \$	KPMG value High \$	Implied premium Low %	Implied premium High %
1 week	2.84	2.67	3.38	(6.0)	19.0
1 month	2.74	2.67	3.38	(2.6)	23.4
3 months	2.42	2.67	3.38	10.3	39.7

Source: IRESS and KPMG analysis

Given the principal assets of Dominion comprise mineral assets, AMC Consultants Pty Ltd (AMC) was engaged by us to act as the independent mineral specialists to assist in relation to the valuation of Dominion’s mineral assets.



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In arriving at our range of values for a share in Dominion, we have placed reliance on the report prepared by AMC. AMC calculated a technical value of those assets, which was adjusted by us to reflect specific corporate matters, including the availability of carry forward tax losses. KPMG provided AMC with various macro-economic and other financial inputs for use in its valuation model. AMC's report is attached as Appendix 8.

Our range of assessed fair values is relatively wide reflecting the wide range of values assessed by AMC in relation to the Challenger Project. AMC has noted in its report that the relatively wide range is due to the difference in assumptions between AMC's Case 1 and Case 2 modelling scenarios relating to technical uncertainties including, inter alia, conversion of inferred resource at depth to reserves, the establishment of additional resources and reserves at depth in areas that have been difficult to drill from current drill sites, the grade confidence of the inferred resources, the degree that current reserve to actual production reconciliations continue and mining assumptions below the 79 fault.

It would be ideal to compare the assessed fair value of Dominion based on a detailed first principles analysis to the assessed fair value of Kingsgate on the same basis. Unfortunately this analysis was not available to be completed by us given that AMC has had access to extensive detailed operational and technical information on Dominion's assets from Dominion but similar detailed information on Kingsgate's assets has not been provided by Kingsgate and AMC has advised that insufficient information is available in the public domain to enable a robust first principles valuation to be performed.

In the absence of this detailed information, we have considered whether there is any reason to expect that the current trading price for a Kingsgate share is, based on publicly available information, unlikely to be representative of the price at which a minority shareholder in Kingsgate could expect to realise on the divestment of their interest. Given individual eligible Dominion shareholders will hold minority interests in the expanded Kingsgate, it is not appropriate to include any premium for control in this consideration.

Having regard to the terms of the Share Scheme, Dominion shareholders will receive an equivalent of 0.31 shares in Kingsgate for each share held in Dominion. Based on our assessed valuation range for a share in Dominion of between \$2.67 and \$3.38, the value of a Kingsgate share should be at least \$8.61<sup>2</sup>.

Having regard to the recent trading history in Kingsgate's shares, both prior to and subsequent to the announcement of the Share Scheme, investment reports of various broking houses in relation to Kingsgate released prior to and subsequent to the announcement of the Share Scheme, and Kingsgate's implied resource and reserve multiples relative to the implied multiples of other listed gold companies based on trading prices and comparable transaction multiples, we believe it is reasonable to expect that a Kingsgate share is likely to trade in the immediate future at a price that is greater than \$8.61, all other things being equal.

We note that the closing price for a Kingsgate share on 8 December 2010 was \$10.68 per share, which based on the terms of the Share Scheme, implies a value for the Share Scheme Consideration of \$3.31, representing a further premium of 24% to the low end of our range of assessed fair values for a Dominion

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<sup>2</sup> being \$2.67 divided by 0.31

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share inclusive of control premium of \$2.67 and a small discount to the high end of our range of values of \$3.38 per Dominion share inclusive of a premium for control.

We note, however, that the current share price of Kingsgate can reasonably be expected to differ from the price at which Kingsgate shares will be trading at the date Dominion shareholders meet to consider the Share Scheme. General market sentiment and conditions and reaction to future Kingsgate and Dominion announcements could all impact upon Kingsgate's share price. To the extent that this share price is not representative of the longer term trading prices for shares in Kingsgate, Dominion shareholders may be advantaged or disadvantaged.

The table below sets out the impact of various movements in the closing price of Kingsgate shares on 8 December 2010, being the last trading day prior to the date of this report to the implied value of 0.31 Kingsgate shares for each Dominion share offered as consideration under the Dominion.

**Table 2: Assessment of implied premium of the share consideration**

	-10%	-5%	Base	+5%	+10%
Kingsgate last closing price - \$	9.61	10.15	10.68	11.21	11.75
Implied value of Kingsgate consideration - \$	2.98	3.15	3.31	3.48	3.64
Premium to \$2.67 - %	12	18	24	30	36

Source: CapitalIQ and KPMG analysis

It is important to note that the premia set out in the table above represent premia over and above the control premium already included in our assessed fair values for a Dominion share

### 4.1.2 Assessment of the reasonableness of the Share Scheme

In accordance with RG 111 an offer is reasonable if it is fair. On this basis, in our opinion the Share Scheme is reasonable.

However, putting aside the statutory obligations to conclude the offer is reasonable, we have also had regard to other advantages and disadvantages of the Share Scheme Dominion shareholders may wish to consider in deciding whether to support the Share Scheme.

#### 4.1.2.1 Advantages

**The acquisition premia to historical traded prices for Dominion shares that is implied by the Share Scheme Consideration falls within the range of premia typically paid in acquisitions within the Australian market**

Based on the terms of the Share Scheme and Kingsgate's closing share price of \$11.71 on the last trading day prior to the announcement of the Share Scheme, the consideration of 0.31 Kingsgate shares for each Dominion share represents an acquisition premium to Dominion's historical VWAP in the three months leading up to the announcement of the Share Scheme as detailed in the table below.

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**Table 3: Assessment of implied premium of the share consideration**

Period up to and including 19 Oct 10	Last traded price \$	Share consideration # of shares	Implied consideration \$	Dominion VWAP \$	Implied premium %
1 week	11.71	0.31	3.63	2.84	27.8
1 month	11.71	0.31	3.63	2.74	32.5
3 months	11.71	0.31	3.63	2.42	50.0

*Source: IRESS and KPMG analysis*

Based on the findings of various empirical studies in relation to premia paid in the acquisition transactions where large parcels of shares to which control may attach have been acquired. We consider, on balance, that it is reasonable to expect that successful transactions are typically likely to complete within an acquisition premium range of 25% to 40%. Our analysis of recent transactions in the gold sector indicated a wide range of premiums paid, with an average of 40%.

Further details in relation to the outcome of transactions in the gold sector and these empirical studies are set out in Appendix 7 and Appendix 6 respectively to this report. We note that these premia generally include a component for operating synergies and special benefits that are not separately identifiable. Where little or no operating synergies or special benefits will be realised in a transaction, the simple control premium is likely to be at or below the lower end of observed premia.

The premium implied by the Share Scheme Consideration over the VWAP for the periods set out above falls within or above the range usually observed in Australian takeover transactions.

#### **Eligible Dominion shareholders will retain an interest in the assets of Dominion, albeit that interest will be diluted**

Whilst we consider the value attributed to Dominion to be reasonable at the date of this report, the fair value of the Company may increase, or conversely it may decline in value, in the future depending upon the success of initiatives and exploration plays in place.

In the event the Share Scheme is successfully implemented, eligible Dominion shareholders will be entitled to an approximate 23.4%<sup>3</sup> to 24.0% interest in Dominion's asset portfolio and will acquire a similar interest in Kingsgate's assets, which include the producing Chatree Project in Thailand. In addition, eligible Dominion shareholders will share pro rata in the benefit of any cost savings and synergies realised by Kingsgate.

<sup>3</sup> We note this diluted interest assumes the current recommended takeover offer for Laguna Resources NL (Laguna) is successful and that all Kingsgate options currently in-the-money are exercised. The range of diluted interests excludes the impacts of any Kingsgate shares issued to Dominion optionholders under the Option Scheme, any shares in Kingsgate that eligible Dominion shareholders may already hold and Dominion shareholders deemed to be overseas shareholders

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#### **Eligible Dominion shareholders will receive interests in a more diversified portfolio of assets**

Presently, Dominion's revenue stream is underpinned almost entirely by gold sales sourced from a single production asset, being the Challenger Project. This arguably reduces the Company's operational flexibility, in particular, any production issues at the Challenger Project will have a significant impact upon Dominion's cash flows and profitability, as evidenced in recent times with the delays experienced in completion of the ventilation shaft and reduction in the M1 lode endowment below the 500m level at Challenger. In the event the Share Scheme is implemented, eligible Dominion shareholders will hold shares in an expanded company with an additional producing asset, being the Chatree Project. This will result in:

- a multi-mine portfolio, which will reduce eligible Dominion shareholders' exposure to single mine risk
- increased geographical diversity of the asset portfolio with exposure to assets in Thailand as well as Australia. Whilst this diversity comes arguably with an increase in sovereign risk in terms of operations located overseas, we do not consider this risk to be significant
- increased operational diversity with expansion to open pit mining as well as the existing underground operations
- provides an additional cash flow stream which may assist in the acceleration of Dominion's more prospective targets compared to that of Dominion as a standalone entity.

#### **Based solely on the relative contribution to the expanded Kingsgate's reserves and resources, eligible Dominion shareholders are receiving an equitable ownership interest**

Based on the latest available reserve and resource statement issued by Dominion, the Company is contributing approximately 18% to both the combined reserves and combined resources of the expanded Kingsgate. This compares to the pro rata interest of approximately 23.4%<sup>4</sup> eligible Dominion shareholders will receive in the expanded capital of Kingsgate in the event the Share Scheme is implemented. Further analysis of the relative contributions to the expanded Kingsgate is set out in section 11 of this report.

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<sup>4</sup> Assuming the Laguna takeover is successful and that all Kingsgate options currently in-the-money are exercised and excluding any Kingsgate shares issued to Dominion optionholders under the Option Scheme, any shares in Kingsgate that eligible Dominion shareholders may already hold and the impact of interests of Dominion shareholders deemed to be overseas shareholders





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#### **4.1.2.2 Disadvantages**

##### **The Share Scheme does not provide certainty as to the value of consideration received**

As the consideration offered under the Share Scheme does not include a cash alternative, in the event the Share Scheme is implemented Dominion shareholders<sup>5</sup> will receive new ordinary shares in the expanded Kingsgate. Accordingly, the final value of the Share Scheme Consideration will be dependent upon the trading price for a Kingsgate share at the time each eligible Dominion shareholder decides to realise their investment. As such, the final value of the consideration to be received by Dominion shareholders is uncertain and unable to be ascertained at this time.

Accordingly, Dominion shareholders will need to consider, inter alia, movements in the underlying Kingsgate share price subsequent to the date of this report and also form a view as to the future prospects of Kingsgate in deciding whether to approve the Share Scheme.

##### **Eligible Dominion shareholders will be exposed to risks associated with the Chatree Project**

Should the Share Scheme be implemented eligible Dominion shareholders will hold shares in the expanded Kingsgate and be exposed to the risks of Kingsgate's existing operations. In this regard we note that Kingsgate is domiciled and listed in Australia but its primary asset is the Chatree Project, which is based in Thailand.

In relation to Thailand sovereign risk we note that the Economist Intelligence Unit's (EIU) country outlook and risk summary for Thailand released in October 2010 concluded that Thailand overall sovereign risk profile was "stable".

The EIU makes the following observations in relation to issues confronting businesses in Thailand:

- public debt will continue to rise, but the government is committed to meeting its foreign debt obligations and is not considered to have overextended itself in terms of external borrowing
- political risk remains high and there is no peaceful resolution in prospect to the power struggle that has beset the country since 2006
- the Thai Baht has proved resilient in the face of ongoing domestic political unrest. The Bank of Thailand has ample foreign-exchange reserves with which to intervene in the market if required to limit currency volatility
- the local banking industry has emerged from the domestic economic recession of 2009 in a fairly healthy state and is adequately capitalised

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<sup>5</sup> Excluding foreign shareholders and shareholders with an unmarketable parcel of shares whose Kingsgate shares they would otherwise have been entitled to receive will be realised on market by a nominee appointed by Kingsgate and the proceeds remitted to the relevant shareholders

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In addition to Thailand sovereign and currency risk, shareholders in the expanded Kingsgate will be exposed to risks associated with the current construction of the new Chatree North processing plant. Further information in relation to the risks associated the expanded Kingsgate is set out in section 10 of the Scheme Booklet.

We also note that Kingsgate is currently involved in a legal dispute with Sinphum Co Ltd (Sinphum), the preference shareholder in Akara Mining Limited (Akara), Kingsgate's Thai subsidiary holding Kingsgate's Thai assets, including the Chatree Project.

As set out in further detail in sections 8 and 10 of the Scheme Booklet, Kingsgate vigorously denies the claims by Sinphum and has received strong legal advice from various legal firms that the claims are baseless. Whilst the prospects of Sinphum being successful are considered extremely remote by Kingsgate and Kingsgate's independent legal advisers, there remains a small residual risk that Kingsgate's future operations could be adversely impacted should Sinphum succeed with its claim.

We recommend Dominion shareholders continue to monitor any developments in this matter in the period prior to which they meet to consider the Share Scheme.

#### **Limited participation by foreign shareholders and involuntary disposal impact**

Kingsgate will not be obliged to issue new Kingsgate shares to certain foreign Dominion shareholders. In the event new Kingsgate shares are not issued to relevant foreign shareholders, the Kingsgate shares to which the foreign shareholder would otherwise have been entitled to will be issued to a nominee and realised, with the net proceeds of such sales distributed to the relevant overseas shareholders, notwithstanding that those shareholders may have desired to retain an interest in the expanded Kingsgate. Share trading in the expanded Kingsgate shares may be impacted by the trading activity of the nominee appointed by Kingsgate to realise the shares that would otherwise have been issued to relevant foreign Dominion shareholders.

#### **4.1.2.3 Other considerations**

##### **In the event the Share Scheme is not approved, Dominion's share price will likely fall**

We note that Dominion's closing share price on the day immediately following the announcement of the Scheme represented a premium of 16% to the closing share price immediately prior to the announcement. Furthermore in the period subsequent to the announcement of the Share Scheme, Dominion shares have traded at a premium to Dominion's VWAP measured at various points in the 12-month period immediately prior to the announcement. Whilst the Company's share price subsequent to the announcement will reflect factors other than just the terms of the Share Scheme, including the release of the Company's September Quarterly Operations Report, and commodity and market movements in general, we consider there is a real prospect that Dominion's shares may fall from their current levels in the event the Share Scheme is unsuccessful, reflecting the withdrawal of the implied premium being paid by Kingsgate based on the recent trading prices of both companies.

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However, it is also possible the Company's shares may trade at above pre-announcement levels as a consequence of the additional information provided to the market, in particular, information contained in this report and in the balance of the Scheme Booklet in relation to the prospects of the Company for the future.

### **The potential for a counter bid cannot be totally discounted but is considered unlikely**

Whilst the directors of Dominion have in the past held discussions with numerous parties in relation to both acquisition and divestment opportunities, we have been informed that the Company is not aware of any alternate formal offers either for the Company as a whole or for individual assets to that put forward by Kingsgate. We note that the Directors have not actively sought alternative offers to that put forward by Kingsgate subsequent to the announcement of the Share Scheme.

Having regard to our range of assessed fair values for a Dominion share inclusive of a premium for control we believe a full price is being paid by Kingsgate. Furthermore, we note that Kingsgate retains a right to match any alternative offer that may emerge which may act as an impediment to any potential counter bid.

Accordingly, whilst the prospect of an alternative offer emerging cannot be discounted, there is doubt an alternative offer would be on terms considered more attractive those than currently put forward by Kingsgate.

### **Kingsgate shareholders have enjoyed better returns relative to Dominion shareholders in recent times**

Whilst historical performance is not necessarily indicative of future movements in Kingsgate's share price, we note that investors in Kingsgate enjoyed a greater comparative rate of return on funds invested over the period leading to the announcement of the Share Scheme as shown in the table below.

**Table 4: Comparative rate of return**

Period prior to 19 October 2010	Dominion Total return	Kingsgate Total return
1 week	-4.55%	-1.60%
1 month	8.33%	0.09%
3 months	27.77%	27.93%
6 months	5.42%	34.87%
12 months	-26.88%	44.89%

Source: IRESS and KPMG analysis

Set out below is a comparison of Dominion's share price against the implied value of the share consideration over the twelve months prior to the announcement of the Share Scheme, based on:

- the daily closing price for Dominion and Kingsgate shares

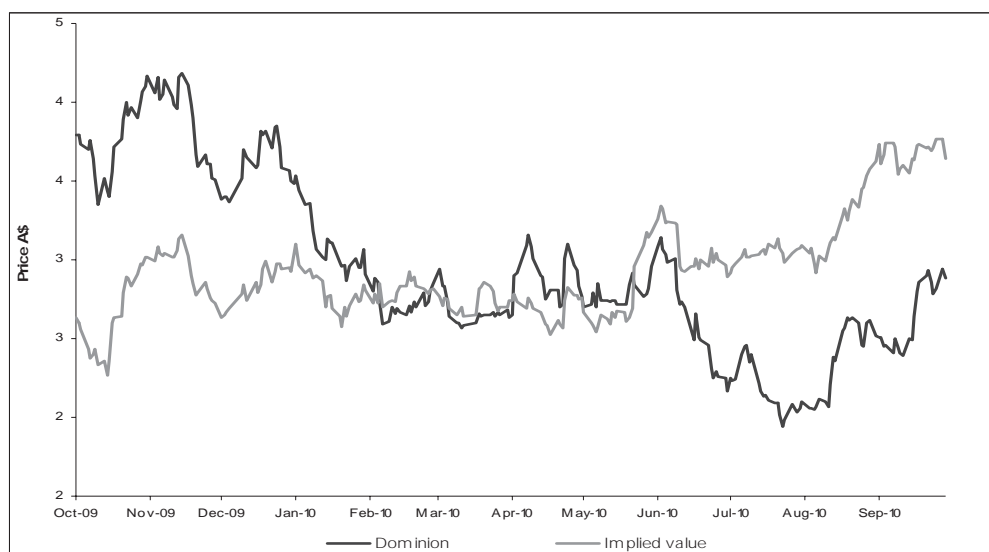
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- the terms of the Share Scheme Consideration of 0.31 Kingsgate shares for each Dominion share on issue

**Figure 1: Dominion closing share price vs. implied value of the Share Scheme Consideration**



Source: Capital IQ

This analysis indicates that in the four months prior to the announcement of the Share Scheme, the terms of the Share Scheme Consideration represented a premium to the corresponding closing share price for a Dominion share.

**The share register of Kingsgate will remain relatively open immediately following implementation of the Share Scheme and should have a greater market capitalisation than Dominion as a standalone entity**

Given, based on the current shareholder profiles of Dominion and Kingsgate, the share register of Kingsgate will remain relatively open immediately following implementation of the Share Scheme, we do not consider the prospects of the expanded Kingsgate receiving a takeover offer in the future to be significantly diminished as a result of changes to Kingsgate's share register following implementation of the Share Scheme.

Furthermore, based on the respective market capitalisations of Dominion and Kingsgate immediately prior to the announcement of the Share Scheme, it is reasonable to expect that the market capitalisation of Kingsgate would increase in the event the Share Scheme is implemented and would be materially greater than that of Dominion as a standalone entity.



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### **Dominion's Directors' intentions**

Dominion's Directors, who hold in aggregate approximately 9.5% of the issued capital in Dominion, have advised they intend to recommend the Share Scheme to Dominion shareholders and to vote the Dominion shares they each hold or which are held on their behalf, in favour of the Share Scheme in the absence of a superior proposal and subject to KPMG concluding that the Share Scheme is in the best interests of Dominion shareholders.

### **Other Implications if the Share Scheme is not approved**

If the Share Scheme is not approved by Dominion shareholders, among other things:

- Dominion will continue to be listed on ASX
- The Directors of Dominion anticipate that the business of Dominion will, in the foreseeable future, continue to be conducted in the manner in which it is presently conducted and continue to operate in line with Board's previously stated objectives
- the expected advantages arising from the Share Scheme will not be realised. However, some of the possible disadvantages and risks of the Share Scheme will not arise
- Dominion would have incurred costs in planning and implementing the Share Scheme without receiving any benefits from the Share Scheme.

### **Taxation**

In the event the Share Scheme is implemented, eligible Dominion shareholders will receive 0.31 new Kingsgate shares for each Dominion share currently held. Dominion shareholders are strongly encouraged to read the outline of the taxation implications of approving the Share Scheme prepared by Dominion, which is included in the Scheme Booklet at section 11 and, if in any doubt, should seek their own independent taxation advice regarding the taxation consequences of the Share Scheme.

### **Transition risk**

There is a potential that various shareholders in the expanded Kingsgate will seek to realise their portfolio holdings in the period immediately following implementation of the Share Scheme. In these circumstances, until the shareholder base of the expanded Kingsgate is rebalanced, a risk exists of greater volatility in the Kingsgate share price, at least in the short-term post the implementation of the Share Scheme, than may otherwise have been the case, all other things being equal. As noted previously the nominee appointed by Kingsgate to realise Kingsgate shares on behalf of foreign shareholders is likely to be a seller of Kingsgate shares during this period.



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#### **Impact on Dominion's accumulated tax losses**

We have been advised by Dominion that Dominion's accumulated tax losses are expected to be retained by the expanded Kingsgate following the implementation of the Share Scheme. However, we note that the ability of the expanded Kingsgate to utilise Dominion's existing accumulated tax losses will be dependent upon a number of factors, including the consideration of the 'continuity of ownership' and 'same business' tests

#### **Laguna and other acquisitions**

Kingsgate has publicly stated that it intends to continue to grow through further acquisitions, including the announced Laguna takeover. The Laguna acquisition has been generally well received by the broking community, albeit it has also been noted that the deal is immaterial relative to Kingsgate's market capitalisation. It is not possible to evaluate the impact of the Laguna or any further acquisitions as the potential impact on the value of Kingsgate from future transactions can not be evaluated at this time, however, we note that the proposed Laguna acquisition is consistent with Kingsgate's stated intentions to become the pre-eminent ASX listed mid-tier gold producer through acquisition and growth. Eligible Dominion shareholders would participate pro-rata in the risks and rewards that may be realised through Kingsgate's future corporate activity.

#### **Potential for IPO of the Chatree Project on the Stock Exchange of Thailand**

Kingsgate owns 100% of the ordinary issued capital of Akara, the Thai registered company holding Kingsgate's Thai assets. Kingsgate has previously announced its intention to explore the possibility of undertaking an Initial Public Offering (IPO) of Akara shares on the Stock Exchange of Thailand; which would replace the current preference share structure adopted to comply with the Thai national ownership requirements. The Kingsgate board has deferred any decision about such an IPO given current issues with the preference shareholders and the current corporate initiatives involving Dominion and Laguna. It is not possible to evaluate the impact of any future IPO on the value Kingsgate at this time.

### **4.2 Summary of opinion – the Option Scheme**

#### **In our opinion, the Option Scheme is in the absence of a superior offer in the best interests of Dominion optionholders**

In our opinion, having considered the overall implications of the Option Scheme, the Option Scheme is in the best interests of Dominion optionholders. In forming this opinion, we consider the Option Scheme is fair and reasonable to Dominion optionholders.

The primary matter considered by us in forming this opinion was whether the Option Scheme Consideration represents a fair return to Dominion optionholders.

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Our assessment of the key issues considered in forming our opinion, and the issues that Dominion optionholders should consider in deciding whether to support the Option Scheme, are summarised below and discussed in more detail in the remainder of this report.

#### 4.2.1 Assessment of the fairness of the Option Scheme

##### **The Option Scheme Consideration to be received by Dominion optionholders for each Dominion option on issue is fair**

Under the Option Scheme, in consideration for the cancellation of all Dominion options on issue, Dominion optionholders will receive Kingsgate shares based on a calculated value for each tranche of the Options.

The approach used to determine the value of the Options for the purposes of the Option Scheme Consideration adopts the Black-Scholes option pricing methodology, using a spot price based on the 5 day VWAP for Kingsgate shares multiplied by 0.31, being the Share Scheme Consideration scrip ratio, and an assumed annual volatility of 50%.

We have assessed a valuation range for each tranche of the Options as at 19 October 2010, being the day immediately prior to the announcement of the Share Scheme and the Option Scheme, and compared these assessed values to the value of the Kingsgate shares that will be received under the Option Scheme based on the traded share price of a Kingsgate share as at 19 October 2010, as set out in the table below.

**Table 5: Comparison of assessed values and the Kingsgate shares received pursuant to the Option Scheme**

	Kingsgate shares per option	Value implied by Kingsgate's 19 Oct 2010 5 day VWAP (\$11.96)	KPMG calculated value as at 19 Oct 2010	
			Low \$ per option	High \$ per option
Tranche 1	0.0373	0.45	0.10	0.22
Tranche 2	0.0294	0.35	0.07	0.18
Tranche 3	0.0227	0.27	0.05	0.14
Tranche 4	0.0851	1.02	0.39	0.58
Tranche 5	0.0742	0.89	0.32	0.50
Tranche 6	0.0637	0.76	0.25	0.43

Source: KPMG analysis

We note that for each option tranche, the implied values of the Kingsgate shares to be issued to Dominion optionholders in consideration for the cancellation of Options currently on issue and the terms of the Option Scheme significantly exceed KPMG's assessed value. Given the significant premia and our analysis regarding Kingsgate set out in section 13, we consider it unlikely that the fair value of the new Kingsgate shares offered for each of the Options will lie below our range of assessed fair values for each option tranche. Accordingly, we consider the Option Scheme Consideration to be received by Dominion optionholders for the Options to be fair.



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We note that Dominion also has 600,000 options (in addition to the tranches set out above) with an expiry date of 1 January 2011 currently on issue. To the extent that the holders of those options exercise them on or before 1 January 2011 they will become Dominion shareholders who may be eligible to participate in the Share Scheme. As these Options will expire prior to the relevant meeting date of Dominion shareholders and Dominion optionholders we have not included them in our analysis of the Option Scheme.

#### **4.2.2 Assessment of the reasonableness of the Option Scheme**

In accordance with RG 111 an offer is reasonable if it is fair. On this basis, in our opinion the Option Scheme is reasonable.

However, putting aside the statutory obligations to conclude the offer is reasonable, we have considered the potential advantages and disadvantages of the Option Scheme, as well as the implications if the Option Scheme does not proceed.

##### **4.2.2.1 Advantages**

**The Option Scheme is an opportunity for Dominion optionholders to realise immediate value for the Options**

The Options are stock options to Dominion employees pursuant to an employee share option plan. The Options are unlisted, non-transferable and some of the Options have time based vesting condition which had not been satisfied as at 19 October 2010.

Should the Option Scheme proceed, Dominion optionholders will receive listed Kingsgate shares in exchange for the Options, providing a significantly more liquid asset, enabling Dominion optionholders the opportunity to realise value by selling the Kingsgate shares received.

##### **4.2.2.2 Disadvantages**

**Kingsgate shares have reduced exposure to Dominion upside relative the Options**

Holders of options have a different risk/return profile from shareholders as options offer unlimited exposure to upside but limited exposure to downside risks. Dominion optionholders will crystallise the Options and receive Kingsgate shares as set out above. Whilst the Dominion optionholders will still have exposure to the Dominion operations as Kingsgate shareholders, assuming they continue to hold the Kingsgate shares, they will no longer have the leveraged upside in relation to Dominion's operations that is currently inherent in the Options. We note however that each of the Option tranches are currently significantly out of the money



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### 4.2.2.3 *Other considerations*

#### **Taxation**

In the event the Option Scheme is implemented, the Options will be cancelled in exchange for the receipt of new Kingsgate shares. Dominion optionholders are strongly encouraged to read the outline of the taxation implications of approving the Option Scheme prepared by Dominion, which is included in the Scheme Booklet at section 12 and, if in any doubt, should seek their own independent taxation advice regarding the taxation consequences of the Option Scheme.

#### **Implications if the Option Scheme is not approved but the Share Scheme is implemented**

The Share Scheme is conditional upon the Option Scheme being implemented, however Kingsgate retains the right to waive this condition. In our view in the event all other conditions precedent are satisfied or waived by the relevant parties, it is likely Kingsgate would waive this requirement, and accordingly, in these circumstances, the Share Scheme would still proceed notwithstanding the Option Scheme will not. Should this occur Dominion may cease to be listed on ASX and Dominion optionholders may hold options in an unlisted company. We understand it is likely that in this event Kingsgate will seek to compulsorily acquire the Options, which would result in delayed consideration to Dominion optionholders as the compulsory acquisition process may take several months to complete. Section 1.3 of the Scheme Booklet sets out further information in relation to compulsory acquisition.

## 5 **Other Matters**

In forming our opinion, we have considered the interests of Dominion shareholders as a whole and Dominion optionholders as a whole. This advice therefore does not consider the financial situation, objectives or needs of individual Dominion shareholders or Dominion optionholders. It is not practical or possible to assess the implications of the Share Scheme on individual shareholders or the Option Scheme on individual optionholders as we do not know their specific financial circumstances.

The decision of Dominion shareholder as to whether or not to approve the Share Scheme or Dominion optionholders as to whether or not to approve the Option Scheme is a matter for individual shareholders and optionholders based on, amongst other things, their tax profile, liquidity preference, investment strategy and tax position. Individual shareholders and optionholders should therefore consider the appropriateness of our opinion to their specific circumstances before acting on it. As an individual's decision to vote for against the proposed resolutions may be influenced by his or her particular circumstances, we recommend that individual Dominion shareholders and Dominion optionholders seek their own independent professional advice.

Our opinion is based solely on prevailing market, economic and other conditions and information available as at the date of this report as set out in Appendix 2. Conditions can change over relatively short periods of time. Any subsequent changes in these conditions could impact upon our opinion. We note that we have not undertaken to update our report for events or circumstances arising after the date of this report other than those of a material nature which would impact upon our opinion. We refer readers to the



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limitations and reliance on information section as set out in section 6 of our report, in particular, it is not the role of the Independent Expert to undertake the commercial and legal due diligence that a company and its advisers may undertake. Dominion is responsible for conducting due diligence on the assets/shares being acquired. KPMG Corporate Finance provides no warranty as to the adequacy, effectiveness or completeness of the due diligence process, which is outside our control and beyond the scope of this report. We have assumed that the due diligence process was conducted in an adequate and appropriate manner.

Our report has been prepared in accordance with the relevant provisions of the Act and other applicable Australian regulatory requirements. We recommend residents of foreign jurisdictions who are entitled to receive this report and who are uncertain as to the consequences of this seek their own independent professional advice.

This report has been prepared solely for the purposes of assisting Dominion shareholders in considering the Share Scheme and Dominion optionholders in considering the Option Scheme. We do not assume any responsibility or liability to any other party as a result of reliance on this report for any other purpose. Our opinion should not be taken to represent a recommendation by KPMG as to whether or not Dominion shareholders should approve the Share Scheme or whether or not Dominion optionholders should approve the Option Scheme.

Neither the whole nor any part of this report or its attachments or any reference thereto may be included in or attached to any document, other than the Notices of Meeting and the Scheme Booklet to be sent to Dominion shareholders and Dominion optionholders in relation to the Share Scheme and Option Scheme, without the prior written consent of KPMG as to the form and context in which it appears. KPMG consents to the inclusion of this report in the form and context in which it appears in the Scheme Booklet.

The foregoing is a summary of KPMG's opinion as to the merits or otherwise of the Share Scheme and the Option Scheme and should be considered in conjunction with and not independently of the information set out in the balance of our report and appendices as attached.

Yours faithfully

A handwritten signature in black ink, appearing to read 'J Hughes'.

Jason Hughes  
Executive Director

Yours faithfully

A handwritten signature in black ink, appearing to read 'D D'Ambra'.

Diana D'Ambra  
Executive Director

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### Financial services guide

Dated 9 December 2010

**KPMG Corporate Finance (Aust) Pty Ltd ABN 43 007 363 215**, Australian Financial Services Licence Number 246901 (**KPMG** or **we** or **us** or **our** as appropriate) has been engaged to provide an Independent Expert Report (**Report**) in relation to the Share Scheme and the Option Scheme (**Transaction**) for inclusion in the Scheme Booklet dated 9 December 2010 (**Document**) prepared by Dominion (**Company**).

#### Purpose of this Guide

This Guide is designed to help retail clients to decide how to use our Report. It includes information about:

- who we are and how we can be contacted
- the services we are authorised to provide under our licence
- how we and our staff are paid
- any relevant associations or relationships we have
- how complaints are dealt with; and
- the compensation arrangements we have in place.

The Document contains information about significant benefits, risks, fees and other charges and other information about the Transaction.

#### Financial services we are licensed to provide

We hold an Australian Financial Services Licence, which authorises us to provide financial product advice in relation to:

- Interests in managed investments schemes (excluding investor directed portfolio services)
- Securities (such as shares and debentures).

#### Our responsibility to you

We provide financial product advice when engaged to prepare a report in relation to a transaction relating to one of these types of financial products. You have not engaged us directly but have received a copy of the Report because of your connection to the Transaction.

We are responsible and accountable to you for ensuring that there is a reasonable basis for the conclusions in our Report.

#### General Advice

Our report only contains general advice, because it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of the general advice in our Report having regard to your circumstances before you act on our Report.

You should also consider the other parts of the Document before making any decision in relation to the Transaction.

#### Fees we may receive

We charge fees for preparing reports. These fees will usually be agreed with, and paid by, the financial product issuer. Fees are agreed on either a fixed fee or a time cost basis. In this instance, the Company has agreed to pay us approximately \$165,000 for preparing the Report.

KPMG and its officers, employees, representatives, related entities and associates will not receive any other fee or benefit in connection with the provision of the Report.

#### Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

#### Associations and relationships

Through a variety of corporate and trust structures KPMG is controlled by and operates as part of KPMG's Australian professional advisory and accounting practice (the **KPMG Partnership**). Our directors may be partners in the KPMG Partnership.

From time to time KPMG, the KPMG Partnership and related entities (**KPMG entities**) may provide professional services, including audit, tax and financial advisory services, to companies and issuers of financial products in the ordinary course of their businesses.

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KPMG entities have provided, and continue to provide, a range of tax services to the Company for which professional fees are received. Over the past two years professional fees of \$145,000 have been received from the Company. None of those services have related to setting the terms of the Transaction or alternatives to the Transaction.

No KPMG entity, and no individual involved in the preparation of the Report, has any interest in the Company or Kingsgate.

### **Remuneration or other benefits received by our representatives**

KPMG officers, employees and representatives receive a salary or a partnership distribution from the KPMG Partnership. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report.

### **Complaints resolution**

#### Internal complaints resolution process

If you have a complaint, please let us know. Formal complaints should be sent in writing to The Complaints Officer, KPMG, PO Box H67, Australia Square, Sydney NSW 1213.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 5 days and investigate the issues raised. As soon as practical, and not more than **45 days** after receiving the written complaint, we will advise you in writing of our response to your complaint.

#### External complaints resolution process

If we cannot resolve your complaint to your satisfaction within 45 days, you can refer the matter to the Financial Ombudsman Service (**FOS**) of which we are a member. FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOS are available at the FOS website [www.fos.org.au](http://www.fos.org.au) or by contacting them directly at:

Address: Financial Ombudsman Service Limited, GPO Box 3,  
Melbourne Victoria 3001  
Telephone: 1300 78 08 08  
Facsimile: (03) 9613 6399  
Email: [info@fos.org.au](mailto:info@fos.org.au).

The Australian Securities and Investment Commission also has a freecall infoline on 1300 300 630 which you may use to obtain information about your rights.

#### Compensation arrangements

KPMG has professional indemnity insurance cover as required by the Corporations Act.

### **Contact Details**

You may contact us using the contact details set out at the top of the letterhead on page 1.



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## **6 Scope of our report**

### **6.1 Limitations and reliance on information**

In preparing this report and arriving at our opinion, we have considered the information detailed in Appendix 2 to this report. Nothing in this report should be taken to imply that KPMG has verified any information supplied to us, or has in any way carried out an audit of the books of account or other records of Dominion for the purposes of this report.

Further, we note that an important part of the information base used in forming our opinion is comprised of the opinions and judgements of management. In addition, we have also had discussions with Dominion's management in relation to the nature of the Company's business operations, its specific risks and opportunities, its historical results and its prospects for the foreseeable future. This type of information has been evaluated through analysis, enquiry and review to the extent practical. However, such information is often not capable of external verification or validation.

We have no reason to believe that any material facts have been withheld from us but do not warrant that our inquiries have revealed all of the matters which an audit or extensive examination might disclose. The statements and opinions included in this report are given in good faith, and in the belief that such statements and opinions are not false or misleading.

The information provided to KPMG and AMC included budgeted/prospective financial information prepared by the management of Dominion and amended by AMC where considered appropriate. Whilst KPMG has relied upon this budgeted/prospective information in preparing this report, Dominion remains responsible for all aspects of this budgeted/prospective information. Achievement of budgeted/prospective results is not warranted or guaranteed by KPMG. Budgeted/prospective results are by their nature uncertain and are dependent on a number of future events that cannot be guaranteed. Actual results may vary significantly from the budgeted/prospective results relied on by KPMG. Any variations from budgeted/prospective results may affect our valuation and opinion.

We note that the projected results prepared by Dominion do not include estimates as to the potential impact of any future emissions trading scheme (ETS) in Australia as the structure and mechanism of any such ETS is unable to be reliably determined at this time.

### **6.2 Disclosure of information**

In preparing this report, KPMG has had access to all financial information considered necessary in order to provide the required opinion. This request has been made on the basis of the commercially sensitive and confidential nature of the operational and financial information of the operating entities comprising the Dominion group of companies. We have disclosed a summary of material information which we relied on in forming our opinion.

### **6.3 Reliance on technical specialist**

ASIC Regulatory Guides envisage the use by an independent expert of specialists when valuing specific assets. To assist KPMG in the valuation of Dominion's assets AMC was engaged to prepare an independent technical report providing a valuation of Dominion's production and exploration assets. A copy of AMC's report, dated 9 December 2010, is attached to this report as Appendix 8.



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AMC's report was prepared in accordance with the requirements of the AusIMM Code and Guidelines for Assessment and Valuation of Mineral Assets and Mineral Securities for Independent Expert Reports (the ValMin Code). AMC did not prepare a report on the value of Kingsgate's assets as there was insufficient publicly available information to allow for a robust first principles valuation to be performed.

ASIC Regulatory Guides recommend the fees payable to the technical specialists be paid in the first instance by the independent expert and claimed back from the party commissioning the independent expert. KPMG's preferred basis for appointment of independent technical specialists is that, whilst KPMG engages the technical specialist, the client pays the fees directly to the technical specialist. We do not consider that the independence of the technical specialist is impaired by this arrangement.

We have satisfied ourselves as to AMC's qualifications and independence from Dominion and Kingsgate for the purpose of the valuation and have placed reliance on its report.

Due to the various uncertainties inherent in the valuation process, AMC has determined a range of values within which it considers the value of each of the mineral assets of Dominion to lie. We have considered and discussed with AMC the commercial, operational and financial assumptions used in AMC's cash flow models and consider them to be reasonable. The valuations ascribed by AMC to the mineral assets of Dominion have been adopted in our report.

## 7 Industry overview

Dominion's and Kingsgate's principal assets comprise interests and investments in gold production, development and exploration assets in Australia and Thailand respectively. Accordingly, the financial performance of both companies will be principally impacted, at least for the medium term, by developments in the gold industry.

Gold is an internationally traded commodity with 90% of Australian gold production exported overseas. In order to provide a context for assessing the prospects of both Dominion and Kingsgate in the gold industry, we have included at Appendix 3 an overview of recent trends in the international gold markets.

## 8 Profile of Dominion

### 8.1 Corporate background

The Company was incorporated in December 1968 as Dominion Mining NL and was admitted to the Official List of ASX in June 1981. In January 1987, the Company changed its name to Dominion Mining Limited.

The Company's principal asset comprises its 100% interest in the Challenger Project in South Australia. Dominion also has interests in various other gold and base metal tenements in Western Australia, South Australia and Lao People's Democratic Republic, which are at various stages of development.

### 8.2 Mineral assets

#### *The Challenger Project*

Dominion has a 100% ownership interest in the Challenger Project, located approximately 740km north-west of Adelaide. The Challenger deposit was discovered by Dominion in May 1995 and open pit mining commenced in mid-2002, followed by a transition to underground mining in 2005.

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As at 30 June 2010, the Challenger Project comprised approximately 420,440 ounces of gold reserves (excluding gold in plant circuit) and 950,220 ounces of total resources (inclusive of reserves), a 630,000 tonnes per annum Carbon-in-Pulp Challenger plant and approximately 3,000 square kilometres of exploration acreage in the Central Tenement Area surrounding the Challenger mine.

The underground development programme aims to develop the following principal ore positions:

- M1 and M2 lodes – these lodes contains over 98% of the gold in underground reserves; and
- M3 lode – Dominion has undertaken preliminary development of the M3 shoot on numerous levels including the 520, 760 and 780 levels.

A comprehensive drill programme targeting the conversion of resources into reserves at the base of the mine in areas below existing reserves commenced during the quarter ended 30 September 2010.

Dominion reported in its 30 September 2010 quarterly report that ongoing modelling of the M2 shoot, integrating latest development and underground drilling data, indicates an increasing gold endowment of the shoot in the lower development levels.

### Mining

Operational performance for each quarter for the 15-month period to 30 September 2010 is set out below.

**Table 6: Historical quarterly mining performance at the Challenger Project**

	3 mths ended 30 Sept 09	3 mths ended 31 Dec 09	3 mths ended 30 March 10	3 mths ended 30 Jun 10	3 mths ended 30 Sept 10
Ore mined – tonnes	116,773	125,149	107,967	165,556	171,993
Ore milled – tonnes	116,981	124,936	141,314	163,418	161,425
Grade – g/t <sup>1</sup>	4.94	5.36	4.92	4.81	5.29
Recovery - %	93.3	92.6	92.1	91.1	92.1
Total production – ounces <sup>2</sup>	17,605	20,082	20,510	22,373	25,902
Cash cost - \$/ounce <sup>3</sup>	683	627	692	745	723
Notes:					
<sup>1</sup> g/t means grams per tonne.					
<sup>2</sup> Gold production is actual gold poured during the period and does not reflect changes in the balance of gold in circuit.					
<sup>3</sup> Cash operating cost refers to the cost of gold poured and produced and includes all expenditures directly incurred on mining, crushing and processing net of all movements in deferred mining expenditure and stockpiles plus site overheads. These costs do not include the royalty payable to the South Australian Government of 3.5% of revenue and a production royalty of A\$4 per ounce to local indigenous groups.					

Source: Dominion's management

The following table sets out the reserves and resource of the Challenger Project as at 30 June 2010.

**Table 7: Reserves and resources at the Challenger Project as at 30 June 2010**

	Tonnes (000s)	Grade (g/t)	Ounces (000s)
Proved ore reserve	324	5.8	60
Probable ore reserve	1,834	6.0	352
Proven reserve – stockpile	152	1.7	8

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	Tonnes (000s)	Grade (g/t)	Ounces (000s)
<b>Total reserve<sup>1</sup></b>	<b>2,310</b>	<b>5.7</b>	<b>420</b>
Measured resource	315	6.3	64
Indicated resource	2,233	6.4	460
Inferred resource	1,672	7.8	418
Measured resource – stockpile	152	1.7	8
<b>Total resource<sup>2</sup></b>	<b>4,371</b>	<b>6.8</b>	<b>950</b>
<i>Notes:</i>			
<i>1 Excludes gold in plant circuit of 1,210 contained ounces as at 30 June 2010.</i>			
<i>2 Resources are inclusive of reserves.</i>			

*Source: Dominion's management*

#### *Exploration acreage*

The Challenger exploration area is located within the Central Tenement Area which comprises of approximately 3,000 square kilometres centred on the Challenger mine. In 2006, Dominion entered into an agreement with Southern Gold Limited (Southern Gold) to jointly undertake exploration activities in tenements surrounding (but excluding) the Challenger mine. Southern Gold has earned a 51% interest in these tenements through a farm-in agreement. Southern Gold's primary focus has been directed at the Golf Bore prospect where they have been evaluating the continuity of a number of previously outlined shoots.

The operations of the Challenger mine and each of the exploration acreage comprising the overall Challenger Project are discussed in detail in the Independent Technical Specialist Report prepared by AMC, which is included in this report at Appendix 8.

### 8.3 Other Exploration acreage

#### *South Australia*

Dominion commenced gold exploration in the western part of the Gawler Craton District in 1992. The current tenements, excluding the Challenger exploration area, can be divided into the following groups:

- *Iron Road Joint Venture* (100% interest) – located within the Central Tenements Area, the Iron Road JV is targeting magnetite iron ore mineralisation. Dominion has entered into a joint venture agreement with Iron Road Limited (Iron Road) under which Iron Road has been given the right to earn up to a 90% interest.
- *Labyrinth tenement area* (98% interest) – located in the eastern part of the Gawler Craton, the Labyrinth tenement covers a large gravity high anomaly and spatially related magnetic high anomalies. Planned drilling of a residual magnetic and gravity anomaly has not yet been carried out due to heritage related access issues.
- *Bulgunnia tenement area* (78% interest) – located to the south west of the Prominent Hill copper-gold mine which is owned and operated by Oz Minerals Limited.
- *Maralinga JV (Barton) tenement area* (90% interest) – a heavy mineral sands prospect, located within the Eucla Basin.

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#### Western Australia

In Western Australia, Dominion is exploring principally for gold and copper-gold deposits in a number of geological districts:

- *Cundeelee Project* (100% interest) – located approximately 250km east of Kalgoorlie, this tenement covers approximately 1,200 square kilometres. This area lies within a geological belt that hosts the recently discovered Tropicana Deposit and a number of other recently discovered gold prospects.
- *Calingiri Project* (100% interest) – located to the south of Wongan Hills in Western Australia, this tenement covers approximately 600 square kilometres. Drilling results to date have intersected copper sulphide mineralisation at the Bartel and Chapman prospects, with the Bartel prospect being the priority target for Dominion and further drilling results are expected in December 2010.
- *South West Yilgarn District* – is a geological extension of the main Western Australian Archaean districts that host the Southern Cross and Eastern Goldfield mining districts, comprising of various gold, nickel, copper, lead, zinc and uranium deposits. Dominion has interests in seven projects located within the South West Yilgarn District as detailed in the table below.

**Table 8: South West Yilgarn projects**

Project Name	Ownership Interest (%)	Mineralisation
Bullock Pool	99	Gold
Kukerin <sup>1</sup>	100	Gold
Nanicup Bridge <sup>1</sup>	100	Gold
Holleton West	100	Gold
Wongan Hills <sup>2</sup>	80-100	Copper-Gold
Perenjori	100	Gold
<i>Notes:</i>		
<i>1 Project has been identified for possible farm-out or divestment.</i>		
<i>2 Dominion has entered into a farm-in agreement on two tenements</i>		

*Source: Dominion's management*

- *Other*
  - *Eastern Goldfields* (farm-in) – Dominion has entered into two farm-in agreements (the Yalla Burra and Blue Dam Projects) on tenements that cover a 30km length of an emerging gold corridor, adjacent to the interpreted position of the Kanowna Shear Zone, south of Integra Mining Ltd's Salt Creek discovery.
  - *Bryah Basin* (farm-in) – Dominion has entered into a farm-in agreement to acquire 70% interests in each of the Bryah and Northling copper projects from Cazaly Resources Limited and PacMag Metals Limited respectively.
  - *West Musgrave* (pending exploration licence) – Dominion has applied for four exploration licences in the West Musgrave province north west of the Handpump gold prospect discovered by Beadell Resources Limited in December 2009.

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#### Overseas

- *Lao People's Democratic Republic* (pending exploration licence) - Dominion has applied for three exploration licences totalling 1,500 square kilometres, which cover the junction between the prospective Loei Fold Belt and Truongson Fold Belt within Lao People's Democratic Republic. Several major gold and copper-gold mines are located on or adjacent to these belts, including Kingsgate's Chatree gold operations in Thailand, PanAust Limited's copper-gold operations at Phu Kham and Ban Houayxai, and Minmetals' copper-gold operations at Sepon.

Each exploration acreage is discussed in detail in the Independent Technical Specialist report prepared by AMC, which is included in this report at Appendix 8.

## 8.4 Financial performance

Dominion's historical audited consolidated financial performance for the years ended 30 June 2008, 2009 and 2010 are summarised below.

**Table 9: Dominion's historical financial performance**

	Audited 30 Jun 08 \$000	Audited 30 Jun 09 \$000	Audited 30 Jun 10 \$000
Revenue	95,076	109,943	96,817
Cost of sales	(45,167)	(47,997)	(61,245)
<b>Gross profit/(loss)</b>	<b>49,909</b>	<b>61,946</b>	<b>35,572</b>
Administration costs	(3,795)	(3,887)	(2,778)
Exploration & evaluation expenditure	(5,245)	(5,050)	(4,531)
Share-based payments to employees	(2,657)	(4,939)	(2,160)
Other expenses	(2,731)	(1,816)	(783)
<b>EBITDA<sup>1</sup></b>	<b>35,481</b>	<b>46,254</b>	<b>25,320</b>
Depreciation and amortisation	(12,093)	(13,211)	(21,669)
<b>EBIT<sup>2</sup></b>	<b>23,388</b>	<b>33,043</b>	<b>3,651</b>
Finance income	2,567	2,665	882
Finance expense	(40)	(29)	(18)
<b>Profit before tax</b>	<b>25,915</b>	<b>35,679</b>	<b>4,515</b>
Income tax expense	7,463	(4,547)	(1,741)
<b>Profit after tax</b>	<b>33,378</b>	<b>31,132</b>	<b>2,774</b>
<i>Basic weighted average ordinary shares on issue – 000s</i>	<i>101,969</i>	<i>102,459</i>	<i>103,194</i>
<i>Diluted weighted average ordinary shares on issue – 000s</i>	<i>102,404</i>	<i>102,638</i>	<i>103,317</i>
<i>Basic earnings per share<sup>3</sup> – cents</i>	<i>32.73</i>	<i>30.38</i>	<i>2.69</i>
<i>Diluted earnings per share<sup>4</sup> – cents</i>	<i>32.59</i>	<i>30.38</i>	<i>2.68</i>
<b>Notes:</b>			
1 EBITDA is earnings before interest, tax depreciation and amortisation.			
2 EBIT is earnings before interest and tax.			
3 Basic earnings per share is calculated by dividing net profit for the year attributable to members of the parent entity by the weighted average number of ordinary shares outstanding during the year			
4 Diluted earnings per share is calculated by dividing net profit for the year attributable to members of the parent entity by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential options into ordinary shares			

Source: Dominion's 2008, 2009 and 2010 annual reports



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We make the following comments regarding the financial performance of Dominion for the twelve months ended 30 June 2010:

- Financial performance was adversely impacted by both the delay in completion of the ventilation upgrade on the Challenger Project which restricted the Company's ability to access higher-grade zone in the M2 shoot and lower than expected gold endowment in the M1 shoot
- Cost of sales increased due to increased tonnages mined of 572,000 tonnes (30 June 2009: 431,000 tonnes). However, these increased tonnages did not correspond to increased revenue due to lower grade ore extracted from the M1 shoot and the inability to access higher grade ore in M2 shoot
- During the year management of Dominion undertook initiatives to rationalise certain corporate expenses and as a result administration costs decreased from \$3.9 million to \$2.8 million

### 8.5 Financial position

Dominion's historical audited consolidated financial position as at 30 June 2008, 2009 and 2010 are summarised below.

**Table 10: Dominion's historical consolidated financial position**

	<b>Audited 30 Jun 08 \$000</b>	<b>Audited 30 Jun 09 \$000</b>	<b>Audited 30 Jun 10 \$000</b>
Cash and cash equivalents	49,886	42,354	15,875
Trade and other receivables	8,321	5,356	6,329
Inventories	2,185	3,523	4,214
Other assets	402	181	277
<b>Total current assets</b>	<b>60,794</b>	<b>51,414</b>	<b>26,695</b>
Plant and equipment	10,825	17,900	30,097
Exploration, evaluation and development	29,628	59,160	71,336
Deferred tax asset	22,616	18,069	16,327
<b>Total non current assets</b>	<b>63,069</b>	<b>95,129</b>	<b>117,760</b>
<b>TOTAL ASSETS</b>	<b>123,863</b>	<b>146,543</b>	<b>144,455</b>
Trade and other payables	14,099	11,045	12,619
Loans and borrowings	254	140	75
Provisions	1,367	2,699	2,945
Derivatives held for trading	2,636	4,588	5,598
<b>Total current liabilities</b>	<b>18,356</b>	<b>18,472</b>	<b>21,237</b>
Loan and borrowings	216	75	-
Provisions	686	1,039	1,070
<b>Total non current liabilities</b>	<b>902</b>	<b>1,114</b>	<b>1,070</b>
<b>TOTAL LIABILITIES</b>	<b>19,258</b>	<b>19,586</b>	<b>22,307</b>
<b>NET ASSETS</b>	<b>104,605</b>	<b>126,957</b>	<b>122,148</b>
<i>Shares on issue (000s)</i>	<i>102,471</i>	<i>102,996</i>	<i>103,327</i>
<i>Net asset backing per share – \$</i>	<i>1.02</i>	<i>1.23</i>	<i>1.18</i>
<i>Net tangible asset backing per share – \$<sup>1</sup></i>	<i>0.73</i>	<i>0.66</i>	<i>0.49</i>
<i>Gearing – %</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>Current ratio – times<sup>3</sup></i>	<i>3.31</i>	<i>2.78</i>	<i>1.26</i>

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**Table 11: Dominion's historical consolidated financial position – continued**

*Notes:*

- 1 Net tangible assets are net assets less capitalised exploration, evaluation and development expenditure.*
- 2 Gearing represents total loans and borrowings divided by net assets.*
- 3 Current ratio represents current assets divided by current liabilities.*

*Source: Dominion's 2008, 2009 and 2010 annual reports*

We make the following observation in relation to Dominion's financial position as at 30 June 2010:

- The increase in plant and equipment and mine properties relates to the expansion of the Challenger processing facility, which was completed during year ended 30 June 2010. This expansion has increased the facility's annual throughput to approximately 630,000 tonnes per annum, with the capability to support annualised production levels of approximately 120,000 ounces.
- \$22.83 million was expended on infrastructure and underground development during the year ended 30 June 2010, with the decline extended down to the 320 level, approximately 875 metres below surface.
- A further \$22.8 million was incurred primarily in relation to plant expansion including a second ball mill, installation of a thickener, completion of the underground ventilation upgrade, additional tailings storage facility and increased underground power supply.

Dominion's hedging obligations consist of forward gold contracts and zero cost collar diesel hedging. Dominion's forward gold contracts as at 31 October 2010 are summarised in the table below.

**Table 12: Summary of Dominion's gold forward contracts**

Settlement date	Ounces	Price/ounce A\$
30 November 2010	1,400	1,121.64
30 November 2010	1,400	1,121.63
30 November 2010	1,400	1,121.38
30 November 2010	1,400	1,121.29
30 November 2010	1,400	1,119.42
30 November 2010	1,000	1,096.34
30 November 2010	1,000	1,096.05
30 November 2010	1,000	1,095.58
30 November 2010	1,000	1,094.41
30 November 2010	1,000	1,092.84
30 November 2010	1,000	1,051.42
30 November 2010	500	1,028.85
30 November 2010	500	1,027.90
<b>Total</b>	<b>14,000</b>	

*Source: Dominion's management*

On 20 July 2009 a zero cost collar diesel hedge based on Singapore gas oil 0.5% sulphur was entered into. The call option strike is \$0.7550/litre with a put option strike of \$0.6224/litre. The hedge covers a 23-month period commencing August 2009 for 556,500 litres per month (approximately 74% of the monthly diesel usage at the Challenger mine site). Dominion calculated the mark to market value as being \$17,359 as at 30 June 2010.

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### 8.6 Cash flow

Dominion's audited consolidated cash flows for each of the years ended 30 June 2008, 2009 and 2010 respectively are summarised in the table below.

**Table 13: Dominion's historical summary cash flow**

	<b>Audited 30 Jun 08 \$000</b>	<b>Audited 30 Jun 09 \$000</b>	<b>Audited 30 Jun 10 \$000</b>
Receipts from customers	92,014	112,739	96,208
Payments to suppliers and employees	(47,802)	(54,199)	(63,353)
Interest received	2,567	2,665	882
Interest paid	(40)	(29)	(18)
Exploration and evaluation expenditure	-	(5,052)	(4,281)
<b>Net cash from operating activities</b>	<b>46,739</b>	<b>56,124</b>	<b>29,438</b>
Resource evaluation and mine development expenditure	(26,736)	(28,904)	(40,656)
Payments for property, plant and equipment	(5,048)	(10,311)	(5,406)
Proceeds from sale of property, plant and equipment	68	73	28
Proceeds from sale of financial assets held for trading	9,753	77	-
Payments for business acquisition	-	(10,623)	-
<b>Net cash used in investing activities</b>	<b>(21,963)</b>	<b>(49,688)</b>	<b>(46,034)</b>
Proceeds from issue of shares and conversion of options	2,402	663	300
Repayment of finance lease principal	(222)	(249)	(140)
Payment of dividends	(10,178)	(14,381)	(10,043)
<b>Net cash used in financing activities</b>	<b>(7,998)</b>	<b>(13,967)</b>	<b>(9,883)</b>
<b>Net increase / (decrease) in cash</b>	<b>16,778</b>	<b>(7,531)</b>	<b>(26,479)</b>
Cash at the beginning of the period	33,108	49,886	42,354
<b>Cash at the end of the period</b>	<b>49,886</b>	<b>42,354</b>	<b>15,875</b>

Source: Dominion's 2008, 2009 and 2010 annual reports

### 8.7 Taxation

Dominion has formed a tax consolidation group, which as at 30 June 2010 had estimated revenue tax losses of \$93 million and estimated net capital losses of \$202 million available to be offset against future taxable income and capital gains respectively. Dominion has recognised in its audited financial position as of 30 June 2010, a net deferred tax asset of approximately \$16 million; which is comprised of \$28 million (\$93 million at 30%) of revenue tax losses, reduced by approximately \$12 million of tax liabilities arising from temporary differences (of which \$11 million relates to mine development costs).

The deferred tax asset of approximately \$28 million has been recognised by the Dominion tax consolidated group on the basis that Dominion considers that it is probable that there will be future taxable income available against which the revenue tax losses can be utilised. Dominion has not recognised a deferred tax asset in relation to the net capital loss.

### 8.8 Dividends and franking credits

Historical dividends paid by Dominion in respect of the years ended 30 June 2009 and 30 June 2010 are summarised in the following table.

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**Table 14: Dominion's historical dividend payments and franking credits**

Financial year	Dividend type	Amount (cents per share)	% franked	Payment date
2010	Final	4.0	0	30/09/2010
2010	Interim	2.0	0	31/03/2010
2009	Final	8.0	0	30/09/2009
2009	Interim	6.0	0	31/03/2009

Source: Dominion's 2009 and 2010 annual reports

Dominion currently has no franking credits available to its shareholders as it is still recovering accumulated tax losses.

On 30 September 2010, Dominion announced that pursuant to the Company's dividend reinvestment plan the Company had issued 193,200 ordinary shares in lieu of cash as consideration relating to the final dividend for the year ended 30 June 2010 at an issue price per share of \$2.35.

## 8.9 Share capital and ownership

As at 31 October 2010 Dominion had approximately 103.52 million ordinary shares on issue as summarised in the table below.

**Table 15: Dominion's top ten shareholders**

Shareholder	Number of shares held 000s	% of issued capital
HSBC custody Nominees (Australia) Limited	15,163	14.6
JP Morgan Nominees Australia Limited	13,148	12.7
Lujeta Pty Ltd <The Margaret Account>	11,400	11.0
Yandal Investments Pty Ltd	11,160	10.8
National Nominees Limited	4,996	4.8
CS Fourth Nominees Pty Ltd	3,556	3.4
Citicorp Nominees Pty Limited	2,298	2.2
Mr Geoffrey John Paul <G & J Super Fund A/C>	1,000	1.0
Pan Australian Nominees Pty Ltd	762	0.7
Masepi Superannuation Pty Ltd	760	0.7
<b>Total number of shares held by the top 10 shareholders</b>	<b>64,242</b>	<b>61.9</b>
Other shareholders	39,278	38.1
<b>Total number of shares on issue</b>	<b>103,520</b>	<b>100.0</b>

Source: Dominion

A summary of substantial shareholder notices received by Dominion and ASX is set out in the following table.

**Table 16: Substantial shareholders**

Shareholder	Number of shares held 000s	% of issued capital
Lujeta Pty Ltd	11,400	11.0
Yandal Investments Pty Ltd	11,300	11.0

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Shareholder	Number of shares held 000s	% of issued capital
Peter C Joseph <sup>1</sup>	9,486	9.2
Note 1: Peter C Joseph is a non-executive director of the Company.		

Source: Dominion and ASX announcements

On 26 October 2010, Gam International Growth Fund provided notice to the Company that it had ceased to be a substantial shareholder.

#### *Unlisted options*

Dominion has granted unlisted stock options to its employees pursuant to an employee share option plan. These options were issued for no consideration and are exercisable at a fixed price after the vesting date. The table below provides a summary of these options as at 8 November 2010.

**Table 17: Summary of unlisted stock options**

	Number of options 000s	Exercise price \$	Expiry date
Tranche 1	1,235	5.00	19 December 2011
Tranche 2	1,235	5.50	19 December 2011
Tranche 3	1,235	6.05	19 December 2011
Tranche 4	960	3.60	4 June 2012
Tranche 5	963	3.96	4 June 2012
Tranche 6	963	4.36	4 June 2012
Tranche 7	600	3.58	1 January 2011
	<b>7,191</b>		

Source: Dominion management

As at 8 November 2010, there were approximately 7.2 million options on issue, of which a total of 1.05 million options were held by directors of the company and a further 1.2 million options were held by specified executives of the Company.

#### *Performance rights*

Dominion has 500,000 performance rights on issue as at 30 June 2010. These rights were granted to Mr Jonathan Shellabear, Dominion's managing director, for no consideration and may only be exercised if specified relative Total Shareholder Return performance hurdles are met. The maturity date of the performance rights is 1 February 2011. Should the relevant performance hurdles be met and the rights exercised, Dominion will issue new ordinary shares for no consideration. Unvested performance rights are forfeited upon cessation of employment except in limited circumstances where the Board retains the right to allow some or all of the performance rights to be exercised or retained.

Subject to the Share Scheme and Option Scheme being implemented, the performance rights will be cancelled in consideration for the payment by Kingsgate to Mr Jonathan Shellabear of \$0.1 million.



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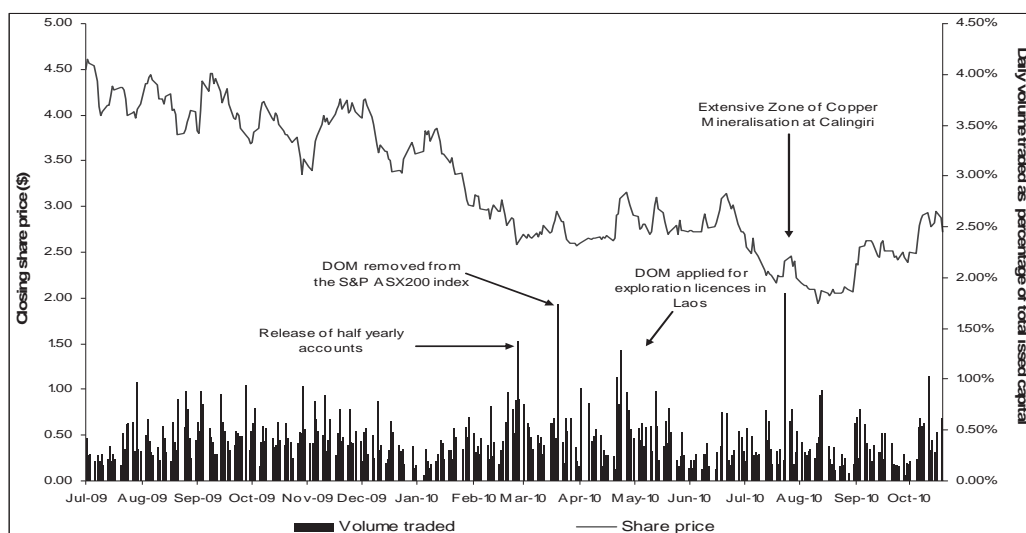


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## 8.10 Share price and volume trading history

The chart below depicts Dominion's daily closing share price on ASX in the period since 1 July 2009 to 19 October 2010, being the last trading day prior to the date the Share Scheme and Option Scheme were announced, along with the daily volume of shares traded on ASX as a percentage of total issued capital.

**Figure 2: Dominion daily closing price and volume of shares traded on ASX**



Source: Capital IQ

Other than normal quarterly activities reporting, significant announcements by Dominion in the six months to 19 October 2010 that may have had an impact on its recent share price include:

- 30 August 2010 – Announcement of preliminary final report
- 13 August 2010 – Operation and exploration update
- 6 July 2010 – Extensive zone of copper mineralisation at Calingiri
- 4 June 2010 – Removal from the S&P ASX 200 index
- 14 May 2010 – Application for three exploration licences in Lao People's Democratic Republic

Further details in relation to all ASX announcements made by Dominion to ASX can be obtained from either Dominion's website or ASX's website.

As illustrated in the figure below, Dominion's share price has in recent times underperformed against the ASX Gold Index and also the wider ASX All Ordinaries index, which may at least in part be attributed to the M1 and operational setbacks Dominion has experienced at the Challenger mine.

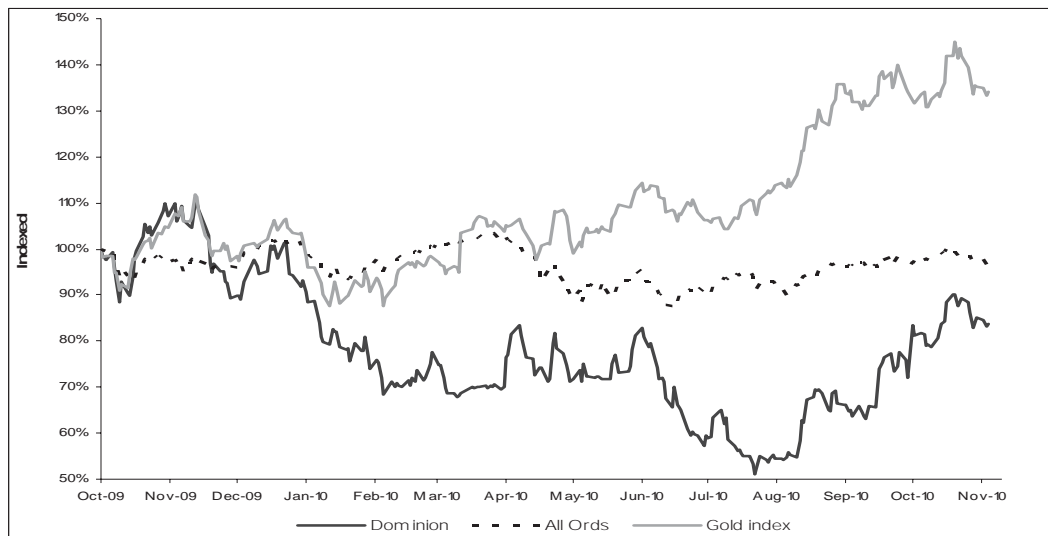
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**Figure 3: Dominion relative performance to the All Ordinaries Index and the Gold Index**



Source: Capital IQ

### Trading liquidity on ASX

An analysis of the volume of trading in Dominion's shares on ASX in the 12-month period prior to the last trading day prior to the announcement of the Share Scheme and Option Scheme on 20 October 2010 is set out below.

**Table 18: Trading liquidity in Dominion's shares on ASX pre-announcement**

Period up to and including 19 October 2010	Last share price (low) \$	Last share price (high) \$	VWAP \$	Cumulative volume 000s	As a % of total issued capital
1 week	2.73	2.94	2.84	2,282.77	2.21
1 month	2.39	2.94	2.74	8,091.12	7.82
3 months	1.94	2.94	2.42	25,545.61	24.71
6 months	1.94	3.16	2.61	51,598.98	49.93
12 months	1.94	4.18	2.95	106,780.13	103.39

Source: Capital IQ and IRESS

Dominion's shares on ASX have exhibited moderate liquidity in recent times, with approximately 103% of total shares on issue traded on ASX over the 12 months prior to the announcement of the Share Scheme and Option Scheme, with an average daily traded volume of approximately 0.4 million shares.

An analysis of the volume of trading in Dominion's shares on ASX in the period from 20 October 2010 (inclusive) to the close of business on 24 November 2010 is set out below.

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**Table 19: Trading liquidity in Dominion's shares on ASX post-announcement**

Period from 20 October 2010 to 24 November 2010	Closing share price (low) \$	Closing share price (high) \$	VWAP \$	Cumulative volume 000s	As a % of total issued capital
26 days	2.73	3.42	3.19	20,440.288	19.75

Source: Capital IQ and IRESS

Significant announcements made by Dominion from 20 October 2010 to 24 November 2010 that may have had an impact on its recent share price include:

- 26 October 2010 – Announcement of the 30 September 2010 Quarterly Activities Report

Further details in relation to all ASX announcements made by Dominion to ASX can be obtained from either Dominion's or ASX's website.

## 9 Profile of Kingsgate

### 9.1 Corporate background

Kingsgate was incorporated in 1970 and was listed on the Official List of ASX in April 1988. Kingsgate's principal business activity is the ownership and operation of the Chatree Project located in central Thailand. Kingsgate first acquired an interest in the Chatree Project in 1993 and achieved ownership of 100% in February 2001.

Kingsgate also undertakes exploration activities within the Chatree Project area and early stage exploration activities in parts of Australia and South America.

### 9.2 Mineral assets

#### *The Chatree Project*

Kingsgate, through its Thai subsidiary Akara, owns a 100% interest in the Chatree Project, which is located approximately 280km north of Bangkok, Thailand. As at 30 June 2010, the Chatree Project comprised approximately 1.93 million ounces of gold reserves and 4.32 million ounces of total gold resources (inclusive of reserves). The project also contains silver reserves and resources of approximately 18.63 million ounces and 36.97 million ounces (inclusive of reserves) respectively. Kingsgate recently approved the construction of a new processing plant at the Chatree Project, which will increase the throughput capacity to approximately 5 million tonnes of ore per annum. The new plant is anticipated to be commissioned in the September quarter 2011.

#### *Mining*

Since commencement of the Chatree Project, annual production has varied between 74,000 and 154,000 ounces of gold per annum. To date open cut, bulk-mining methods have been utilised to extract low-grade gold bearing ore, however, Kingsgate considers there to be good prospects to pursue underground mining in the future. Operational performance for each quarter for the 15-month period to 30 September 2010 is set out in the table below.

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**Table 20: Historical quarterly mining performance at the Chatree Project**

	3 mths ended 30 Sept 09	3 mths ended 31 Dec 09	3 mths ended 30 March 10	3 mths ended 30 Jun 10	3 mths ended 30 Sept 10
Ore mined – tonnes	1,495,280	1,936,120	2,367,465	1,103,732	1,471,487
Ore milled – tonnes	673,050	668,804	672,710	690,092	645,945
Gold head grade – g/t	1.5	2.0	1.6	1.5	1.2
Silver head grade – g/t	17.4	14.0	13.3	14.9	13.2
Gold recovery – %	88.7	92.3	90.5	90.0	89.0
Total gold production – ounces	29,302	40,224	32,646	30,456	21,833
Total silver production – ounces	137,348	131,948	133,649	146,577	136,501
Cash cost - \$/ounce <sup>1</sup>	360	312	332	345	465
<i>Note 1 - Cash cost refers to the cost of producing and pouring gold and silver. Silver is accounted for as a by-product whereby revenue from silver is deducted from operating costs in the calculation of cash cost per ounce.</i>					

Source: Kingsgate's management

The following table sets out the approximate gold reserves and resource of the Chatree Project as at 30 June 2010.

**Table 21: Reserves and resources at the Chatree Project as at 30 June 2010**

	Tonnes (000s)	Grade (g/t)	Ounces (000s)
Proved ore reserve	37,400	1.00	1,200
Probable ore reserve	18,700	0.98	590
Proven reserve – stockpile	5,600	0.79	140
<b>Total reserve</b>	<b>61,700</b>	<b>0.97</b>	<b>1,930</b>
Measured resource	79,800	0.81	2,070
Indicated resource	56,700	0.76	1,390
Inferred resource	31,400	0.71	720
Measured resource - stockpile	5,600	0.79	140
<b>Total resource<sup>1</sup></b>	<b>173,500</b>	<b>0.77</b>	<b>4,320</b>
<i>Note 1: Resources are inclusive of reserves.</i>			

Source: Kingsgate's Annual Report 2010

### Exploration Acreage

Kingsgate's exploration programme in Thailand is subdivided into the following:

- Resource development – Kingsgate is undertaking drilling activities in order to extend the open pit boundaries and the current known ore bodies at a cost of approximately US\$4 million to US\$6 million per annum.
- Near-Mine exploration - is focused in locating satellite open pit potential within 10km from the Chatree gold mine. In November 2009, Kingsgate announced the discovery of the Suwan gold deposit which is located approximately 6 to 10km north of Chatree. This deposit covers an area of approximately 20 square kilometres.
- Regional exploration – exploration of Kingsgate's outer exploration tenement which covers an area of 1,806 square kilometres. In November 2008, Kingsgate discovered the Chokdee deposit which is located

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approximately 20km north of the Chatree mine. Mineralisation has been drill tested over 800 metres strike length.

In addition to the above Kingsgate is also undertaking a small amount of early stage exploration in parts of Australia and South America.

### *Possible IPO of Akara on the Stock Exchange of Thailand*

Kingsgate owns 100% of the ordinary issued capital of Akara, the Thai registered company holding Kingsgate's Thai assets, including the Chatree Project. However, Thai nationals are required to own a majority of the share capital of Akara under both Thailand's Alien Business Law (majority defined as 50.1%) and the provisions of Akara's Board of Investments approval (majority defined as 51%). To comply with this requirement, Akara has a Thai partner called Sinphum that owns preference shares in Akara, which comprise the majority of Akara's issued capital. These preference shares have limited voting rights and carry a fixed rate of return and, other than this fixed return, do not participate in the economic returns generated from the Chatree Project.

Whilst Kingsgate consider the current shareholding structure to comply with Thai foreign ownership requirements, Kingsgate has previously announced its intention to explore the possibility of undertaking an IPO of Akara shares on the Stock Exchange of Thailand which would replace the current preference share structure. The Kingsgate board has deferred any decision about such an IPO given current issues with the preference shareholders and the current corporate initiatives involving Dominion and Laguna. We understand the potential for an IPO remains under regular review by Kingsgate and the directors of Kingsgate have stated that it would only be undertaken if Kingsgate views such an initiative to be in the best interests of Kingsgate shareholders.

Further details in relation to Kingsgate and its mineral assets are set out in the Scheme Booklet to which this report is attached and on Kingsgate's website [www.kingsgate.com.au](http://www.kingsgate.com.au).

## 9.3 Financial performance

Kingsgate's historical audited consolidated financial performance for the years ended 30 June 2008, 2009 and 2010 respectively are summarised below.

**Table 22: Kingsgate's historical consolidated financial performance**

	<b>Audited 30 Jun 08 \$000</b>	<b>Audited 30 Jun 09 \$000</b>	<b>Audited 30 Jun 10 \$000</b>
Revenue	74,285	113,015	175,480
Other revenue	44,451	251	297
Operating expense	(47,415)	(61,080)	(66,181)
Exploration expense	(382)	(294)	(385)
Foreign exchange gain/(loss)	(216)	2,432	(2,507)
Loss on derivative financial instruments	(4,514)	-	-
Other expenses	(7,281)	(9,025)	(9,074)
<b>EBITDA</b>	<b>58,928</b>	<b>45,299</b>	<b>97,630</b>
Depreciation and amortisation	(9,284)	(11,575)	(14,004)
<b>EBIT</b>	<b>49,644</b>	<b>33,724</b>	<b>83,626</b>
Finance income	2,202	826	321
Finance expense	(3,974)	(1,493)	(1,596)



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	Audited 30 Jun 08 \$000	Audited 30 Jun 09 \$000	Audited 30 Jun 10 \$000
<b>Profit before tax</b>	<b>47,872</b>	<b>33,057</b>	<b>82,351</b>
Income tax expense	(11,675)	(535)	(9,285)
<b>Profit after tax</b>	<b>36,197</b>	<b>32,522</b>	<b>73,066</b>
<i>Basic weighted average ordinary shares on issue – 000s</i>	<i>92,680</i>	<i>93,117</i>	<i>97,165</i>
<i>Diluted weighted average ordinary shares on issue – 000s</i>	<i>92,980</i>	<i>93,213</i>	<i>98,028</i>
<i>Basic earnings per share – cents</i>	<i>39.06</i>	<i>34.93</i>	<i>75.20</i>
<i>Diluted earnings per share – cents</i>	<i>38.93</i>	<i>34.89</i>	<i>74.54</i>

Source: Kingsgate's 2008, 2009 and 2010 annual reports

We make the following observations in relation to Kingsgate's financial performance for the twelve months ended 30 June 2010:

- Higher gold prices on fully unhedged gold sales (averaging approximately US\$1,100 per ounce) and lower operating costs per tonne of ore mined translated into a higher profit margin.
- Gold production increased 43% over the corresponding prior 12-month period from 93,002 ounces to 132,628 ounces.
- Unit costs were lower due to efficiencies generated from the use of larger equipment and the use of a new underpass between the main pit and the processing plant.

### 9.4 Financial position

Kingsgate's historical audited consolidated financial position as at 30 June 2008, 2009 and 2010 respectively are summarised below.

**Table 23: Kingsgate's historical consolidated financial position**

	Audited 30 Jun 08 \$000	Audited 30 Jun 09 \$000	Audited 30 Jun 10 \$000
Cash and cash equivalents	40,226	29,680	49,098
Trade and other receivables	3,245	9,155	13,844
Inventories	4,594	10,521	11,744
Other assets	8,558	8,172	28,615
<b>Total current assets</b>	<b>56,623</b>	<b>57,528</b>	<b>103,301</b>
Inventories	-	9,393	37,552
Plant and equipment	113,407	181,053	201,037
Exploration, evaluation and development	26,908	18,647	20,479
Deferred tax asset	3,852	4,462	3,732
Other non-current assets	2,459	3,890	2,974
<b>Total non current assets</b>	<b>146,626</b>	<b>217,445</b>	<b>265,774</b>
<b>TOTAL ASSETS</b>	<b>203,249</b>	<b>274,973</b>	<b>369,075</b>
Payables	7,317	13,665	15,055
Provisions	788	1,448	1,003
Current tax liabilities	7,798	-	3,225
Borrowings	-	2,103	10,982

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	Audited 30 Jun 08 \$000	Audited 30 Jun 09 \$000	Audited 30 Jun 10 \$000
<b>Total current liabilities</b>	<b>15,903</b>	<b>17,216</b>	<b>30,265</b>
Payables	-	-	5,909
Provisions	4,566	7,162	11,157
Borrowings	1,599	41	82
Deferred tax liabilities	168	5,514	5,619
<b>Total non current liabilities</b>	<b>6,333</b>	<b>12,717</b>	<b>22,767</b>
<b>TOTAL LIABILITIES</b>	<b>22,236</b>	<b>29,933</b>	<b>53,032</b>
<b>NET ASSETS</b>	<b>181,013</b>	<b>245,040</b>	<b>316,043</b>
Shares on issue (000s)	92,680	96,136	99,996
Net asset backing per share – \$	1.95	2.55	3.16
Net tangible asset backing per share – \$	1.66	2.35	2.96
Gearing – %	0.9%	0.9%	3.5%
Current ratio – times	3.56	3.34	3.41

Source: Kingsgate's 2008, 2009 and 2010 annual reports

We make the following observation in relation to Kingsgate's financial position as at 30 June 2010:

- Cash and cash equivalents increased by \$19.4 million over the year principally as a result of strong gold prices, increased gold production, lower operating cost and proceeds from exercise of share options.
- Inventory build up over the period reflects that Kingsgate's mining rate outstripped its processing rate by 4.2 million tonnes, reflecting a build up in stockpiles ahead of the new processing plant at the Chatree Project coming on stream.
- Kingsgate increased its financing facility with Investec Bank (Australia) Limited (Investec) to \$60 million, subject to final documentation, although the facility was undrawn as at 30 June 2010. Kingsgate is using this facility to meet its funding requirements prior to the arrangement of a larger facility. Investec has been mandated to arrange a debt facility of up to US\$100 million and the current intention is for several Thai Banks to be included in the syndicate. Total capital cost for the new plant is estimated at US\$125 million of which approximately US\$25 million has already been expended.

### 9.5 Cash flow

Kingsgate's audited consolidated cash flows for each of the years ended 30 June 2008, 2009 and 2010 respectively are summarised in the table below.

**Table 24: Kingsgate's historical summary consolidated cash flow**

	Audited 30 Jun 08 \$000	Audited 30 Jun 09 \$000	Audited 30 Jun 10 \$000
Receipts from customers	75,371	113,015	172,083
Payments to suppliers and employees	(55,584)	(87,602)	(119,392)
Interest received	2,202	998	321
Interest paid	(3,332)	(1,286)	(1,319)
Income tax paid	-	(7,067)	(5,225)

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	Audited 30 Jun 08 \$000	Audited 30 Jun 09 \$000	Audited 30 Jun 10 \$000
<b>Net cash from operating activities</b>	<b>18,657</b>	<b>18,058</b>	<b>46,468</b>
Resource evaluation and mine development expenditure	(12,685)	(5,983)	(2,355)
Proceeds from sale of property, plant and equipment	71	-	-
Payments for property, plant and equipment	(20,485)	(42,198)	(28,840)
Proceeds from sale of available-for-sale financial assets	69,908	-	-
Payments for available-for-sale financial assets	-	-	(1,071)
<b>Net cash from / (used in) investing activities</b>	<b>36,809</b>	<b>(48,181)</b>	<b>(32,266)</b>
Proceeds from issue of shares	-	15,774	20,423
Proceeds from borrowings - preference shares	-	-	8,643
Proceeds from borrowings	7,040	17,000	-
Repayment of borrowings	(27,000)	(17,000)	-
Payment of dividends	-	-	(24,585)
<b>Net cash provided by / (used in) financing activities</b>	<b>(19,960)</b>	<b>15,774</b>	<b>4,481</b>
<b>Net increase / (decrease) in cash</b>	<b>35,506</b>	<b>(14,349)</b>	<b>18,683</b>
Cash at the beginning of the period	5,148	40,226	29,680
Effects of exchange rate changes on cash and cash equivalent	(428)	545	735
Reclassification of other deposits	-	3,258	-
<b>Cash at the end of the period</b>	<b>40,226</b>	<b>29,680</b>	<b>49,098</b>

Source: Kingsgate's 2008, 2009 and 2010 annual reports

### 9.6 Taxation

A deferred tax asset of approximately \$3.7 million has been recognised by Kingsgate as at 30 June 2010 on the basis that Kingsgate considers it is probable that there will be future taxable income available against which the tax losses can be utilised. Kingsgate has also recognised a deferred tax liability of approximately \$5.6 million arising from temporary differences relating to mine properties and exploration expenditures.

In July 2001, Kingsgate was granted tax concessions by the Royal Thai Board of Investment (BOI) under which Kingsgate's Thai operations paid no tax for a period of eight years (November 2001 to November 2009).

In July 2010, the BOI granted Kingsgate a further five year (from November 2009) tax concession of a reduced tax rate of 15%. Kingsgate has also received investment incentives from BOI for the construction of the new Chatree North processing plant. A summary of these incentives is outlined below:

- income produced from the new plant will be tax exempt for a period of eight years up to the value of capital cost of the plant
- total depreciation allowance on the new plant has been increased by a 25%, equating to a 125% tax reduction for the total investment of the new plant
- an eight year exemption on withholding tax (10%) on dividends derived from income sourced as a result of the new plant
- exemption from import duty in respect of plant and equipment imported for the purpose of the construction of the new plant.

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### 9.7 Dividends and franking credits

Historical dividends paid by Kingsgate in respect of the years ended 30 June 2010 and 30 June 2009 are summarised in the following table.

**Table 25: Kingsgate's historical dividend payments and franking credits**

Financial year	Dividend type	Amount (cents per share)	Franked amount (per cent)	Payment date
2010	Final	20.0	0	24/09/2010
2010	Interim	15.0	0	16/03/2010
2009	Final	15.0	100	23/09/2009
2009	Interim	-	n/a	n/a

Source: Kingsgate's 2009 and 2010 annual reports

As at 30 June 2010 Kingsgate had available franking credits totalling \$880,548.

On 28 September 2010, Kingsgate announced that pursuant to Kingsgate's dividend reinvestment plan Kingsgate had issued 286,605 ordinary shares in lieu of cash as consideration relating to the final dividend for the year ended 30 June 2010 at a price per share of \$10.58.

### 9.8 Share capital and ownership

As at 12 November, Kingsgate had approximately 101.1 million shares on issue as summarised in the table below.

**Table 26: Kingsgate's top ten shareholders**

Shareholder	Number of shares held 000s	% of issued capital
HSBC Custody Nominees	21,503	21.3
National Nominees Limited	15,785	15.6
JP Morgan Nominees Australia Ltd	12,430	12.3
Citicorp Nominees Pty Limited	5,554	5.5
Ross Donald Smyth - Kirk <sup>1</sup>	4,586	4.5
Bruce Clayton Bird	3,207	3.2
Gavin Thomas <sup>1</sup>	2,410	2.4
CS Fourth Nominees Pty Ltd	1,799	1.8
AMP Life Limited	1,275	1.3
Sixteen Pty Ltd	1,075	1.1
<b>Total number of shares held by the top 10 shareholders</b>	<b>69,624</b>	<b>68.9</b>
Other shareholders	31,464	31.19
<b>Total number of shares on issue</b>	<b>101,088</b>	<b>100.0</b>

Note 1: Ross Smyth-Kirk and Gavin Thomas are directors of Kingsgate.

Source: Kingsgate

The following table summarises Kingsgate's substantial shareholder notices lodged with ASX.

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**Table 27: Substantial shareholders**

Shareholder	Number of shares held 000s	% of issued capital
BlackRock Investment Management (Australia) Limited	8,653	8.8
UBS AG and related bodies corporate	6,061	6.0

Source: Kingsgate and ASX announcements

As at 26 October 2010 Kingsgate also had 1.7 million unlisted options on issue, with varying exercise prices and dates as summarised in the table below.

**Table 28: Summary of unlisted stock options**

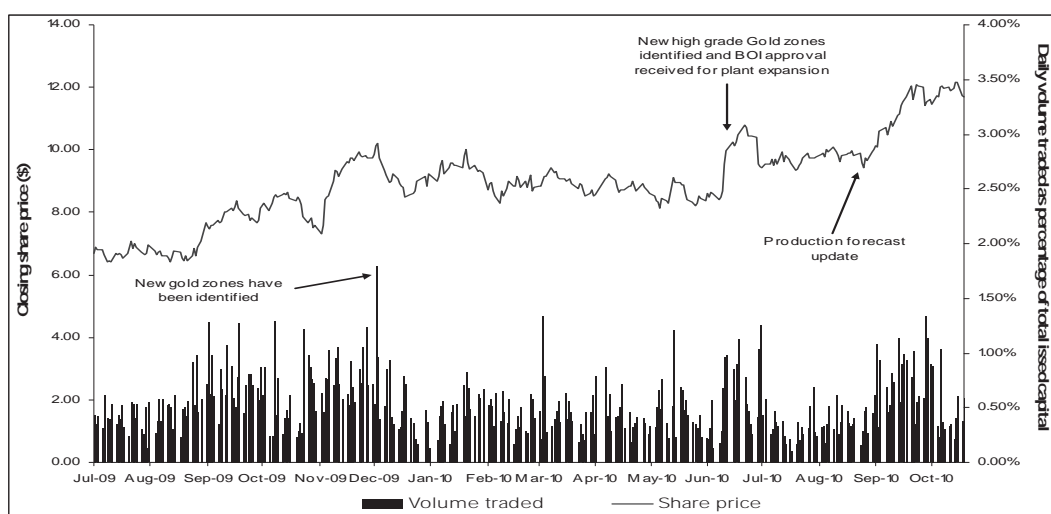
Number of options 000s	Exercise price \$	Expiry date
50	6.00	1 July 2011
119	4.68	1 April 2013
1,016	6.00	1 April 2013
500	7.00	1 April 2013
1,685		

Source: Kingsgate

## 9.9 Share price and volume history

The chart below depicts Kingsgate's daily closing share price on ASX in the period from 1 July 2009 to 19 October 2010, being the last trading day prior to the date the Share Scheme and Option were announced, along with the daily volume of shares traded as a percentage of total issued capital.

**Figure 4: Kingsgate daily closing price and volume of shares traded on ASX**



Source: Capital IQ



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Other than normal quarterly activities reporting, significant announcements made by Kingsgate in the six months to 19 October 2010 that may have had an impact on its recent share price include:

- 15 October 2010 – Kingsgate announced its strategy to pursue development opportunities in Southeast Asia and the Pacific Rim, including Australia
- 8 October 2010 – Drilling programme intersected new high grade zones in the A and S Pit areas at the Chatree Mine
- 27 September 2010 – Production forecast updated due to major maintenance shutdown and above average monsoonal rain fall
- 30 August 2010 – Financial report in respect of the year ended 30 June 2010 released
- 29 July 2010 – Mineral resources and ore reserves update
- 22 June 2010 – New high grade gold zones identified at Chatree North
- 10 June 2010 – Kingsgate gains BOI approval and investment incentives for construction of a processing plant at Chatree North
- 24 May 2010 – Drilling programme intersected new high grade zones in the H and H West Pit areas at the Chatree Mine

Further details in relation to all ASX announcements made by Kingsgate to ASX can be obtained from either Kingsgate's website or ASX's website.

The following figure depicts Kingsgate's share price performance over the past twelve months relative to both the All Ords and the Gold Index. This figure shows that Kingsgate's share price has performed largely in line with the Gold Index over the period.

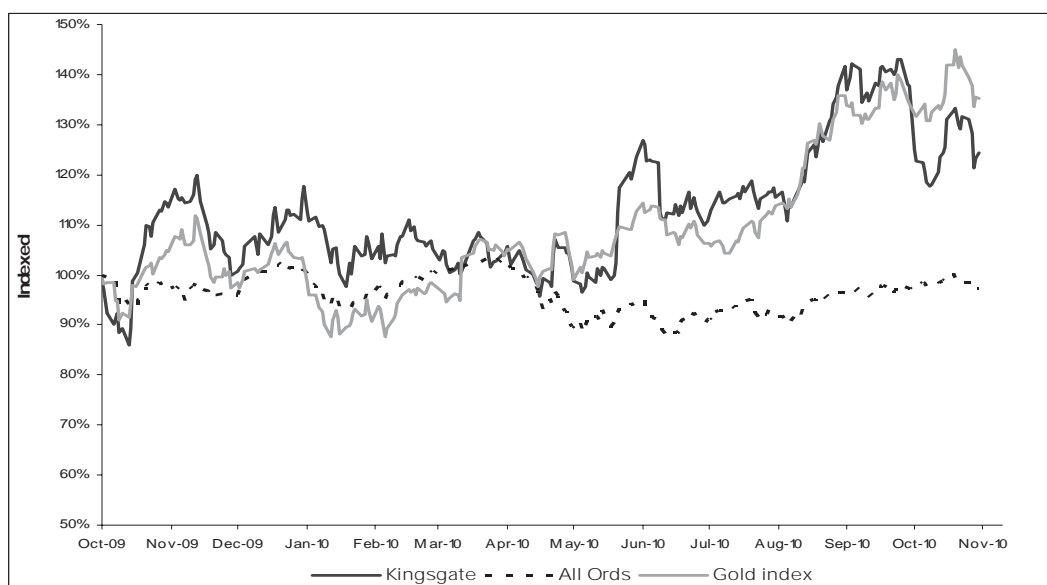
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**Figure 5: Kingsgate relative performance to the All Ords and the Gold Index since October 2009**



Source: Capital IQ

### Trading liquidity on ASX

An analysis of the volume of trading in Kingsgate's shares on ASX in the 12-month period prior to the last trading day prior to the announcement of the Share Scheme and Option Scheme on 20 October 2010 is set out below.

**Table 29: Trading liquidity in Kingsgate's shares on ASX pre-announcement**

Period up to and including 19 October 2010	Last share price (low) \$	Last share price (high) \$	VWAP \$	Cumulative volume 000s	As a % of total issued capital
1 week	11.71	12.15	11.96	2,219.03	2.20
1 month	11.43	12.15	11.82	13,416.23	13.28
3 months	9.42	12.15	10.89	35,434.66	35.14
6 months	8.14	12.15	10.14	65,509.51	65.71
12 months	7.30	12.15	9.59	131,882.89	133.94

Source: Capital IQ and IRESS

Over the 12 months prior to the announcement of the Share Scheme and Option Scheme, Kingsgate's shares demonstrated moderate liquidity with approximately 134% of total Kingsgate shares on issue traded, with an average daily traded volume of approximately 0.5 million shares.

An analysis of the volume of trading in Kingsgate's shares on ASX in the period from 20 October 2010 (inclusive) to the close of business on 24 November 2010 is set out below.

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**Table 30: Trading liquidity in Kingsgate's shares on ASX post-announcement**

Period from 20 Oct 10 to 24 November 2010	Last share price (low) \$	Last share price (high) \$	VWAP \$	Cumulative volume 000s	As a % of total issued capital
26 days	10.00	11.71	10.63	20,345.991	20.13

*Source: Capital IQ and IRESS*

Significant announcements made by Kingsgate from 20 October 2010 to 24 November 2010 that may have had an impact on its recent share price include:

- 25 October 2010 – Announcement of Kingsgate's offer for Laguna
- 26 October 2010 – Release of Kingsgate's 2010 annual report
- 26 October 2010 – Kingsgate became a substantial shareholder of Laguna
- 29 October 2010 – Announcement of the September 2010 Quarterly Activities Report
- 18 November 2010 – Announcement of new drilling results in relation to the Chatree Project

Further details in relation to all ASX announcements made by Kingsgate to ASX can be obtained from either Kingsgate's or ASX's website.

### 9.10 Litigation

#### *Preference shareholder litigation*

As set out in section 8.10 of the Scheme Booklet, Akara has preference shares owned by Sinphum which equate to approximately 52% of the total share capital of Akara. The rights of the preference shares are contained in the articles of association of Akara. Such rights include the preference shares having a fixed rate of return, certain preferences upon winding-up and limited voting rights in relation to Akara (effectively representing 23% of total votes). Based on current information, Sinphum is not registered as the holder of any Kingsgate Shares.

The preference shares were allotted in November 2006 in accordance with a Subscription and Shareholders Agreement (SSA) between Kingsgate, Akara and Empire Asia Co Ltd. Empire Asia Co Ltd novated the SSA to Sinphum in July 2007. The SSA was drafted to facilitate an IPO of Akara if the Kingsgate Board elected to proceed with such a course of action. In particular, the SSA included a call option which gave Kingsgate the ability to purchase the preference shares from Sinphum at par value plus a premium.

In July 2010, Kingsgate exercised its call option under the SSA to purchase the preference shares from Sinphum as part of a restructuring related to the possible IPO of Akara. Sinphum has not complied with this obligation and as at the date of this report the preference shares have not been delivered. Kingsgate strongly believes that Sinphum has no basis not to comply with its obligations under the SSA and is taking legal action to force compliance and considers that this dispute has no impact on the operations of Chatree.

Sinphum has filed a motion with the Thai courts to void the call option under the SSA whilst retaining its own rights under the SSA.

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Sinphum has also filed further motions with the Thai courts with regard to Akara's articles of association. In particular, Sinphum claims that Akara's voting rights should be proportionate to the total shares on issue (both preference and ordinary shares). Sinphum also claims that the Thai Civil and Commercial Code which allows for Akara to hold general meetings without a quorum in the event of continued non attendance by Sinphum should not apply to Akara.

Kingsgate vigorously denies such claims and is opposing them in all relevant proceedings. We are advised that Kingsgate has received legal advice that these are baseless claims and that Kingsgate remains confident that all claims will be resolved in its favour.

### *Other litigation*

A group of Thai villagers has made a claim against the Thai Government that the Thai Industry and Forestry Ministries have illegally permitted Akara to conduct mining operations and that the Government should withdraw Akara's licences and suspend operations. Kingsgate believes that Akara's mining operations were properly established in accordance with Thai mining law, that those operations continue to comply with all relevant permits and licences and that the villagers' claim is baseless and without merit.

## 9.11 Laguna acquisition

On 25 October 2010, Kingsgate announced that it had signed a Bid Implementation Agreement with Laguna pursuant to which Kingsgate will make a conditional off-market takeover bid for all of the issued and outstanding shares in Laguna. The consideration for the takeover comprises one Kingsgate share for every 520 Laguna shares. The consideration offered based on Kingsgate's closing share price on 25 October 2010 implies a value for Laguna of approximately \$22 million as at 25 October 2010 which represents approximately 2% of Kingsgate's closing market capitalisation on the day prior to the announcement of the Share Scheme.

Laguna is an ASX listed Chilean based gold developer. Its principal assets comprise the Arqueros gold project (the Arqueros Project), which is located in the Atacama Region of Northern Chile. The following table sets out the resources of Laguna's Arqueros project as at 16 September 2010 as announced to ASX.

**Table 31: Resources at the Arqueros Project as at 16 September 2010**

	Tonnes (millions)	Grade <sup>1</sup> (g/t)	Ounces (000s)
Indicated resource – gold	5.9	0.38	72
Inferred resource – gold	16.9	0.38	208
<b>Total resource – gold</b>	<b>22.8</b>	<b>0.38</b>	<b>280</b>
Indicated resource – silver	5.9	93	17,751
Inferred resource – silver	16.9	57	31,075
<b>Total resource – silver</b>	<b>22.8</b>	<b>66</b>	<b>48,826</b>
Indicated resource – AuEQ60 <sup>2</sup>	5.9	1.93	369
Inferred resource – AuEQ60 <sup>2</sup>	16.9	1.33	725
<b>Total resource – AuEQ60<sup>2</sup></b>	<b>22.8</b>	<b>1.49</b>	<b>1,094</b>
<i>Notes:</i>			
<i>1 Cut-off grade of 0.7 g/t</i>			
<i>2 Gold equivalence based on price equivalence ratio of 60: AuEQ60 = Au + Ag/60</i>			

*Source: Laguna's resource update as announced to ASX on 16 September 2010*

The Arqueros project is currently undergoing a scoping study with the feasibility study to follow in 2011.

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Kingsgate has indicated that it intends to pursue further acquisition opportunities in the near to medium term, however, further details in relation to these are yet to be released to the market.

## 10 Impact of the Share Scheme and the Option Scheme

The proposed acquisition of Dominion will have a significant impact on Kingsgate's operations, its financial performance and its balance sheet position. Expectations regarding the impact on the expanded Kingsgate are set out in section 9 of the Scheme Booklet. Benefits are expected to include:

- expansion of the scale of Kingsgate's operations to two producing gold mines
- combined operations with potential to produce up to 300,000 ounces per annum of gold following commissioning of the new Chatree North processing plant
- a 22% increase in gold reserves to 2.4 million ounces and a 22% increase in gold resources to 5.3 million ounces based on the most recent reserve and resource statements as set out in the table below

**Table 32: Impact on Kingsgate's reserves and resources**

	Dominion ounces – 000s	Kingsgate ounces – 000s	Combined entity ounces – 000s	Relative contribution %
Reserves	420	1,930	2,350	18
Resources	950	4,320	5,270	18

*Source: KPMG analysis and annual reports*

- a portfolio of exploration tenements and applications in Thailand, South Australia, Western Australia and the Lao People's Democratic Republic

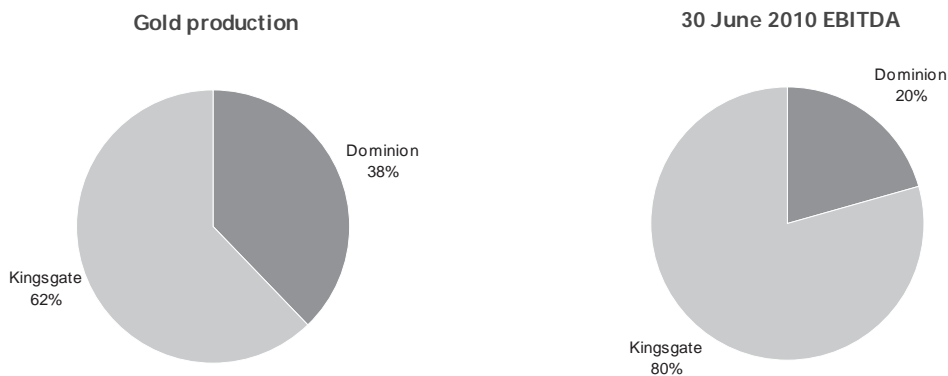
The figures below illustrate the relative gold production and EBITDA contribution to the expanded Kingsgate based on results for the year ended 30 June 2010. We note that Dominion's EBITDA contribution is low relative to gold production primarily due to the Challenger Project's higher costs per ounce relative to the Chatree Project.





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**Figure 6: Gold production and EBITDA contribution – year ended 30 June 2010**



*Source: KPMG analysis and annual reports*

### 10.1 Pro forma financial position of the enlarged Kingsgate

To illustrate the financial impact of Kingsgate acquiring 100% of Dominion, section 9 of the Scheme Booklet sets out an unaudited pro forma balance sheet of the enlarged Kingsgate group based on:

- each company's consolidated historical balance sheet as at 30 June 2010
- relevant acquisition accounting and other adjustments required to accurately present the pro forma balance sheet of the combined entity

We make the following observations in relation to the enlarged Kingsgate's pro forma financial position disclosed in the Scheme Booklet:

- both Dominion and Kingsgate currently have significant net cash positions. This is not expected to be materially impacted by implementation of the Share Scheme as the consideration to be provided to Dominion shareholders is in the form of new Kingsgate shares.
- cash and cash equivalents, together with retained profits, have been adjusted for estimated post tax transaction costs of \$4.5 million that will be incurred by Kingsgate and Dominion in relation to the Share Scheme and the Option Scheme
- the net current asset position of Kingsgate is expected to be reduced marginally following implementation of the Share Scheme as a result of the transaction costs
- Kingsgate currently has approximately 101.1 million ordinary shares on issue which will increase to approximately 133.5 million following implementation of the Share Scheme and the Option Scheme (assuming no further exercise of Dominion stock options or Dominion performance rights or Kingsgate stock options and ignoring the impact of the Laguna takeover)

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- Kingsgate's pro forma net asset backing per share increases from an adjusted \$3.13 to \$5.18, principally as a result of the uplift in exploration, mine property, plant and equipment values resulting from the estimated acquisition accounting for the expanded Kingsgate.

### 10.2 Capital structure

Dominion currently has approximately 103.5 million fully paid ordinary shares on issue, 7.2 million options and 0.5 million performance rights. Kingsgate currently has approximately 101.1 million fully paid ordinary shares and 1.7 million options on issue.

Based on the terms of the Share Scheme and the Option Scheme, and assuming no further exercise of Dominion stock options or Dominion performance rights in the period prior to when Dominion shareholders and optionholders meet to vote on the Share Scheme and the Option Scheme, Dominion shareholders will hold approximately 23.7%<sup>6</sup> of the diluted issued capital in the expanded Kingsgate and 23.4% of the issued capital in the expanded Kingsgate further diluted for the Laguna takeover.

**Table 33: Pro forma capital structure**

	Scenario 1 millions	%	Scenario 2 Millions	%
Dominion shares on issue	103.5		103.5	
Terms of the Share Scheme	0.310		0.310	
<b>Kingsgate shares to be issued under the Share Scheme</b>	<b>32.1</b>	<b>23.7</b>	<b>32.1</b>	<b>23.4</b>
<b>Kingsgate shares to be issued under the Option Scheme</b>	<b>0.3</b>	<b>0.2</b>	<b>0.3</b>	<b>0.2</b>
Kingsgate shares currently on issue	101.1	74.8	101.1	73.6
Kingsgate in-the-money options <sup>1</sup>	1.7	1.3	1.7	1.2
Shares issued to Laguna shareholders <sup>2</sup>	-	0.0	2.2	1.6
<b>Kingsgate diluted shares on issue if the Share Scheme and the Option Scheme are implemented</b>	<b>135.2</b>	<b>100.0</b>	<b>137.3</b>	<b>100.0</b>
<i>Notes:</i>				
<i>1 We have assumed that all Kingsgate options are exercised</i>				
<i>2 Scenario 2 assumes approximately 2.2 million new Kingsgate shares are issued to Laguna shareholders pursuant to Kingsgate's proposed acquisition of Laguna</i>				
<i>3 May not calculate exactly due to rounding.</i>				

Source: KPMG analysis

### 10.3 Kingsgate's intentions

Kingsgate's intentions, in the event that the Share Scheme is implemented, are set out at section 9.6 of the Scheme Booklet and include, inter alia:

- Removal of Dominion from the Official List of ASX
- Reconstitution of the Dominion board with its own nominees

<sup>6</sup> excluding the impact of any shares in Kingsgate that Dominion shareholders may already hold and the interests of Dominion shareholders deemed to be overseas shareholders

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- the business and operations of Dominion to be conducted in substantially the same manner as they are presently being conducted. Kingsgate will review the key policies and standards of Dominion and, where appropriate, look to integrate them into Kingsgate's processes as soon as possible
- conduct a broad based review of the Dominion's operations and exploration properties at both strategic and financial level
- integration of Dominion's corporate office functions (such as accounting, finance, taxation, legal and company secretarial) with those of Kingsgate. Kingsgate intends to retain the Perth office as a technical support centre for the expanded Kingsgate's operational and exploration assets.

#### 10.4 Board of directors

On implementation of the Share Scheme and the Option Scheme, Peter Alexander, a Dominion non-executive director, will join the Kingsgate board of directors. Dominion's existing Chairman, Peter Joseph, will also be retained as an advisor to Kingsgate's board of directors.

#### 10.5 Synergies and costs savings

We have been provided with a schedule prepared by Dominion that sets out the Company's assessment of the direct synergies and cost savings likely to be available to a pool of purchasers (including Kingsgate) in acquiring a 100% interest in Dominion. These synergy benefits and cost savings total between approximately \$1.5 million and \$1.7 million per annum (in 2011 post-tax dollars) over the life of Dominion's existing projects, with once-off associated costs in realising these benefits incurred in the first year following acquisition of \$2.2 million (in 2011 post-tax dollars). These synergies are expected to be realised as a result of economies of scale, the elimination of duplication of costs in running Dominion as a separate public company and general finance and support costs.

We have discussed with Dominion's management the basis of its assessment as to the level of synergies and cost savings that may be realised by a pool of purchasers. Whilst there is both downside risk and potential upside in relation to the final quantum and nature of the synergies that may ultimately be realised, we believe, based on information available as at the date of this report, that the assumptions adopted by Dominion are reasonable.

Given Kingsgate will acquire Dominion by way of scrip consideration pursuant to the Share Scheme, eligible Dominion shareholders will participate in the abovementioned synergies on a pro-rata basis.

#### 10.6 Synergies unique to Kingsgate

Having regard to the operational profile, location and composition of Dominion's mining and exploration assets relative to Kingsgate's mining operations and exploration assets, Dominion does not consider there to be any significant operational synergies between the two companies from which Kingsgate would be able to realise material direct cost savings in excess of those available to a general pool of purchasers. However, we consider that there are various benefits to Kingsgate from completing the Share Scheme that may be unique to Kingsgate, including:

- access to Dominion's underground mining experience which is expected to be fundamental to the future development of Kingsgate's Chatree Project

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- acquisition of Dominion's asset base will enable Kingsgate to remain a pure gold play whilst diversifying its geographical concentration
- the potential for a market re-rating following the increase in the enlarged entity's total annual production, reserves and resources, and market capitalisation (having regard to pre-announcement share prices)

As illustrated in the Scheme Booklet, completion of the Share Scheme is expected to result in the expanded Kingsgate improving its relative position to third place in terms of gold company market capitalisation on ASX<sup>7</sup>, sixth in terms of attributable reserves ounces and ninth in terms of attributable resources ounces.

- Kingsgate will achieve an immediate and significant footprint in Australia

It is considered important to note that whilst a number of these benefits involve a large degree of subjectivity and may not be easily quantifiable, they represent both potential benefits for the enlarged entity and key drivers in this transaction.

We have not factored these special benefits unique to Kingsgate into our determination of the underlying value of Dominion. We have however considered these benefits in our assessment of the reasonableness of the Share Scheme.

To the extent that Kingsgate is able to realise any part or all of these potential synergies, eligible Dominion shareholders will benefit from any such synergies on a pro-rata basis in accordance with the terms of the Share Scheme.

## 11 Valuation of Dominion

### 11.1 Valuation methodology

The principal asset of Dominion comprises its 100% interest in the Challenger Project in South Australia. Such assets have limited lives and future profitability and mine life depend upon, amongst other factors, the outcome of exploration programmes that are inherently unpredictable.

In our experience, the most appropriate method for determining the value of companies similar to Dominion is on the basis of the fair value of their underlying net assets, with the principal operating assets being valued using the DCF approach.

The DCF methodology has a strong theoretical basis, valuing a business on the net present value (NPV) of its future cash flows. It requires an analysis of future cash flows, the capital structure and costs of capital. This technique is particularly appropriate for start up companies and companies with a limited asset life, which is often the case with companies dependent upon depleting mineral resources. Application of this technique generally requires a 5-year minimum period of analysis. In addition, a sensitivity analysis for variations in key assumptions adopted needs to be performed. On application, the DCF technique should not give a materially different result to that resulting from a capitalisation of the maintainable future earnings of the business.

We have used the audited net assets of the Company as at 30 June 2010 as set out in section 8 of this report as the basis for our valuation, adjusted for any material transactions since that date prior to the date of this report.

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<sup>7</sup> as at 19 October 2010

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ASIC Regulatory Guides envisage the use by an independent expert of specialists when valuing specific assets. To assist KPMG in the valuation of Dominion's assets, AMC was engaged to prepare an independent technical report providing a valuation of Dominion's production, development and exploration assets. A copy of AMC's report, dated 9 December 2010, is attached to this report as Appendix 8.

In respect of the Challenger Project, we have considered the commercial, operational and financial assumptions used in AMC's cash flow model. KPMG was responsible for the determination of certain macroeconomic and other assumptions applied by AMC such as exchange rates, discount rates, inflation and taxation assumptions.

Due to the various uncertainties inherent in the valuation process, AMC has determined a range of values within which it considers the value of each of the mineral assets of Dominion to lie. The valuations ascribed by AMC to the mineral assets of Dominion have been adopted in our report.

Other assets and liabilities of Dominion have been incorporated in our valuation at assessed values or book values as discussed later in this section.

### 11.2 Valuation Summary

We have assessed the fair value of equity in Dominion, inclusive of a "gold premium" and a premium for control, to lie in the range of \$277.7 million to \$349.5 million. This equates to an implied fair value per Dominion share of between approximately \$2.67 and \$3.38.

We have assessed the value of Dominion by aggregating the estimated market value of Dominion's interests in mineral assets, adding the assessed value of other assets and, if appropriate, deducting any external borrowings and non-trading liabilities. The value of Dominion has been assessed on the basis of fair market value, that is, the value that would be negotiated between a knowledgeable and willing, but not anxious buyer, and a knowledgeable and willing, but not anxious seller, acting in an arm's length transaction, where both buyer and seller are fully informed.

In forming our view as to value we have relied upon the valuation of Dominion's mineral asset portfolio prepared by AMC. In arriving at its range of assessed values for Dominion's mineral assets, AMC considered various operating, development and expansion scenarios for the Challenger Project. An overview of AMC's valuation results, adopted methodologies and assumptions in respect of Dominion's mineral assets, in terms of assessed values, is set out below and discussed further in AMC's report which is attached as Appendix 8.

Our range of assessed fair values for a Dominion share includes our estimate of direct synergies that would be available to a pool of purchasers but does not include any strategic or operational benefits unique to Kingsgate resulting from 100% ownership of Dominion.

Set out below is a summary of the range of fair market values at which Dominion's shares have been assessed.

**Table 34: Summary of assessed fair market value of Dominion**

	Assessed values	
	Low \$M	High \$M
100% interest in the Challenger Project	148.0	208.0
Other – exploration potential	14.5	19.4
<b>Total mineral assets</b>	<b>162.5</b>	<b>227.4</b>

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	Assessed values	
	Low \$M	High \$M
Add: Cash and cash equivalents	16.1	16.1
Other receivables – Iron Road Limited	0.5	0.5
Less: Other net liabilities	(1.9)	(2.4)
Loans and borrowings	(0.1)	(0.1)
Hedge book	(2.8)	(2.8)
Future corporate overheads	(3.4)	(5.0)
<b>Total equity value excluding gold / control premia</b>	<b>170.9</b>	<b>233.8</b>
Gold premium	51.3	70.1
Control premium	55.5	45.6
<b>Total equity value including gold / control premia</b>	<b>277.7</b>	<b>349.5</b>
Number of ordinary shares (million) undiluted	103.5	103.5
Performance rights	0.5	-
<b>Number of ordinary shares (million) diluted</b>	<b>104.0</b>	<b>103.5</b>
<b>Value per share</b>	<b>2.67</b>	<b>3.38</b>

*Note: Figures may not add exactly due to rounding*

*Source: KPMG analysis and AMC report*

Our range of assessed fair values is relatively wide reflecting the wide range of values assessed by AMC in relation to the Challenger Project. AMC has noted in its report that the relatively wide range is due to the difference in assumptions between AMC's Case 1 and Case 2 modelling scenarios relating to technical uncertainties including, inter alia, conversion of inferred resource at depth to reserves, the establishment of additional resources and reserves at depth in areas that have been difficult to drill from current drill sites, the grade confidence of the inferred resources, the degree that current reserve to actual production reconciliations continue and mining assumptions below the 79 fault.

### Gold premium

The value of gold companies estimated by DCF valuations is frequently substantially less than the value of the assets observable by reference to equity market values or the price at which the assets are purchased and sold.

Analysis of a sample of recent market research papers prepared by broking houses for various Australian and international gold production companies over the six months prior to the announcement of the Share Scheme indicates that in a significant majority of cases the observed market price at the time of each valuation represented a premium to the analysts' overall net asset values, which were largely derived from DCF values for the underlying mineral production assets, as summarised in the table below.

**Table 35: Comparison of market prices to brokers' DCF values**

	Premium/(discount) of market price to assessed DCF values			
	Low %	High %	Average %	Median %
103 Brokers	-50.7	190.9	30.7	27.8

*Source: Various broking house research papers, KPMG analysis*

We note that the above analysis indicates a wide range of potential outcomes. However the market price represented a premium to the values calculated by application of the DCF methodology in 74% of the 103

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broker reports considered. Whilst the final quantum of the premium of market prices over DCF valuations will, at least in part, be impacted by the underlying assumptions adopted by each broking house, which may differ, potentially significantly, the above analysis provides support for the generally accepted concept of a premium existing for gold companies.

Having regard to the above analysis we consider it reasonable to include a “gold premium” in the order of 30% in assessing the fair market value of a Dominion share.

#### **Premium for control**

The gold premium analysis set out above is based on the observed premium between each company's respective market capitalisation, that is, the combined minority interests in each company, and the prima facie values determined by reference to DCF.

It is generally acknowledged that in order to acquire a 100% controlling interest in a listed company, the acquirer must pay a premium over and above the price at which the shares in the target are trading on ASX prior to the announcement of the takeover bid. This premium reflects the benefits the acquirer achieves through holding a 100% controlling interest in contrast to a portfolio shareholding and even a controlling interest of less than 100%, although the level of premium paid in the latter circumstances may be less than otherwise may have been the case.

The benefits of holding a 100% controlling interest typically may include:

- full and unfettered access to cash flows of the business, control over dividend decisions and the ability to group tax losses
- control over voting at shareholder meetings and, in particular decisions requiring special resolutions, and composition of the Board of Directors
- absolute control over the future direction of the company without the need to have regard to prejudicing the interests of minority shareholders

Various empirical studies in relation to premia paid in transactions where large parcels of shares to which control may attach have been acquired indicate that control premiums typically vary between 25% and 40% for publicly traded shares. Appendix 6 sets out further details in relation to various empirical studies in relation to control premia. Furthermore, in considering this we note that the control premia implied by the selected comparable transactions set out in Appendix 7 ranged from a 5% discount to a 314% premium, with an average of 43% and a median of 21%. Premia are paid for reasons that vary from case to case. In some situations the premium paid may be greater than others due to synergies or other benefits the acquirer expects to realise. In the current circumstances we note that an element of synergy benefits and cost savings has already been included in our assessment of value and that it is not expected that Kingsgate will be able to realise any significant operational synergies unique to it. As such we would expect any premium for control to lie at or below the low end of the range of generally observed premia referred to above. Given the range of values we have elected to apply a lower premium for control at the high end of our range given the upside already captured in that figure.

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The differential between the price for a Dominion share and our range of assessed values may also reflect, amongst other factors:

- The market may have been more bullish than AMC in its assumptions in relation to, inter alia:
  - the current market value of Dominion's exploration projects than that assessed by AMC
  - Dominion's ability to extend the mine life at the Challenger Project than that assumed by AMC
  - various macro economic and financial assumptions advised to AMC by KPMG, including the appropriate discount rate to apply to forecast cash flows and the outlook for future long-term gold prices and AUD:USD exchange rates
- The United States Dollar (USD) gold price is currently trading at record highs and therefore current market prices for gold assets may include premia not necessarily reflective of the underlying technical values of individual projects. In this regard, we note that the closing USD price per ounce of gold on the day prior to the announcement of the Share Scheme was US\$1,336, approximately US\$42 below a high of US\$1,378 achieved only 3 trading days before. Since that time the spot price for gold has exhibited volatility, with closing prices in the range of US\$1,323 to US\$1,410 per ounce.
- KPMG's and AMC's access to additional detailed information not normally available to the market in relation to Dominion's operations, strategies and plans for the future and, in particular, its life of mine plans and the current mark to market value of Dominion's hedge book.

The above factors have been partly mitigated by the fact that our assessed range of values represents a valuation of 100% of Dominion rather than a valuation of a portfolio interest in the Company as traded on ASX.

### **Valuation of the Challenger Project**

AMC has valued Dominion's 100% interest in the reserves and resources forming part of the Challenger Project on the basis of DCF analysis as lying in the range of \$148.0 million to \$208.0 million having regard to two separate development scenarios:

- Case 1: based on ore reserve estimates and that part of other mineral resources for which AMC judges there is a high confidence of future conversion to mining inventory
- Case 2: adds to Case 1 mining and process inventories, those tonnages which AMC judges to represent likely further additions to mining inventory from existing mineral resources and from exploration potential but to a lesser confidence level than Case 1

### **Key operational assumptions**

The principal operational assumptions adopted in AMC's valuation of the Challenger Project's operations are summarised below.

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**Table 36: Key operating assumptions**

Factors	Unit	Case 1 Assumptions	Case 2 Assumptions
Mine Life	Years	5	7
Decline	Metres	180	500
Total ore feed to mill	Mt	2.8	4.3
Average milled ore grade	g/t	5.2	5.9
Average gold recovery	%	93	93
Total ounces recovered	000s	442	752
Total capital cost over life of mine	A\$m	55	135
Average operating cost (nominal)	A\$/ounce	710	645

Source: AMC

We have considered AMC's assumptions and discussed them in detail with AMC in the context of the Challenger Project's current operating capacity and Dominion's own forecast results. Based on our discussions, we consider the assumptions adopted by AMC to be reasonable.

Further discussion regarding the assumptions adopted by AMC in assessing the operational value of the Challenger Project is contained in AMC's report attached as Appendix 8.

### *Economic and financial assumptions*

#### *Commodity prices*

Commodity pricing assumptions utilised by AMC over the period to 2014, as advised to AMC by KPMG, are summarised in the table below.

**Table 37: Summary of gold price assumptions**

	Unit	2011	2012	2013	2014
Gold price	USD/ounce	1,300	1,250	1,200	1,150

Source: CapitalIQ, brokers' notes, various economic commentaries and KPMG analysis

Subsequent to 2014 we have assumed long-term nominal gold prices remain flat at USD 1,150 per ounce.

Selection of appropriate pricing assumptions to include in the forecast cash flows of any asset or business operation is fundamentally a matter of judgement. However, these prices should attempt to reflect those assumptions that purchasers would use in assessing the value of any target company's operations. In selecting appropriate projected commodity prices we have considered both the price of gold forwards and the expectations of market commentators and broking houses in determining an appropriate gold benchmark for our pricing assumptions.

Whilst we note the current positive trend in the current gold forward curve, in our view, given the recent volatility in world equity and debt markets, the long-run historical price for gold and the generally held market view of steady to declining gold prices over the medium/long-term, there is some doubt as to whether any purchaser would adopt long run gold prices suggested solely by reference to the prevailing forward curve in assessing Dominion's future cash flows.

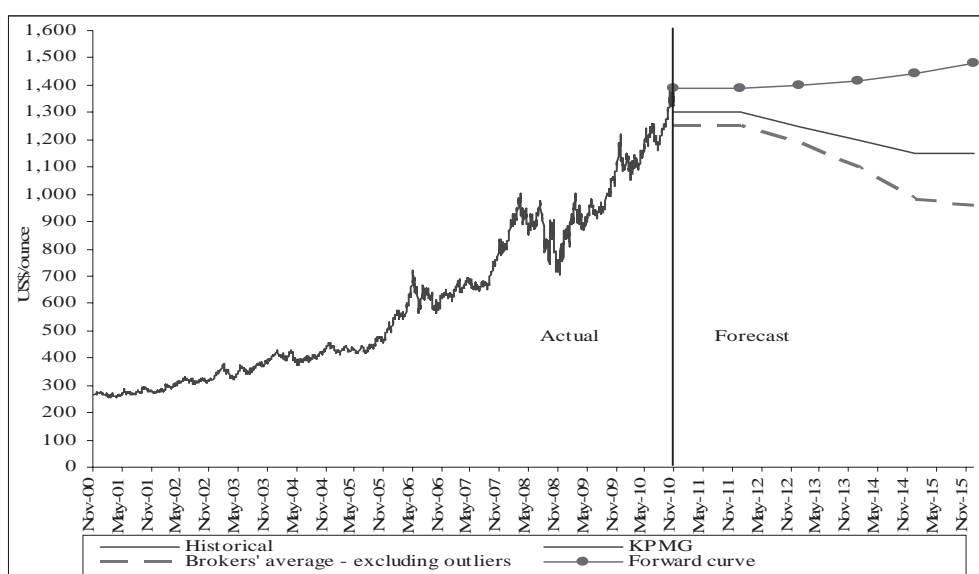
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Set out in the charts below are the daily historical spot prices for gold over the past 20 years to 5 November 2010, the relevant forward curve for gold at that date, the average spot forecasts of a number of brokers / economic forecasts published since May 2010 and our adopted commodity prices.

**Figure 7: Historical and forecast gold prices in USD per ounce**



Source: CapitalIQ, brokers' notes, various economic commentaries and KPMG analysis

## Exchange rates

The exchange rate assumptions adopted in respect of the Challenger Project are summarised in the table below.

**Table 38: Summary of exchange rate assumptions**

	2011	2012	2013	2014
AUD:USD	0.94	0.92	0.88	0.83

Source: CapitalIQ, brokers' notes, various economic commentaries and KPMG analysis

The AUD:USD exchange rate is assumed to remain constant post 2014 based on the expected long-term inflation rates in Australia and the United States such that purchasing power parity is maintained. Forecast exchange rates have been assessed by us having regard to the prevailing spot exchange price (in the order of AUD:USD 0.99), the prevailing forward exchange curve and also forecasts published by various broking houses and economic commentators.



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### *Inflation*

Inflation rate assumptions adopted by AMC in the period as advised by KPMG are set out in the table below.

**Table 39: Summary of inflation assumptions**

	2011	2012	2013	2014
Australia	3.0%	2.9%	2.5%	2.5%
United States	1.5%	2.0%	2.3%	2.5%

Source: CapitalIQ, brokers' notes, various economic commentaries and KPMG analysis

Australian and United States inflation was determined having regard to the forecasts of a range of brokers and economic commentators. Subsequent to 2014, the rate has been assumed to remain constant at 2.5% per annum for both Australia and the United States.

### *Other assumptions*

Other key financial and economic assumptions adopted by us in assessing the value of the Challenger Project include:

- an Australian corporate tax rate of 30% over the life of the mine
- an ungeared, post tax nominal discount rate in the range of 10.6% per annum to 12.2% per annum. The basis for our calculation of discount rates is discussed at Appendix 4 to this report.

### *Sensitivity analysis*

AMC has undertaken a sensitivity analysis around its low and high cases for the Challenger Project based on a range of operational, commercial, financial and other key assumptions. We have summarised the outcome for the low case in the table below and further information and analysis is contained in AMC's report at Appendix 8.

**Table 40: Sensitivity analysis – the Challenger Project Low Case**

% Change	Net present value impact				
	Operating costs	Capital costs	Gold Price	Exchange Rate	Discount rate
-40%	221	167	-27	372	160
30%	203	162	21	293	157
20%	185	157	68	233	154
10%	167	153	111	186	151
<b>0%</b>	<b>148</b>	<b>148</b>	<b>148</b>	<b>148</b>	<b>148</b>
-10%	129	143	183	115	145
-20%	108	139	217	82	142
-30%	85	134	250	53	140
-40%	62	129	283	27	137

Source: KPMG analysis and AMC report

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The sensitivity analysis indicates that the NPV of the Challenger Project is particularly sensitive to movements in the assumed operating costs, gold price and the exchange rate.

#### Exploration potential / valuation of other mineral assets

AMC has valued Dominion's exploration assets not factored into the above project cash flows in the range of \$14.5 million to \$19.4 million, as summarised in the table below.

**Table 41: Valuation of exploration assets**

Location	Low \$M	High \$M
Labyrinth	1.0	2.0
Bulgunnia	2.0	2.5
Barton West	2.3	2.7
Central Tenements Area	0.7	0.7
Cundeelee	2.4	3.0
Calingiri/Wongan Hills	1.3	2.1
South West Yilgarn	2.8	3.2
Challenger West	2.0	3.2
<b>Total</b>	<b>14.5</b>	<b>19.4</b>

*Source: AMC report*

In assessing these values, AMC has considered accepted methods for valuing mineral assets including the in-situ or yardstick method and multiples of past expenditure. Further details in relation to each of these assets and the valuation methodology adopted are set out in AMC's report.

#### Other assets

Net assets not valued as part of Dominion's mining operations comprise cash, non-mining items of plant and equipment and sundry other assets and liabilities. Except as specifically noted below, having regard to their nature and quantum, these assets and liabilities have been incorporated in our valuation at net book values as at 30 June 2010.

#### Cash

We have adjusted Dominion's cash holdings of \$15.9 million as at 30 June 2010 to reflect:

- an increase in cash in respect of Dominion's estimated cash generated by operations for the 3 months ended 30 September 2010
- a reduction in cash in respect of the unfranked final dividend for the year ended 30 June 2010 declared by the Company

Accordingly, we have adopted an estimated cash balance for Dominion of \$16.1 million.

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#### ***Inventories***

Broken ore stockpiles, crushed stocks and gold in circuit have been included in AMC's cash flow models. Stores and consumables and metals on account have been valued separately as part of working capital movements.

#### ***Working capital***

Trade debtors, stores and consumables, metals account and trade creditors have been assumed to be realised and replenished on an on-going basis over the life of the operational mineral assets in which Dominion has an interest. Working capital movements were calculated after consideration of the ratio of average trade debtors, stores and consumables, metals account and trade creditors for various comparable companies in respect of each company's last full financial year to the relevant company's full year operating revenue. We have assessed the NPV of the net movement in working capital to be in the range of negative \$0.9 million to negative \$1.4 million.

#### ***Prepayments***

Other current assets as at 30 June 2010 include prepayments of approximately \$0.3 million. We have not included any value in respect of prepayments as we do not consider any third party purchaser would be prepared to pay any consideration in respect of these assets.

#### ***Property, plant and equipment***

Items of plant and equipment required for the operation of Dominion's gold operations have been incorporated in our valuation of Dominion's gold production assets. Non-mining property, plant and equipment has been included other net assets at the Company's written down value as at 30 June 2010.

#### ***Off balance sheet items***

#### ***Future corporate overheads***

Dominion incurs corporate overheads in relation to managing its business and maintaining its operating assets. These costs have not been incorporated into the valuation of Dominion's mineral assets set out above, and therefore it is necessary to deduct the present value of anticipated future management and administrative costs in relation to Dominion's operating assets from the value of the Company. Dominion estimates that its corporate costs in the absence of the Share Scheme are likely to be in the order of \$2.1 million per annum (in 2011 post-tax dollars).

We have been provided with a schedule prepared by Dominion that sets out the Company's assessment of the synergy benefits and cost savings likely to be available to a pool of purchasers in acquiring a 100% interest in the Company. Dominion's corporate overheads after synergies and cost savings available to a pool of purchasers have been estimated to be between approximately \$1.5 million and \$1.7 million per annum (in 2011 post tax dollars) over the life of Dominion's current production and development projects. The NPV of these adjusted corporate costs, having regard to the nature of the Company's portfolio of operating assets, the expected lives of the various assets and estimated one-off costs in realising these cost savings, has been

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estimated to be in the range of approximately \$3.4 million (under AMC's Case 1) to \$5.0 million (under AMC's Case 2) on a post-tax basis.

We note that Kingsgate has stated its intention to retain all employees of Dominion (with the exception of Dominion's current executive directors) and it expects to achieve cost synergies as a result of a reduction in corporate, listing and compliance costs.

### ***Gold hedge contracts***

After consideration of a mark-to-market calculation of Dominion's forward gold sales contracts as at 31 October 2010 and associated tax implications, we have valued Dominion's net hedge book as being approximately \$2.8 million out of the money.

### ***Diesel hedge contracts***

Dominion calculated the mark to market value of its diesel hedges as at 30 June 2010 as being \$17,359. We have been advised by Dominion that the mark to market value for the diesel hedges has not moved materially between 30 June 2010 and the date of this report. Accordingly, we do not consider the diesel hedge contracts to be material and have not reflected them in our assessed values for Dominion.

### ***Tax losses***

Dominion's carry forward revenue tax losses have been incorporated in our valuation of Dominion's gold production assets. Given Dominion expects no foreseeable taxable capital gains against which the Company's capital tax losses could be absorbed, we have not ascribed a value to Dominion's capital tax losses for the purpose of our valuation.

### ***Iron Road JV receivable***

During the 3 months ended 30 September 2010, Iron Road confirmed that it has met the expenditure requirement to earn a 51% interest in the rights to iron ore within certain of Dominion's Gawler tenements and that it intends to continue with the farm-in agreement. Under the joint venture agreement, Iron Road is required to issue Dominion with \$500,000 worth of Iron Road shares in addition to the expenditure to earn the 51% interest. We understand the \$500,000 worth of Iron Road shares were not reflected in Dominion's financial statements as at 30 June 2010 and, accordingly, we have included a receivable relating to the Iron Road shares of \$500,000 in our assessed values for Dominion.

### ***Proceeds from the exercise of options***

Dominion currently has approximately 7.2 million options on issue. Base on our assessed undiluted value of a Dominion share, we have assessed none of the Dominion options are currently "in the money". Accordingly, we have not adjusted our assessed value ranges for Dominion's options on issue.

### ***Performance rights***

Dominion has 500,000 performance rights on issue as at 30 June 2010 held by Mr Jonathan Shellabear, which we understand will be cancelled in consideration for the payment by Kingsgate to Mr Jonathan Shellabear of

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\$0.1 million in the event that the Share Scheme is approved. The performance rights are subject to specified relative Total Shareholder Return performance hurdles which have not been met at the date of this report. For the purposes of our assessed values per Dominion share we have increased the number of shares on issue assuming the performance rights convert at the high end of our range and made no adjustment at the low end of our range.

### 11.3 Other valuation parameters

#### Value per reserves

KPMG's valuation of Dominion's equity, inclusive of a gold premium and a premium for control lies between \$277.7 million and \$349.5 million and its estimated current net debt/(cash) position implies an enterprise value for Dominion in the order of \$261.6 million to \$333.4 million. Based on the Company's quoted reserves, the implied enterprise value reserve multiples are as set out in the table below.

**Table 42: Implied Dominion valuation multiples per reserve ounce**

Parameter	Low \$/ounce	High \$/ounce
Reserves <sup>1</sup>	622	793

*Note 1: Implied reserve multiples are calculated using Dominion's most recent stated reserve ounces of 420,440 ounces.*

*Source: KPMG analysis*

Set out in Appendix 5 is an analysis of the value per reserve ounce for various companies selected for comparison implied by the market capitalisation and most recent net debt/(cash) positions of those companies as summarised in the table below. Notwithstanding this analysis indicates a wide range of outcomes, we note that the range of Dominion's implied reserves values above lie well within this range as illustrated diagrammatically in the figure below, albeit toward the high end.

**Table 43: Implied Comparable Company valuation multiples per reserve ounce**

Parameter	Low \$/ounce	High \$/ounce	Average \$/ounce	Median \$/ounce
Reserve <sup>1</sup>	134	940	410	310

*Note 1: The implied reserve multiple of selected comparable companies excluding outliers*

*Source: KPMG analysis*



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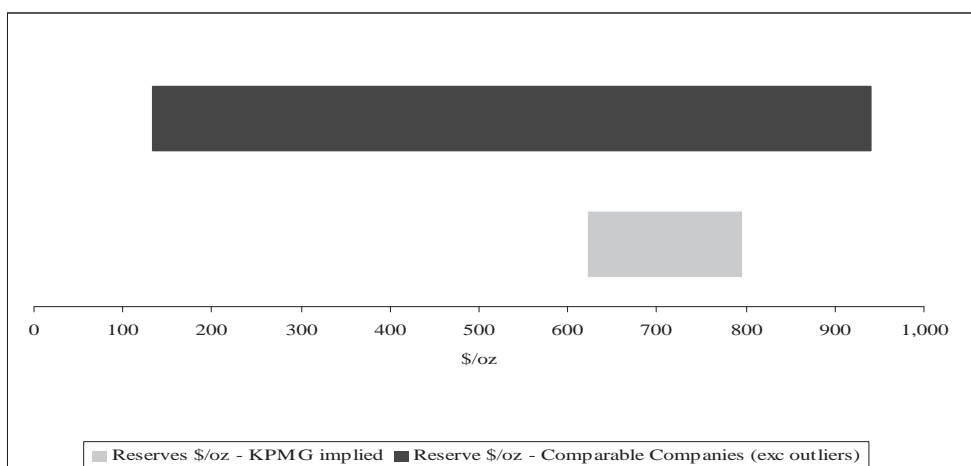
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**Figure 8: Dominion's implied value of reserve AUD/ounces compared to those of comparable companies**



Source: KPMG analysis

The implied value per reserve ounce as a measure should however be viewed with some caution as it does not capture such things as:

- the extent to which reserves have been developed, their quality, location or proximity to infrastructure
- the quantum or timing of future capital costs required to realise the underlying reserves
- potential timing differences companies in reporting updated reserves and resources figures.

Furthermore, in considering this it is important to we note that the market capitalisation of the companies selected for comparison considered may not include a premium for control. If a premium for control had been included this would have had the impact of increasing the range of values , as well as both the average and median value per reserve ounce of the relevant companies.

#### Value per resources

KPMG's implied enterprise value for Dominion in the order of \$261.6 million to \$333.4 million implies resource multiples are as set out in the table below.

**Table 44: Implied Dominion valuation multiples per resource ounce**

Parameter	Low \$/ounce	High \$/ounce
Resources <sup>1</sup>	275	351

*Note 1: Implied resource multiples are calculated using Dominion's most recent stated resources ounces of 950,220 ounces*

Source: KPMG analysis

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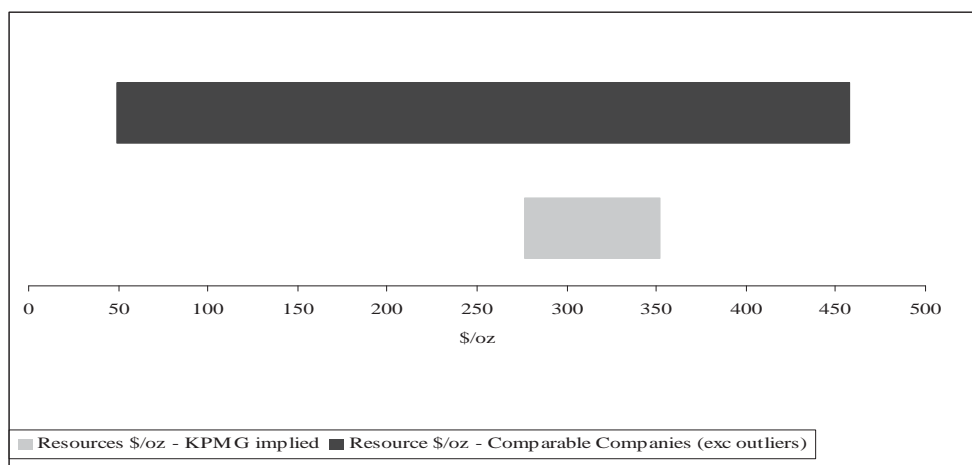
Similar to reserves, we have conducted an analysis of the value per resource ounce for selected comparable companies implied by the market capitalisation and most recent net debt/(cash) positions of those companies. The details of these implied trading resource multiples are set out in Appendix 5. Notwithstanding that this analysis indicates a wide range of outcomes, we note that the range of Dominion's implied resource values above lie well within this range as illustrated diagrammatically in the figure below, again albeit toward the high end.

**Table 45: Implied Comparable Company valuation multiples per resource ounce**

Parameter	Low \$/ounce	High \$/ounce	Average \$/ounce	Median \$/ounce
Resource <sup>1</sup>	49	457	183	158
<i>Note 1 : The implied resource multiple using the comparable companies excluding outliers</i>				

Source: KPMG analysis

**Figure 9: Comparison of Dominion's implied value of resource AUD/ounces to those of comparable companies**



Source: AMC and KPMG analysis

We again note that implied value per resource ounce as a measure should be viewed with some caution for the reasons set out above and that, in particular, the market capitalisation of the comparable companies considered may not include a premium for control. If a premium for control had been included this would have had the impact of increasing both the average and median value per resource ounce of the comparable companies.

### Comparable company trading multiples

Based on KPMG's implied enterprise value for Dominion in the order of \$261.6 million to \$333.4 million and the Company's 2010 EBITDA of 25 million, the implied 2010 EBITDA multiples are as set out in the table below.

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**Table 46: Implied Dominion valuation 2010 EBITDA multiples**

Parameter	Low (times)	High (times)
2010 EBITDA multiple	10.5	13.3

*Source: KPMG analysis*

This compares to the range of headline historical EBITDA multiples of the companies selected for comparison purposes of between 4.4 times and 28.3 times, with an average of 14.6 times (excluding outliers and companies with negative EBITDA).

Whilst Dominion's EBITDA multiples lie well within the range of multiples of selected comparable companies, it lies below the average.

We note however that implied EBITDA multiples as a measure of value in the gold industry should be viewed with some caution, as the application of current accounting standards in relation to the treatment of hedge and other derivative contracts can result in significant earnings adjustments. In particular, recent strong gold prices have resulted in various companies recorded significant unrealised losses in respect of hedge books. In the event these accounting adjustments are excluded the EBITDA multiples of a number of companies would reduce.

We also note that EBITDA multiples can be impacted by the stage of development of each company's projects.

#### **Transaction reserve and resource multiples**

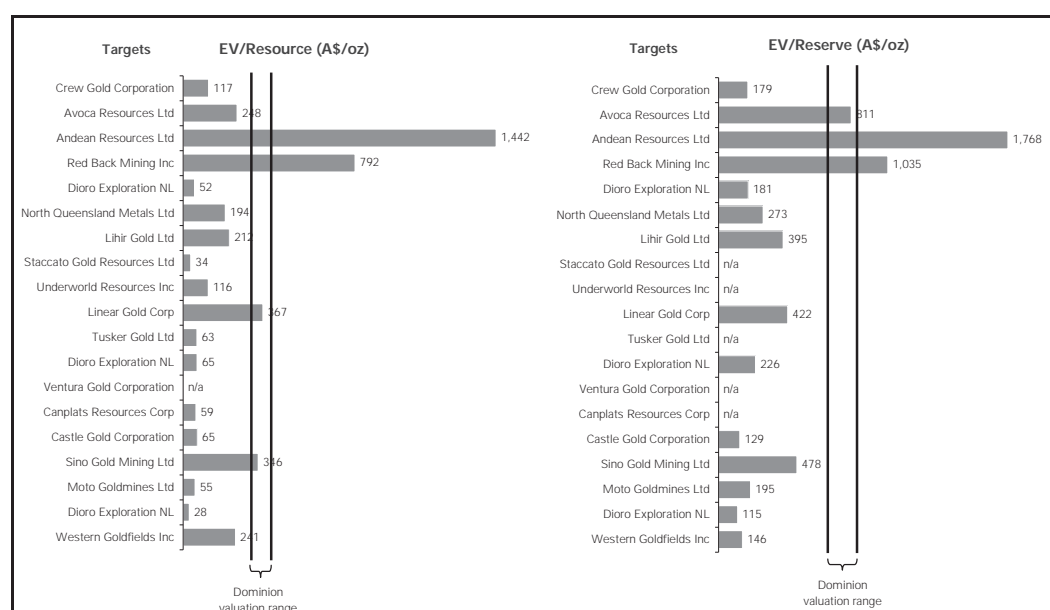
KPMG has reviewed data on a range of recent domestic acquisition transactions for mid sized gold production and exploration companies. The results of this analysis are set out at Appendix 7 to this report and indicate a wide range of valuation metrics. However, as shown below the range of values per reserve and resource ounce implied by our valuation range attributable to Dominion lie within the observed range in recent takeovers which are shown in chronological order with the most recent at the top.

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**Figure 10: Comparison reserve transaction multiples**



Source: KPMG analysis

Having regard to the foregoing, we do not consider the outcome of our analysis of comparable trading and transaction valuation metrics to be unexpected.

## 12 Valuation of the expanded Kingsgate

It is difficult to conclude on the extent of any re-rating of a Kingsgate share price, if any, following completion of the Share Scheme for a number of reasons including:

- the prevailing Kingsgate share price may arguably, in theory, already include at least some re-rating based on the market's perception as to the merits of the Share Scheme
- the impact of any 'overhang' on the share price of Kingsgate shares is unknown but may be potentially significant, at least in the short term following completion of the Share Scheme, if eligible Dominion shareholders seek to sell the scrip received under the Share Scheme
- the timeframe over which any re-rating, if any, of the expanded Kingsgate's shares may occur is uncertain.

Notwithstanding the foregoing comments, we have set out below for illustrative purposes hypothetical, indicative calculations as to the extent to which, in theory, the Kingsgate share price could be re-rated in circumstances where the market accepts the assessed fair values for a share in Dominion determined by KPMG in our Independent Expert Report assuming the Share Scheme and the Option Scheme are approved.

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**Table 47: Hypothetical indicative values of potential re-rating of shares in the expanded Kingsgate post completion of the Share Scheme and the Option Scheme**

	Low \$	High \$
Assessed fair value of a share in Dominion	2.67	3.38
Closing price for a Kingsgate share on ASX on 8 December 2010	10.68	10.68
Indicative potential value of a share in the expanded Kingsgate following implementation of the Share Scheme, the Option Scheme and the Laguna takeover	9.71	9.97

Source: KPMG analysis

These indicative calculations have been based on:

- the assessed fair value of Dominion as a whole, after a reduction to reverse any premium for control to recognise that each Dominion shareholder will receive a portfolio shareholding in the expanded Kingsgate
- the closing market capitalisation of Kingsgate on 8 December 2010
- a simple assumption that the relevant pro-rata share assessed fair value paid by Kingsgate to acquire Dominion will be immediately recognised in the share price of the expanded Kingsgate
- the estimated post Share Scheme issued capital in Kingsgate
- the estimated post Option Scheme issued capital in Kingsgate
- the estimated 2.2 million new Kingsgate shares issued to Laguna shareholders and a Kingsgate share price as at 8 December 2010

### 13 Evaluation of the Share Scheme Consideration

It would be ideal to compare the assessed fair value of Dominion based on a detailed first principles analysis to the assessed fair value of Kingsgate on the same basis. Unfortunately this is not available to us given that AMC has had access to extensive detailed operational and technical information on Dominion's assets from Dominion but similar detailed information on Kingsgate's assets has not been provided by Kingsgate and information available in the public domain is not considered by AMC to be sufficient to enable a robust first principles valuation to be performed.

In the absence of this detailed information, we have considered whether there is any reason to expect that the current trading price for a Kingsgate share is, based on publicly available information, unlikely to be representative of the price at which a minority shareholder in Kingsgate could expect to realise on the divestment of its interest. Given individual eligible Dominion shareholders will hold minority interests in the expanded Kingsgate, it is not appropriate to include any premium for control in this consideration.

This approach cannot therefore recognise the premium to current trading prices, if any, that may attach to an assessment of the fair value of a minority interest in Kingsgate on a similar detailed first principles valuation basis.



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Given Dominion shareholders will receive an equivalent of 0.31 new Kingsgate shares for each Dominion share on issue, we have considered whether there is any reason to expect that the fair value of a Kingsgate share is likely to lie below our range of assessed fair values for a Dominion share (inclusive of a premium for control and gold premium).

Accordingly, based on the our range of assessed values of a Dominion share of between \$2.67 and \$3.38 and 0.31 new Kingsgate shares for each Dominion share currently on issue the value of a Kingsgate share should be at least equivalent to \$8.61<sup>8</sup> in order for Dominion shareholders to not be financially disadvantaged.

We note that if the high end of our range of \$3.38 for a Dominion share is adopted, the equivalent price for a Kingsgate share increases to \$10.90.

In the absence of unusual circumstances, prices at which a Company's shares trade on a stock exchange are often considered to provide an objective measure of the value of the combined portfolio interests in that company on the basis that market prices are assumed to incorporate the influence of all publicly available information on the company, its prospects, future earnings and risk.

Although share prices reflect only marginal trades in portfolio holdings, the share price represents the cash equivalent eligible Dominion shareholders could, all other things being equal, expect to realise if they sold the Kingsgate shares to be issued to them immediately upon receipt or in the short term thereafter. We consider there to be no basis upon which to challenge this assumption, given:

- Kingsgate's shares are traded with a moderate level of liquidity and on a regular basis with no apparent impediment to trading
- Kingsgate's share register is fairly open with no single shareholder holding materially more than 20% of Kingsgate's issued capital and therefore no one shareholder is in a position to dominate decisions in relation to the future direction and strategic initiatives of the company
- the Listing Rules of ASX impose continuous disclosure obligations on listed companies with the objective of keeping markets fully informed. A review of Kingsgate's historical announcements to ASX indicate that it regularly advises the market as to the success or otherwise of exploration and drilling programmes and its future outlook and planning
- there are a number of gold production and exploration companies against which Kingsgate's performance may be benchmarked
- Kingsgate is followed by a number of broking houses, which provides the market with independent pricing indicators

Consistent with usual practice, and to ensure that our analysis does not in itself incorporate the effects of the Share Scheme, we have primarily undertaken our analysis based on market values that existed prior to the announcement of the Share Scheme. However, as the final value of the consideration proposed under the Share Scheme to Dominion shareholders is dependent upon the Kingsgate share price subsequent to the date of the

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<sup>8</sup> Being \$2.67 divided by 0.31

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announcement of the Share Scheme, we have, as appropriate, also considered Kingsgate's share price between the date of the announcement of the Share Scheme and the date of this report.

In assessing the value of a Kingsgate share, we have had particular regard to the trading price of a Kingsgate share on ASX at various points in the three month period prior to the announcement of the Share Scheme; various broker reports and industry research in relation to Kingsgate released in the period immediately prior to the announcement of the Share Scheme; comparison against various comparable company trading multiples; various broker reports and industry research in relation to Kingsgate released subsequent to the announcement of the Share Scheme and prior to the date of this report and the trading price of an Kingsgate share on ASX subsequent to the announcement of the Share Scheme.

This approach cannot therefore recognise the premium to current trading prices, if any, that may attach to an assessment of the fair value of a minority interest in Kingsgate on a similar detailed first principles valuation basis.

### 13.1 Pre-bid trading prices

Over the three-month period prior to the announcement of the Share Scheme, Kingsgate shares traded at a VWAP of \$10.89. This figure increased to \$11.96 in the week prior to the announcement of the Share Scheme and retreated to \$11.72 the day prior to the announcement of the Share Scheme before closing at \$11.71 as shown in the table below.

**Table 48: Trading liquidity in Kingsgate's shares on ASX prior to 20 October 2010**

Period up to and including 19 Oct 10	Closing share price (low) \$	Closing share price (high) \$	VWAP \$	Cumulative volume 000s	As a % of total issued capital
1 day	11.71	11.71	11.72	595.07	0.59
1 week	11.71	12.15	11.96	2,219.03	2.20
1 month	11.43	12.15	11.82	13,416.23	13.28
3 months	9.42	12.15	10.89	35,434.66	35.14
6 months	8.14	12.15	10.14	65,509.51	65.71
12 months	7.30	12.15	9.59	131,882.89	133.94

Source: Capital IQ and IRESS

As noted in section 9 of this report, trading in Kingsgate's shares is considered to be moderate, but with no apparent impediments to trading. Therefore the price at which Kingsgate's shares trade on ASX can reasonably be taken to be representative of the price that a portfolio shareholder could have realised for their investment during that period.

We note that the value of a Dominion share implied by the Share Scheme of 0.31 Kingsgate shares for every one Dominion shares and Kingsgate's three month VWAP of \$10.89 is \$3.38 per Dominion share, which represents:

- a premium of approximately 26% to the low end of our range of assessed fair values for a Dominion share of \$2.67 (inclusive of adjustment for gold premium and premium for control)
- no premium to the high end of our range of assessed fair values for a Dominion share of \$3.38 (inclusive of adjustment for gold premium and premium for control).

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In the event the Share Scheme is implemented, the number of expanded Kingsgate shares on issue will increase by the order of 32.1 million<sup>9</sup>.

Taking into account that the Kingsgate shares which would otherwise have been issued to foreign shareholders or those shareholders with unmarketable parcels will instead be sold on market, and based on the level of liquidity in Kingsgate's shares in the three months prior to the Share Scheme, it may take in excess of two months for the market to absorb these additional shares on issue, therefore creating the potential for an overhang in the market for the expanded Kingsgate's issued capital immediately following completion of the Share Scheme.

### 13.2 Pre-announcement brokers' notes

Kingsgate has a reasonable level of following in the broking community, with a number of broking houses releasing briefing papers in the three months prior to the announcement of the Share Scheme. A summary of the brokers papers published in respect of Kingsgate is set out below.

**Table 49: Comparison of brokers' stock recommendations for Kingsgate**

Broker	Date of report	Share price (day prior to report) \$	Price target \$	Stock recommendation
Broker 1	8 September 2010	10.49	12.00	Buy
Broker 2	31 August 2010	9.92	Not disclosed	Positive
Broker 3	30 August 2010	9.92	8.22	Hold
Broker 4	30 August 2010	9.92	12.40	Outperform
Broker 5	30 August 2010	10.02	11.20	Outperform
Broker 6	30 August 2010	9.90	10.75	Neutral
Broker 7	30 August 2010	9.92	12.50	Buy
Broker 8	30 August 2010	9.88	12.45	Hold
Broker 5	21 July 2010	9.51	11.00	Outperform
Broker 4	21 July 2010	9.51	10.60	Outperform
Broker 8	21 July 2010	9.51	12.74	Buy
Broker 7	21 July 2010	9.40	12.90	Buy

Source: Various brokers' reports on Kingsgate

In considering the above table we note that, on 30 August 2010, Kingsgate announced its full year financial results for the year ended 30 June 2010, disclosing a headline net profit of \$73 million.

On 27 September 2010, Kingsgate announced the production for the September 2010 quarter will be lower than the average quarterly production for the year ended 30 June 2010. However, Kingsgate did not revise its forecast production for the year ending 30 June 2011, being 120,000 to 130,000 ounces.

We note that only one broking house was forecasting downward pressure on Kingsgate's trading price and that broking house did not disclose the basis for its price target, its NPV valuation, nor provide commentary as to why it had forecast downward pressure on Kingsgate's share price.

<sup>9</sup> 32.4 million in the event the Option Scheme is also approved



### **13.3 Comparison against comparable companies**

#### **13.3.1 Multiples of reserve and resource ounces**

Kingsgate's implied enterprise value per reserve and resources ounce based on its market capitalisation the day prior to 20 October 2010 was approximately \$594 per reserve ounce and \$265 per resource ounce.

Our analysis of the implied value of reserves of selected comparable listed gold companies set out in Appendix 5 indicates:

- a wide range of values per reserve ounce of between \$134 per ounce and \$940 per ounce, with an average of \$410 per ounce excluding outliers
- a wide range of values per resource ounce of between \$49 per ounce and \$457 per ounce, with an average of \$183 per ounce excluding outliers

Kingsgate's implied value per reserve ounce and value per resource ounce both fall within the ranges of comparable companies, albeit slightly above the averages.

We note that our previous comments in relation to the limitations of this benchmarking when considering Dominion's comparative valuation parameters are equally applicable to Kingsgate, however, in general the reserve and resource per ounce results implied by Kingsgate's share price at the date of announcement of the Share Scheme are not unexpected and, on balance, do not seem unreasonable.

#### **13.3.2 EBITDA trading multiples**

As shown in Appendix 5, Kingsgate's enterprise value as at 19 October 2010 (being the last trading day prior to the announcement of the Share Scheme) as a multiple of its headline historical 2010 EBITDA was approximately 11.8 times.

This compares to the range of headline historical EBITDA multiples of selected comparable listed gold companies of between 4.4 times and 28.3 times, with an average of 14.6 times (excluding outliers and companies with negative EBITDA).

Kingsgate's EBITDA multiple lies within the range of multiples of selected comparable companies, albeit slightly below the average.

We note however that implied EBITDA multiples as a measure of value in the gold industry should be viewed with some caution, as the application of current accounting standards in relation to the treatment of hedge and other derivative contracts can result in significant earnings adjustments. In particular, recent strong gold prices have resulted in various companies recorded significant unrealised losses in respect of hedge books. In the event these accounting adjustments are excluded the EBITDA multiples of a number of companies may reduce.

We also note that EBITDA multiples can be impacted by the stage of development of each company's projects.

#### **13.3.3 Transaction multiples**

KPMG has reviewed data on a range of recent domestic acquisition transactions for mid sized gold production and exploration companies. The results of this analysis are set out at Appendix 7 to this report and indicate a

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wide range of valuation metrics. However, we make the following general observations in relation to this analysis:

- Kingsgate's implied value per reserve and resources ounce lie within the observed range in recent takeovers.
- Kingsgate's implied headline historical 2010 EBITDA lies within the observed range in recent takeovers.

Having regard to the foregoing, we do not consider the outcome of our analysis of comparable trading and transaction valuation metrics to be unexpected.

Furthermore, in considering this we note that the value per reserve and resource ounce and EBITDA multiples implied by the selected comparable transactions may include a premium for control. If a discount for minority interests had been included this would have had the impact of decreasing both the average and median value per reserve and resource ounce and the EBITDA multiples of the relevant companies.

### 13.4 Post-announcement brokers' notes

Set out below are summary details of briefing papers released by some of the previously referred broking houses in the period subsequent to the announcement of the Share Scheme.

**Table 50: Comparison of brokers' stock recommendations for Kingsgate post 20 October 2010**

Broker	Date of report	Share price (day prior to report) \$	Price target \$	Stock recommendation
Broker 5	12 November 2010	11.19	10.00	Not rated
Broker 10	9 November 2010	11.30	12.50	Buy
Broker 4	1 November 2010	10.03	Not disclosed	Not rated
Broker 7	31 October 2010	10.03	12.50	Buy
Broker 9	29 October 2010	10.03	Not disclosed	Not rated
Broker 11	26 October 2010	10.27	13.00	Market Perform
Broker 4	26 October 2010	10.41	Not disclosed	Not rated
Broker 8	26 October 2010	10.41	12.80	Hold
Broker 6	25 October 2010	10.43	10.75	B-3-8 / Medium
Broker 12	25 October 2010	10.41	11.42	Hold
Broker 13	25 October 2010	10.41	Not disclosed	Not rated
Broker 8	21 October 2010	11.71	12.80	Hold
Broker 2	21 October 2010	11.71	10.10	Negative
Broker 6	20 October 2010	11.71	10.75	B-3-8 / Medium
Broker 9	20 October 2010	11.71	Not disclosed	Not rated
Broker 5	20 October 2010	11.71	10.00	Underperform
Broker 7	20 October 2010	11.71	12.50	Hold

Source: Various brokers' reports on Kingsgate

The brokers' generally note that a full price has been offered for Dominion under the Share Scheme with assessed benefits including increased scale of operations and liquidity, acquisition of Dominion's underground experienced employees, increased exploration portfolio, reduction in single mine risk and increased reserves and resources. Generally brokers did not expect any operational synergies although they did assume some cost



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savings through the combination of corporate offices. The brokers' comment generally that the Share Scheme was a good offer for Dominion shareholders and, accordingly, may be NPV per share dilutive for Kingsgate resulting in some slight downward pressure on Kingsgate's share price in the short term. In particular Broker 7 commented that the downward reaction immediately following the announcement of the Share Scheme appeared to be an overreaction to the full price being offered and upgraded their recommendation to 'Buy'.

Broker 9 also note that Kingsgate's September 2010 quarter production was weaker than their estimates due to lower grade ore being mined and heavy rain and power shortages impacting production.

Furthermore, the proposed Laguna acquisition has been generally well received by the broking community, albeit it has also been noted that the deal is immaterial relative to Kingsgate's market capitalisation.

We also note that the lowest target price for Kingsgate post the announcement of the Share Scheme is \$10.00 per share with an average target price of \$11.59 per Kingsgate share.

#### 13.5 Post bid trading prices

Kingsgate shares closed at \$10.61 on the first trading day following the announcement of the Share Scheme, representing a discount of approximately 9.4% to the closing price of \$11.71 on the last trading day immediately prior to the announcement of the Share Scheme.

In the period since the announcement of the Share Scheme to 24 November 2010, Kingsgate shares closed in the range of \$10.00 to \$11.33 on ASX. The VWAP over the period was \$10.64, representing a discount of 9.14% to the closing price of \$11.71 on the last trading day immediately prior to the announcement of the Share Scheme. We note that over the same period the S&P ASX All Ordinaries index increased by 0.75%, while the S&P ASX Gold index increased by 2.10%.

As at 24 November 2010, Kingsgate has made three price-sensitive following announcements (unrelated to the Share Scheme) which may have impacted upon Kingsgate trading price since the announcement of the Share Scheme:

- on 25 October 2010, Kingsgate announced it had signed a Bid Implementation Agreement for a conditional off-market takeover bid for all of the issued and outstanding shares in Laguna Resources NL. The consideration for the takeover comprises one Kingsgate share for every 520 Laguna shares. The consideration offered based on Kingsgate's closing share price on 25 October 2010, implies a value for Laguna of approximately \$22 million as at 25 October 2010
- on 29 October 2010, Kingsgate announced its quarterly report on activities for the 3 months ended 30 September 2010
- on 18 November 2010, Kingsgate announced that the current deeper drilling programme continues to confirm the underground at potential at the Chatree Gold Mine.

Having regard to Kingsgate's historical trading, we consider these announcements are unlikely to have a material negative impact on Kingsgate's share price.

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Based on the last closing price for a Kingsgate share on 8 December 2010 of \$10.68 and the terms of the Share Consideration of 0.31 Kingsgate shares for every Dominion share on issue, this implies a current consideration per Dominion share of \$3.31, which represents a premium of approximately 24% to \$2.67, being the low end of our range of assessed fair values for a Dominion share (inclusive of a gold premium and a premium for control).

**Having regard to each of the above considerations, we believe it is reasonable to expect that a Kingsgate share would trade at an equivalent price in the immediate future that is not less than our assessed range of values for a Dominion share, all other things being equal.**

## 14 Evaluation of the Option Scheme Consideration

Under the Option Scheme, all of the Options on issue will be cancelled pursuant to an option scheme of arrangement in exchange for Kingsgate shares based on the calculated value of the Options by reference to the Black-Scholes option pricing methodology and certain nominated assumptions. The assumed spot share price for the purposes of the Black-Scholes calculation is based on the value of 0.31 Kingsgate shares implied by the VWAP of Kingsgate shares for the five days before the announcement of the Share Scheme.

Given Dominion optionholders will receive an equivalent of 0.31 new Kingsgate shares for the calculated value of each of the Options, we have compared our assessed values for the Options as at 19 October 2010 with the values implied by the terms of the Option Scheme and the Kingsgate share price as at 19 October 2010

We have also considered the likelihood that the fair value of the new Kingsgate shares offered for each Dominion option will lie below our range of assessed fair values for each option tranche.

### 14.1 Valuation of the Options pre announcement

The following table sets out our assessed values for the Options as at 19 October 2010:

**Table 51: Summary of assessed values for the Options as at 19 October 2010**

	Exercise price \$	Expiry date	KPMG calculated value	
			Low \$ per option	Low \$ per option
Tranche 1	5.00	19 December 2011	0.10	0.22
Tranche 2	5.50	19 December 2011	0.07	0.18
Tranche 3	6.05	19 December 2011	0.05	0.14
Tranche 4	3.60	4 June 2012	0.39	0.58
Tranche 5	3.96	4 June 2012	0.32	0.50
Tranche 6	4.36	4 June 2012	0.25	0.43
Tranche 7	3.58	1 January 2011 <sup>1</sup>	0.03	0.07

*Note 1: We note that Dominion also has 600,000 options (in addition to the tranches set out above) with an expiry date of 1 January 2011 currently on issue. To the extent that the holders of those options exercise them on or before 1 January 2011 they will become Dominion shareholders who may be able to participate in the Share Scheme. As these Options will expire prior to the relevant meeting date of Dominion shareholders and Dominion optionholders we have not included them in our analysis of the Option Scheme.*

Source: KPMG analysis

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Key assumptions adopted by us in assessing the above values of the Options include:

- an assumed Dominion share spot price of \$2.73, being the closing share price on 19 October 2010
- expected volatility in the range of approximately 45% to 60%, selected after consideration of the historical trading volatility of Dominion and the selected comparable listed companies set out in Appendix 5
- a dividend yield of 2%
- expected risk-free rate of return by reference to the Commonwealth Government Bond rate with a yield-to-maturity that is consistent with each option's tenor
- the option holders will remain with Dominion over the duration of the term of the option

The following table sets out a comparison of our assessed values and those implied by the terms of the Option Scheme and Kingsgate traded prices as set out above:

**Table 52: Comparison of calculated option values and Kingsgate shares received under the Option Scheme**

	Kingsgate shares per option	Value implied by Kingsgate's 19 Oct 10 5 day VWAP - \$11.96	KPMG calculated value as at 19 Oct 2010	
			Low \$ per option	High \$ per option
Tranche 1	0.0373	0.45	0.10	0.22
Tranche 2	0.0294	0.35	0.07	0.18
Tranche 3	0.0227	0.27	0.05	0.14
Tranche 4	0.0851	1.02	0.39	0.58
Tranche 5	0.0742	0.89	0.32	0.50
Tranche 6	0.0637	0.76	0.25	0.43

Source: KPMG analysis

We note that for each option tranche, the implied values of the Kingsgate shares to be issued to Dominion optionholders in consideration for the cancellation of Options currently on issue and the terms of the Option Scheme significantly exceed KPMG's assessed value.

**Given the significant premia and our analysis regarding Kingsgate set out in section 13, we consider it unlikely that the fair value of the new Kingsgate shares offered for each of the Options will lie below our range of assessed fair values for each option tranche.**

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### Appendix 1 – KPMG Disclosures

#### *Qualifications*

Our report has been prepared in accordance with professional standard APES 225 "Valuation Services" issued by the Accounting Professional & Ethical Standards Board (APESB). The individuals responsible for preparing this report on behalf of KPMG are Jason Hughes and Diana D'Ambra.

Jason Hughes is an Executive Director of KPMG and a partner of the KPMG Partnership. Jason is an Associate of the Institute of Chartered Accountants in Australia, a Fellow of the Financial Services Institute of Australasia and holds a Bachelor of Commerce from the University of Western Australia. Jason has extensive experience in the preparation of independent expert reports and corporate valuations.

Diana D'Ambra is an Executive Director of KPMG. Diana is a Fellow of the Institute of Chartered Accountants in Australia and holds a Master of Commerce degree from the University of New South Wales. Diana has extensive experience in the preparation of independent expert reports and corporate valuations.

Jason and Diana were assisted in the preparation of this report by other KPMG staff.

#### *Disclaimers*

It is not intended that this report should be used or relied upon for any purpose other than KPMG's opinion as to whether the Share Scheme is in the best interests of Dominion shareholders and whether the Option Scheme is in the best interests of Dominion optionholders. KPMG expressly disclaims any liability to any Dominion shareholder or optionholder who relies or purports to rely on the report for any other purpose and to any other party who relies or purports to rely on the report for any purpose whatsoever.

Other than this report, neither KPMG nor the KPMG Partnership has been involved in the preparation of the Notices of Meeting, Scheme Booklet or any other document prepared in respect of the Share Scheme and Option Scheme. Accordingly, we take no responsibility for the content of the Notices of Meeting or Scheme Booklet as a whole or other documents prepared in respect of the Share Scheme and Option Scheme.

It is not the role of the Independent Expert to undertake the commercial and legal due diligence that a company and its advisers may undertake. Dominion is responsible for conducting due diligence on the assets/shares being acquired. KPMG Corporate Finance provides no warranty as to the adequacy, effectiveness or completeness of the due diligence process, which is outside our control and beyond the scope of this report. We have assumed that the due diligence process was conducted in an adequate and appropriate manner.

#### *Independence*

KPMG is entitled to receive a fee of \$165,000, excluding GST, for the preparation of this report. Except for these fees, KPMG has not received and will not receive any pecuniary or other benefit whether direct or indirect for or in connection with the preparation of this report, other than the KPMG Partnership provides taxation compliance assistance to Dominion.

By way of disclosure, over the past two years, the KPMG Partnership earned professional fees totalling \$145,000 from performing these services, none of which related to setting the terms of the Share Scheme and

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Option Scheme. The aggregate of these fees is not material to either KPMG or the KPMG Partnership either at a National or individual Perth office basis.

Further, non-management employees of KPMG, the KPMG Partnership and its affiliated entities may hold securities in Dominion and/or Kingsgate. However, no individual involved in the preparation of this report holds a direct interest in the securities of Dominion and/or Kingsgate.

During the course of this engagement, KPMG provided draft copies of this report to management of Dominion for comment as to factual accuracy, as opposed to opinions, which are the responsibility of KPMG alone.

#### *Consent*

KPMG consents to the inclusion of this report in the form and context in which it is included with the Notices of Meeting and Scheme Booklet to be issued to the shareholders and optionholders of Dominion. Neither the whole nor the any part of this report nor any reference thereto may be included in any other document without the prior written consent of KPMG as to the form and context in which it appears.

#### *Indemnity*

Dominion has agreed to indemnify and hold harmless KPMG, the KPMG Partnership and/or KPMG entities related to the KPMG Partnership against any and all losses, claims, costs, expenses, actions, demands, damages, liabilities or any other proceedings, whatsoever incurred by KPMG, the KPMG Partnership and/or KPMG entities related to the KPMG Partnership in respect of any claim by a third party arising from or connected to any breach by you of your obligations.

The Company has also agreed that KPMG, the KPMG Partnership and/or KPMG entities related to the KPMG Partnership shall not be liable for any losses, claims, expenses, actions, demands, damages, liabilities or any other proceedings arising out of reliance on any information provided by you or any of your representatives, which is false, misleading or incomplete. The Company has agreed to indemnify and hold harmless KPMG, the KPMG Partnership and/or KPMG entities related to the KPMG Partnership from any such liabilities we may have to you or any third party as a result of reliance by KPMG, the KPMG Partnership and/or KPMG entities related to the KPMG Partnership on any information provided by you or any of your representatives, which is false, misleading or incomplete.





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## **Appendix 2 – Sources of information**

In preparing this report we have been provided with and considered the following sources of information:

### *Publicly available information*

- various ASX company announcements including inter alia, annual and half year financial statements and quarterly activity reports
- the Share Scheme Implementation Agreement
- various broker and analyst reports
- various press and media articles
- various reports published by IBISWorld Pty Ltd and the Australian Bureau of Agricultural and Resource Economics
- financial information from Capital IQ and IRESS (we note that IRESS and Capital IQ have not provided consent to the use of the reference in this report), Thompson Financial Securities and Connect 4
- acquisition data, sharemarket data and related information on Australian and international listed companies sourced from the abovementioned databases
- various economic, gold industry analysis prepared by brokers, market commentators and government agencies
- company websites

### *Non public information*

- management accounts for Dominion for the 3 months ended 30 September 2010
- life of mine plans for the Challenger Project
- the draft Scheme Booklet
- Dominion's shareholder register

In addition, we have had discussions with Dominion's directors and management and also with the management of AMC.



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## Appendix 3 – Overview of the gold industry

Gold is an internationally traded commodity and therefore its price fluctuates on a daily basis in the commodity market as determined by worldwide demand and supply factors. The demand for gold comes from fabrication, hedging activities and its traditional use as a store of value. Approximately 80% of global gold production is used in fabrication.

The gold industry is not vertically integrated. Companies that mine gold typically do not refine it, and refiners do not usually sell it directly to the public.

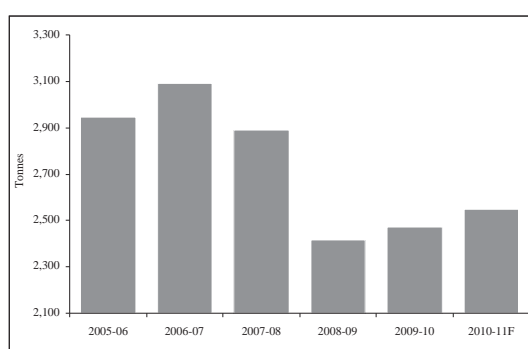
### *Demand*

Demand for gold is largely driven by gold fabrication, decisions on hedging and investment.

### *Fabrication*

Gold fabrication consists of gold manufactured for use in jewellery, electronics, dental applications, medals, coins and other industrial applications. The effect of a high gold price and a decline in global economic activity led to fabrication demand falling by more than 16% to 2,417 tonnes in 2009. Although the price of gold is expected to remain high, fabrication demand in 2010 is forecast to experience a modest recovery, rising 2% to 2,472 tonnes. The rise in fabrication demand in 2010 has been attributed to a recovery in the use of gold in jewellery, the largest component of gold fabrication.

**Figure A3-1: Global historical and forecast fabrication consumption**



Source: ABARE Australian Commodities June 2010

ABARE has forecast global gold fabrication demand to continue its increase in 2011 rising by 3% to 2,549 tonnes. Demand increases in 2011 are supported by the positive growth prospects from India, the Middle East and China. According to ABARE the assumption of increased demand in these regions is due to strong income growth and a continuation of a global economic recovery.

However, the shift away from traditional gold jewellery in Europe, North America and other developed economies is expected to continue to limit global jewellery demand.

### *Investment*

According to precious metals research house Gold Fields Mineral Services Limited (GFMS), implied net investment increased by more than five times over the first half of 2009 to 990 tonnes. This significant shift was attributed principally to the turmoil in global financial markets and counterparty risk, leading to investors seeking gold's appeal as a safe haven asset and dollar/inflation hedge against a backdrop of potentially rising prices due to America's aggressive fiscal stimulus.

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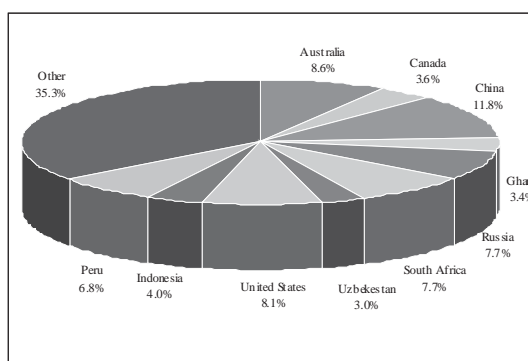


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## Supply

### Global

**Figure A3-2: 2009 mine production by country**



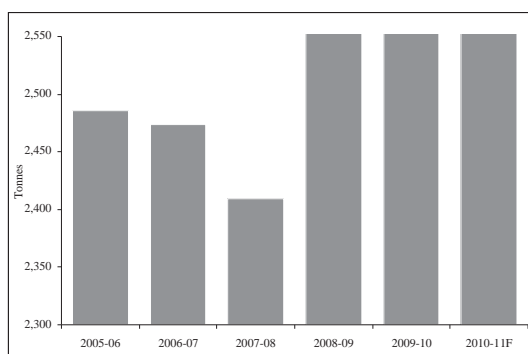
Source: *Goldsheet Mining 2008*

ABARE estimates that global gold mine production will increase by 3% to 2,641 tonnes in 2010. Along with Australian mine production, the less mature and highly prospective regions of China, Latin America and the Russian Federation are forecast to be the major contributors to this growth. However, offsetting this growth are projected declines in Indonesian and South African production levels.

In addition to ongoing consolidation and increased production of larger Chinese gold mines such as Eldorado Gold's Jinfeng mine, China's growth in mine production is expected to be generated from smaller, more costly operations as a result of the high gold price. In Latin America, growth in mine production is forecast to continue with Barrick Gold's operations in Peru and Argentina expected to rise by between 7 and 11 tonnes. The Russian Federation are also forecast to increase gold production by 6% led by their Polyus Gold and Highland Gold operations, which are expected to increased output to 218 tonnes.

Despite Indonesian and South African mines forecasting a fall in production, overall ABARE projects global mine production to increase by a further 3%.

**Figure A3-3: Global historical and forecast mine production**



Source: *ABARE Australian Commodities June 2010*

Official sector sales also contribute to the supply of gold. ABARE states that net official sector sales were the lowest in more than 20 years at 41 tonnes in 2009. A trend has emerged with central banks ceasing to act as active sellers and only undertaking modest gold purchases now that gold is increasingly being viewed as an important strategic asset globally. ABARE predicts this trend will continue with official sector net gold sales forecasting only slight increases. The International Monetary Fund is expected to be the largest seller in the near future having announced its intention to sell 190 tonnes.

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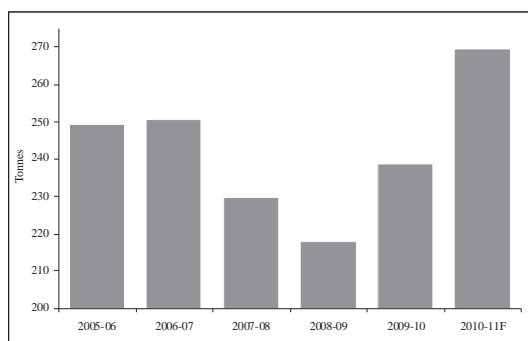


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## Australia

In 2009, Australian mine production accounted for approximately 8.6% of global gold production. The Australian gold industry has a high level of concentration, with the four largest players, Barrick (PD) Australia Ltd, Newcrest Mining Ltd, Newmont Australia Holdings Pty Ltd and Gold Fields Australia Pty Ltd, accounting for just over 70% of output.

**Figure A3-4: Australian historical and forecast mine production**



Source: ABARE Australian Commodities June 2010

ABARE expects Australian mine production to increase by 10% to 239 tonnes in 2009-10 as production is increased by a number of development projects in Western Australia.

IBIS World anticipates that Australia's gold production will come from larger mines as short-life and uneconomic smaller mines will face closures. In addition, IBIS World indicates that high capital, long-term and high-risk nature of greenfields exploration factors will result in gold exploration and production remaining in the province of large companies.

**Figure A3-5: Historical trend in USD denominated gold prices**



Source: Capital IQ

## Pricing

The gold price is particularly responsive to global conditions, such as general economic conditions, political stability, the oil price and the US dollar value. As gold is highly regarded as a store of value, its price is often negatively correlated with other economic indicators. Set out to the left is the daily closing USD documented gold price over the 10 years to 3 November 2010.

USD denominated gold prices increased and peaked at a record USD1,377.6 on 14 October 2010. According to ABARE the rise in gold price was underpinned by investors concerns about the fiscal positions of European economies including Greece, Spain, Portugal and Italy, the appeal of gold as a low risk asset and the continuing fiscal easing in the United States.

# Appendix 1

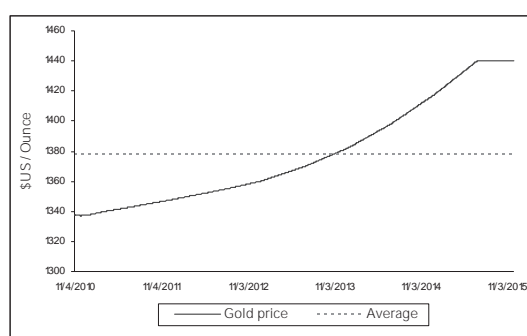
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USD gold prices have been trending upward and are currently trading at or around record pricing levels. The closing price for gold as at 3 November was USD1,338 an ounce.

**Figure A3-6: Gold futures for various contract maturities as at 3 November 2010**



Source: Capital IQ

Set out in the figure opposite are the prices for gold futures as at 3 November 2010.

The gold futures market suggests that the gold price will experience a period of continuing increase to approximately USD1,440 an ounce by July 2015, which compares to a spot price on 4 November 2010 of approximately USD1,337.6 an ounce.

**Table A3-1: Medium term pricing expectations of various market commentators**

	2010 US\$/ounce	Forecast year 2011 US\$/ounce	2012 US\$/ounce
High	1,252	1,600	1,400
Low	968	850	770
Average forecast	1,151	1,160	1,098
Number of observations	70	61	48

Note: Amounts rounded to the nearest whole dollar

Source: Various broker reports, Capital IQ

The analysis set out in Table A3-1 above indicates a wide range of views as to forecast spot gold prices but in general as stated by IBIS World that while gold prices are expected to remain high over the next five years due to global tension, the rate of growth in the recent past is unlikely to be repeated.





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### Appendix 4 – Calculation of discount rate

We have assessed an appropriate nominal, post-tax weighted average cost of capital (WACC) for Dominion's gold mining assets to be in the order of 10.6% per annum to 12.2% per annum.

Selection of the appropriate rate to apply to the forecast cash flows of any asset or business operations is fundamentally a matter of judgement. Whilst there is a body of theory that may provide a framework for the derivation on an appropriate discount rate, it is important to recognise that given the level of subjectivity involved in selecting various inputs to the theoretical framework there is no absolute "correct" discount rate.

We consider the rates adopted to be reasonable discount rates that purchasers would use in the current market in assessing the individual operations of Dominion and are reflective of the commercial, operational and technical risks of Dominion's gold mining assets.

#### *Introduction to WACC concepts*

The WACC of a firm is the expected cost of the various classes of its capital (i.e. its equity and debt), weighted by the proportion of each class of capital to the total capital of the firm and is represented by the following formula, which calculates an after tax nominal rate:

$$\text{WACC} = K_d \times (1 - t_c) \times (D / (D + E)) + K_e \times (E / (D + E))$$

Where the key inputs are defined as follows:

- $K_e$  the after-tax cost of equity, which is the rate of return required by the providers of equity capital.
- $K_d$  the pre-tax cost of debt, which is the expected long-term future borrowing cost of the relevant project and/or business.
- $t_c$  the applicable corporate tax rate
- $D$  the market value of debt
- $E$  the market value of equity.

Given that the capital of the firm is used to finance the assets of the firm, WACC can be viewed as the cost of capital for the assets of the firm. It is an opportunity cost of capital in the sense that it reflects the returns that would have been earned in the market with the relevant capital if it was employed in the next best investment of equivalent risk profile. It represents the minimum weighted average rate of return which is required or expected by the providers of capital as compensation for bearing the risks associated with the relevant investment or business operation.

Each of the components of the WACC formula is discussed further below.

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#### *Cost of equity (Ke)*

The WACC approach represents a merger of the CAPM with capital structure theory. In the WACC formula discussed earlier, the CAPM provides the means for estimating the cost of equity.

The CAPM provides a theoretical basis for determining a discount rate that reflects the risk of a particular investment or business operation. In simple terms, the CAPM states that the returns expected by an equity investor reflect the risk of the underlying equity investment. The risk can be determined by the risk-free rate of return plus a risk premium which reflects the relative risk (as measured by the “beta” factor) required to be borne by the investor. Therefore, the required rate of return for equity securities is determined as set out below:

$$K_e = R_f + \beta \times (\text{MRP}) + \alpha$$

Where the key inputs are defined as follows:

$R_f$  risk free rate of return

$\beta$  beta factor of the investment or business operation

MRP equity market risk premium

$\alpha$  company/project specific risk factor (alpha)

A large degree of subjectivity is involved in estimating the inputs to the formula. These limitations mean that any estimate of the cost of equity must necessarily be regarded as indicative rather than as a firm and precise measure. Furthermore, because the cost of equity is a market-determined measure, changes in market conditions over time will affect its calculation

#### **Risk free rate ( $R_f$ )**

The relevant risk-free rate of return is the return on a risk-free security, typically for a long-term period. In practice, long dated government bonds are accepted as a benchmark for a risk-free security. In Australia, the spot yield to maturity of 10-year Commonwealth Government bonds has traditionally been accepted as a proxy for the risk-free rate in determining a cost of equity under the CAPM.

Given the Challenger Project has a projected mining life of less than ten years, we have adopted the yield to maturity on 10-year Commonwealth Government bonds, which is in the order of 5.2% per annum.

#### **Market risk premium (MRP)**

The MRP represents the additional return that investors expect in return for holding risk in the form of a well-diversified portfolio of risky assets (such as a market index). The MRP is the expected risk premium (an ex-ante concept). Given that expectations are not observable, a historical risk premium is generally used as a proxy for the expected risk premium.

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The risk premium required by the market is not constant and changes over time. At various stages of the market cycle investors perceive that equities are more risky than at other times and will increase their expected return.

KPMG has adopted a MRP of 6.0% per annum. This figure is within the range of generally accepted market risk premiums.

### **Beta factor ( $\beta$ )**

The beta factor is a measure of the risk of an investment or business operation, relative to a well-diversified portfolio of investments. In theory, the only risks that are captured by beta are those risks that cannot be eliminated by the investor through diversification. Such risks are referred to as systematic, undiversifiable or market risk. The concept of beta is central to the CAPM given that beta risk is the only risk that is priced into investor required rates of return.

The beta for equity securities can be statistically measured by regressing the returns on an equity market index against the share price returns of the relevant stock. By definition, the market portfolio has an equity beta of 1.0. A beta greater than 1.0 implies that the returns on a stock are, on average, more volatile, and hence the stock is more risky than the market, whilst a beta of less than 1.0 implies the reverse.

The beta of a stock can be presented as either an adjusted beta or as an historical beta. The historical beta is obtained from the linear regression of a stock's historical data and is based on the observed relationship between the security's return and the returns on an index. Conversely, the adjusted beta is an estimate of a security's future beta. It is initially derived from the historical beta, but modified by the assumption that a security's true beta will move towards the market average of one, over time. Generally, an adjusted beta is used because of its greater predictive features.

Betas derived from stock market observations represent equity betas, which reflect the degree of financial gearing of the company. Consequently, it is not possible to compare the equity betas of different companies without having regard to their gearing levels. In theory, a more valid analysis of betas can be obtained by "ungearing" the equity beta, by applying the following formula:

$$\beta_a = \beta_e / [1 + (D/E \times (1-t))]$$

where "D/E" is the debt and equity values of the relevant equity security and "t" is the corporate tax rate. The adjustment involves stripping out the impact of financial gearing from the equity beta to obtain ungeared beta (denoted by  $\beta_a$ ).

The following table sets out closing market capitalisation as at 25 October 2010, the two year and five year historical average financial gearing and the adjusted ungeared two year weekly and five year monthly beta estimates for a selection of Australian listed gold production companies. The beta factors have been calculated relative to each company's home exchange index and also relative to the Morgan Stanley Capital Index – All Countries (MSCI), an international equities market index that is widely used as a proxy for the global stock market as a whole. The MSCI is often used as a benchmark in respect of assets likely to be attractive to international buyers.

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**Table A4 – 1: Comparable companies – net financial gearing and ungeared betas**

		Debt/Equity % <sup>2,3</sup>		Two year weekly ungeared beta		Five year monthly ungeared beta	
Company	MktCap <sup>1</sup> \$ millions	2 year	5 year	Home exchange	MSCI	Home exchange	MSCI
Australian companies							
Dominion Mining Ltd	321	0.0	0.0	0.8	0.9	0.9	0.7
Conquest Mining Ltd	264	0.0	0.0	1.4	1.2	1.9	1.9
Regis Resources Ltd	697	1.2	2.6	1.0	1.0	1.4	1.4
Saracen Mineral Holdings Ltd	288	0.0	0.0	1.0	0.8	n/a <sup>4</sup>	n/a <sup>4</sup>
Ramelius Resources Ltd	223	0.0	0.0	0.9	0.9	1.4	1.4
Kingsrose Mining Ltd	285	0.1	n/a	n/a <sup>4</sup>	n/a <sup>4</sup>	n/a <sup>4</sup>	n/a <sup>4</sup>
Red 5 Ltd	205	0.0	0.6	1.2	1.0	1.34	1.4
CGA Mining Ltd	911	9.9	3.9	0.8	0.5 <sup>4</sup>	0.52	0.6
Medusa Mining Ltd	1,017	0.0	0.0	1.2	1.2	1.00	0.9
Allied Gold Ltd	489	0.0	1.7	0.9	0.8	0.8	0.8
Kingsgate Consolidated Ltd	1,052	0.0	0.6	1.1	0.9	1.0	1.0
Integra Mining Ltd	401	0.0	0.0	0.8	0.9	1.2	1.2
Gold One International Ltd	262	0.0	0.5	n/a <sup>4</sup>	n/a <sup>4</sup>	n/a <sup>4</sup>	n/a <sup>4</sup>
Mineral Deposits Ltd	707	4.3	1.7	1.3	1.4	n/a <sup>4</sup>	n/a <sup>4</sup>
Notes							
1	Market capitalisation as at 25 October 2010						
2	Where a company does not have any interest bearing debt or the resultant net debt figure is negative i.e. where cash exceeds debt, the ratio of net debt to equity has been recorded as 0%.						
3	Net debt to equity is the average gearing ratio calculated at each annual reporting date for the five-year period prior to 25 October 2010.						
4	Insufficient observations.						

Source: CIQ, latest available financial statements of relevant companies

In selecting an appropriate ungeared beta for Dominion we have:

- considered that mining assets have varying risk profiles depending on the mining method and the maturity of the asset and that there is significant variance in observed beta when measured over the different observation periods
- given greater weighting to the beta observations relative to MSCI, reflecting the international nature of gold projects and that gold is internationally well traded
- considered the overall unlevered two year weekly betas with averages in the order of 0.9 and 1.0 for the home and MSCI indexes respectively and the overall unlevered five year weekly betas with averages in the order of 1.1 and 1.1 for the home and MSCI indexes respectively
- given weighting to Dominion, Conquest Mining Ltd, Regis Resources Ltd, Saracen Mineral Holdings Ltd and Ramelius Resources Ltd, being mid capitalisation, single gold mine companies with mines in Australia. The unlevered two-year weekly betas for these companies range from 0.8 to 1.4 with averages of 1.0 and 1.0 for the home and MSCI indexes respectively.

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- given weighting to Ramelius and Medusa as we consider them to have the most comparable operations to Dominion as Ramelius and Medusa each have single underground mines as their primary assets with quarterly production of 20,000 to 30,000 ounces of gold. However, we note that Medusa's historical beta may reflect risk associated with its Co-O mine location in the Philippines.

Having regard to the above and considering the nature of the Challenger Project, we consider that, on balance, an appropriate ungeared beta for Dominion to be in the order of 0.9 to 1.0.

Having determined an appropriate ungeared beta, it is necessary to "regear" the beta to a specified level of financial gearing to determine the equivalent equity beta.

### *Debt/equity mix*

The selection of an appropriate capital structure is a subjective exercise. The tax deductibility of the cost of debt means that the higher the proportion of debt, the lower the WACC for a given cost of equity. However, at significantly higher levels of debt, the marginal cost of borrowing would increase due to the greater risk which debt holders are exposed to. In addition, the cost of equity would also be likely to increase due to equity investors requiring a higher return given the higher degree of financial risk that they have to bear.

Ultimately for each company there is likely to be a level of debt/equity that represents the optimal capital structure for that company. In estimating the WACC, the debt/equity level assumption should reflect what would be the optimal or target capital structure for the relevant asset. Optimal (as opposed to actual) capital structures are not readily observable. Accordingly, any estimate of optimal capital structure is necessarily subjective. In practice, the existing capital structures of comparable businesses can be used as a guide to the likely capital structure for a firm, taking into consideration the specific financial circumstances of that firm. In drawing any conclusions from the comparable company information, it is important to note that the observed gearing levels usually represent current gearing levels, which may or may not be representative of optimal, long term gearing levels. Furthermore, the gearing level of a company at a given point in time can reflect recent new issues of debt or equity.

In selecting a gearing level for the Challenger Project, we have had regard to the gearing levels of a selection of mid-tier gold producers as set out in Table A4-1. On balance, we consider an appropriate long term gearing level for Dominion to be in the order of 0% debt and 100% equity.

On this basis the regeared beta of Dominion is in the order of 0.9 to 1.0.

### *Company/project specific risk factor*

Under CAPM theory, it is assumed that diversified investors require no additional returns to compensate for specific risks, because the net effect of specific risks across a diversified portfolio will, on average, be zero i.e. portfolio investors can diversify away all specific risk. In reality many investors will include an additional risk premium to reflect such factors as project location and stage of development. Certainly, it is common for companies to set "hurdle rates" for investments above their own estimates of the cost of capital, in order to deal with these issues.

It can be argued that the approach of a valuer to this issue should reflect the approach most likely to be adopted by actual or potential purchasers of similar assets. In determining whether or not an additional risk premium



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should apply to the Challenger Project, we have considered the nature of the gold mining operations, their current status and the risks inherent in realising the underlying gold reserves through mining these deposits.

Given the financial, construction and development risk associated with deeper drilling and underground mining in order to access resources assumed to convert to reserves at the Challenger mine, and the continuing reduction in the gold endowment of the M1 shoot (albeit mitigated by an increase in the gold endowment of the M2 shoot at depth), in our view, it is reasonable to conclude that an investor may require a small additional equity risk premium to compensate for the unique development and operational risks associated with the depth of underground mining at the Challenger Project.

On this basis we have applied a project specific risk factor to the Challenger Project of 0% to 1% per annum.

#### *Cost of equity calculation*

The following table sets out our cost of equity estimate for the Challenger Project based on the assumptions and inputs discussed above:

**Table A4 – 2: Estimated cost of equity**

Input	Definition	High value	Low value
$R_f$	Risk free rate of return	5.2	5.2
$\beta_a$	Asset beta (ungeared beta estimate)	0.9	1.0
$B_e$	Equity beta (regeared beta estimate)	0.9	1.0
MRP	Equity market risk premium	6.0	6.0
$\alpha$	Alpha factor	0.0	1.0
$K_e$	<b>Cost of equity (post-tax)</b>	10.6	12.2

Source: KPMG Analysis

#### *Cost of debt ( $K_d$ )*

As we consider the optimal capital structure for Dominion is unlikely to contain net debt we have not considered the likely cost of debt with the gold industry.

#### *Corporate tax rate ( $t_c$ )*

For the purpose of our valuation assessment we have adopted the Australian corporate tax rate of 30% in respect of the Challenger Project.

#### *Calculation of base WACC*

As we consider the optimal capital structure for Dominion to comprise 0% debt and 100% equity we also consider the nominal post-tax WACC for application in our valuation assessment of the Challenger Project to be equal to the cost of equity, being 10.6% to 12.2% per annum.

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## Appendix 5 – Comparable company valuation parameters

**Table A5 – 1: Selected listed Australian listed gold production companies as at 25 October 2010**

Company	Enterprise Value A\$m <sup>1</sup>	Resource multiple <sup>2</sup>	Reserve multiple <sup>3</sup>	EBITDA multiple <sup>4</sup>
Dominion Mining Limited	266.8	281	635	10.7
Conquest Mining Limited	229.9	168	310	n/m <sup>5</sup>
Regis Resources Limited	716.6	148	940	n/m <sup>5</sup>
Saracen Mineral Holdings Limited	262.0	80	296	28.3
Ramelius Resources Ltd	165.1	49	348	4.4
Kingsrose Mining Limited	291.1	1,399	n/a <sup>6</sup>	n/m <sup>5</sup>
Red 5 Ltd	156.6	140	221	n/m <sup>5</sup>
CGA Mining Limited	903.9	108	298	18.8
Medusa Mining Limited	984.1	457	1949	13.4
Allied Gold Ltd	458.5	55	134	n/m <sup>5</sup>
Kingsgate Consolidated Limited	1,145.7	265	594	11.8
Integra Mining Limited	389.8	214	n/a	n/m <sup>5</sup>
Gold One International Limited	336.0	16	247	n/m <sup>5</sup>
Mineral Deposits Limited	709.1	234	486	706.0

*Notes:*

- 1 Market capitalisation as at 25 October 2010 converted to AUD as at the same date based on prevailing spot price (where relevant). Market capitalisations for Dominion and Kingsgate have been calculated as at 19 October 2010, being the last trading day prior to the date the Share Scheme was announced
- 2 Calculated as enterprise value divided by Resource
- 3 Calculated as enterprise value divided by Reserve
- 4 Calculated as enterprise value divided by EBITDA, adjusted for abnormal items
- 5 EBITDA multiple calculated is negative and is therefore not meaningful
- 6 No reserves data available to calculate reserve multiple

Source: Capital IQ and KPMG analysis

**Table A5 – 2: comparable company descriptions**

Company	Description
Dominion Mining Limited	Refer section 8 of this report
Conquest Mining Limited	Conquest Mining Limited operates as a mineral exploration company in Australia. The company primarily holds interests in Mt. Carlton gold/silver/copper project, a joint venture with Gold Fields Australasia Pty, Ltd., located near Charters Towers; the Crush Creek gold project; and the Collinsville gold/copper project located in Queensland.
Regis Resources Limited	Regis Resources Limited engages in the exploration, evaluation, and development of gold and nickel exploration properties in the Eastern Goldfields of Western Australia. The company primarily holds interests in the Duketon Gold project and the Collurabbie nickel properties. It also owns mineral leases and mineral lease applications covering approximately 4,000 square kilometres in the Eastern Goldfields region of WA.
Saracen Mineral Holdings Limited	Saracen Mineral Holdings Limited engages in the exploration and development of mineral properties in Australia. It holds interest in the South Laverton gold project situated northeast of Kalgoorlie, Western Australia.
Ramelius Resources Limited.	Ramelius Resources Limited engages in mineral exploration with a focus on gold mining and milling. It also explores for nickel deposits. The company holds interests in Wattle Dam underground gold mine located near Kambalda,

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Company	Description
	Australia. It also holds interests in gold and nickel properties located in the Spargoville, Mt Magnet, Mt Windsor, and Nevada areas.
Kingsrose Mining Limited	Kingsrose Mining Limited operates as a gold mining company. The company primarily engages in the development and mining of the Comet Vale Mine located in Kalgoorlie, Australia. It also has interests in the Way Linggo Gold and Silver project situated in Sumatra, Indonesia.
Red 5 Ltd.	Red 5 Limited, through its subsidiaries, engages in the exploration and evaluation of mineral properties in the Philippines. It principally holds interest in the Siana gold project located in the Philippines.
CGA Mining Limited	CGA Mining Limited engages in the exploration, development, and production of mineral properties, primarily gold. Its principal property includes the Masbate Gold Mine located in the Philippines. The company was formerly known as Central Asia Gold Limited and changed its name to CGA Mining Limited in November 2006.
Medusa Mining Limited	Medusa Mining Limited engages in the exploration, evaluation, development, and mining of mineral properties, primarily gold in the Philippines. It also explores for copper and silver deposits.
Allied Gold Limited	Allied Gold Limited engages in the exploration for gold and other mineral resources, as well as construction of gold producing infrastructure. Its projects include the development of the Simberi Oxide Gold Project located in the Tabar Islands of Papua New Guinea. The company also undertakes exploration for gold and copper in the Tatau and Big Tabar Islands. Allied Gold Limited is based in Milton, Australia.
Kingsgate	Refer section 9 of this report
Integra Mining Limited	Integra Mining Limited, together with its subsidiaries, engages in the exploration, evaluation, development, or production of mineral resources in Australia. The company explores primarily for gold, nickel, copper, zinc sulphides, platinum, and uranium deposits. It owns various projects located in the Eastern Goldfields region of Western Australia with a consolidated tenement package of approximately 2,200 square kilometres, including Aldiss Gold Project, Randalls Gold Project, and Mount Monger Gold Project. Integra Mining Limited is based in Nedlands, Australia.
Gold One International Limited	Gold One International Limited, a gold resource company, engages in the exploration, development, and mining of gold properties in southern Africa. Its flagship Modder East mine consists of the Modder East and UC Prospect areas located approximately 30km from Johannesburg, South Africa. The company also owns the Sub Nigel mine, which is used primarily as a training centre in the build-up of the Modder mine. Its other projects and targets include the Ventersburg and Bothaville, both located in the Free State goldfields, the Tulo concession in Mozambique, and the Etendeka greenfields project in Namibia. Gold One International Limited was formerly known as Aflase Gold Limited and changed its name in March 2009. The company is headquartered in North Sydney, Australia with an additional office in Parktown, South Africa.
Mineral Deposits Limited	Mineral Deposits Limited engages in the exploration, development, and production of mineral sands and gold projects in Africa and Australia. The company primarily holds interests in the Sabodala gold project and the Grande Cote zircon and ilmenite project located in Senegal, West Africa. Mineral Deposits Limited is headquartered in Melbourne, Australia.

Source: Company websites and annual reports

# Appendix 1

## Independent Expert's Report

### (including Technical Expert's Report)



*Dominion Mining Limited*  
*Independent expert report & Financial services guide*  
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#### Appendix 6 – Premium for control

In general, a minority interest is worth less than a pro rata proportion of the value of 100% of the company. Where the minority interest lacks the ability to exercise control it is worth less than the proportionate share of the company's equity value.

For the same reasons that a premium for control exists, a discount for lack of control is recognised which takes account of the minority shareholders inability to control the board resulting in an inability to make decisions about the strategic direction of the company, lack of control over cash flows or dividend policy and potentially limited access to information.

The level of the discount will be dependent on the size of the minority interest and the corresponding majority interest (or how widely the remaining interests are held), also any shareholders agreements which may place restrictions on the transfer of ownership of those interests.

The minority interest discount is considered to be the inverse of the premium paid to obtain control when compared with previous minority interest trading prices.

A number of empirical studies have observed the premiums paid in transactions where large parcels of shares to which control may attach have been acquired. The premium is determined by comparing the share price at which the transaction occurred to the share price prior to the transaction announcement. Empirical studies show, in most situations, that where a change of control occurs in a public company, a premium for control exists. Control premiums typically vary between 25% and 40% for publicly traded shares. Set out below is a summary of some empirical evidence in relation to control premiums.

#### *Mergerstat*

Mergerstat Review Research Department tracks publicly announced formal transfers of ownership of at least 10% of a company's equity where the purchase price is at least US\$1.0 million, and where at least one of the parties is a United States entity. The table below sets out the relative control premiums paid between 1998 and 2007 where at least one of the parties is a United States entity.

**Table A6 – 1: Mergerstat control premiums**

Year	Average control premium %	Median control premium %
1998	40.7	32.0
1999	35.1	29.4
2000	41.0	34.7
2001	38.7	33.0
2002	41.9	35.0
2003	44.7	29.2
2004	36.6	27.3
2005	35.7	27.5
2006	40.7	30.1
2007	43.3	34.6
Simple average	39.5	31.2
Median	39.9	30.9

*Source: Mergerstat Review 2008*

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The control premiums shown are based on the closing stock price five business days before the initial announcement in relation to the proposed change of control. However, evidence has suggested that stock prices typically tend to increase before acquisitions occur on market speculation of a possible takeover. Accordingly, it is likely that the above study tends to understate the “true” control premium.

### *Officer, Bishop and Dodd*

In 1987, Officer, Bishop and Dodd completed a study of Australian takeover activity between 1972 and 1985. They calculated control premiums offered in successful cash bids in this period by measuring the difference between the offer price and the price three months before the offer. The results of their work are summarised below.

**Table A6 – 2: Australian Control Premiums**

Year	Average control premium %	Median control premium %
1974	25	18
1975	80	63
1976	52	49
1977	79	54
1978	56	40
1979	59	42
1980	63	56
1981	51	30
1982	29	25
1983	48	46
1984	48	34
1985	34	29
Simple average	52	40
Median	51	41

Source: Officer, Bishop and Dodd, “Australian takeovers: The evidence 1972 – 1985”, The Centre for Independent Studies Limited, April 1987.

### *KPMG analysis*

KPMG has downloaded the last five years of transaction data from Connect4 for transactions that were classified as being successful. Set out in the table below is the average control premium observed in each calendar year based on the number of trading days prior to the announcement.

**Table A6 – 3: Australian Control Premiums**

Year	Time to announcements Outliers excluded		
	2 days	5 days	20 days
<b>Average control premium</b>			
2008 Average	22.8%	24.8%	27.7%
2007 Average	17.5%	18.4%	27.0%
2006 Average	20.3%	21.8%	27.0%
2005 Average	16.7%	16.8%	25.4%
2004 Average	12.6%	13.2%	14.5%



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Year	Time to announcements Outliers excluded		
	2 days	5 days	20 days
<b>Number of transactions</b>			
2008	32	33	32
2007	62	65	61
2006	68	67	68
2005	36	35	35
2004	32	32	33
<i>Notes:</i>			
1 The table reports deals that are classified as success by Connect4. A deal is classified as successful if the bid has been declared unconditional and there has been over 50% acceptance from target shareholders. Conversely, the deal is considered unsuccessful if the acceptance received are less than 50%, even if the deal has been declared unconditional. Lapsed deals are considered to be unsuccessful deals.			
2 Price premium is equal to the offer price over the target stock price prior to takeover announcement. It is the average of all successful transactions that occurred over the specified year where data is available and excludes negative premiums and premiums exceeding 150%.			

Source: Connect4 and KPMG analysis

The above control premiums include a component of synergistic benefits, which is not separately identifiable. Accordingly, the “pure” control premium is likely to be lower than the premiums observed above.

### Conclusion

On the basis of studies such as those outlined above, valuation practitioners typically conclude that control premiums fall within the range of 25% to 40%. Ultimately, the premium selected depends on the facts surrounding the company subject to valuation. Also, when selecting a control premium, one must consider that the observed premium may include the components, being:

- the “pure” control premium - the value that can be derived through obtaining control of the business which includes the benefits listed previously i.e. control of the board and management and access to information and cash flows.
- the “special” benefits - the value that may be available to a particular purchaser through synergies.

As such, when considering a pure control premium, we would expect the premium to be slightly lower than these observed above.

## Appendix 7 – Comparable transactions

**Table A7- 1: Selected comparable transactions for Australian and International gold companies**

Target	Acquiror	Percentage acquired	Date announced	Consideration (\$m) <sup>1,2</sup>	Resource A\$/oz	Reserve A\$/oz	EBIT (times)	EBITDA (times)	Earnings multiple <sup>3,4,5,6,8</sup>	Implied Consideration Premium
Crew Gold Corporation	Severstal Gold N.V.	43%	13-Sep-10	536.9	116.7	179.0	n/a	n/a	n/a	2%
Avoca Resources Ltd <sup>9</sup>	Anatolia Minerals Development Ltd	100%	8-Sep-10	1,060.4	247.9	810.7	19.5	8.0	n/a	10%
Andean Resources Ltd	Goldcorp Inc	100%	3-Sep-10	3,663.7	1,442.2	1,768.2	n/a	n/a	n/a	38%
Red Back Mining Inc <sup>10</sup>	Kinross Gold Corporation	91%	2-Aug-10	8,265.9	791.8	1,034.5	62.2	41.8	n/a	15%
North Queensland Metals Ltd <sup>11</sup>	Conquest Mining Ltd	100%	3-Jun-10	57.9	194.1	272.6	7.7	4.9	n/a	29%
Lihir Gold Ltd <sup>12</sup>	Newcrest Mining Ltd	100%	4-May-10	9,755.0	212.5	394.6	33.1	20.0	n/a	12%
Stacato Gold Resources Ltd	Timberline Resources Corp	100%	23-Mar-10	18.5	34.0	n/a	n/a	n/a	n/a	82%
Underworld Resources Inc	Kinross Gold Corp	92%	16-Mar-10	116.1	115.6	n/a	n/a	n/a	n/a	4%
Linear Gold Corp	Apollo Gold Corporation	100%	9-Mar-10	398.4	367.2	421.9	n/a	n/a	n/a	314%
Tusker Gold Ltd	Barrick Gold Corporation	100%	8-Feb-10	80.0	63.0	n/a	n/a	n/a	n/a	90%
Dioro Exploration NL	Avoca Resources Ltd	55%	29-Dec-09	114.4	64.5	226.2	37.5	14.0	n/a	1%
Ventura Gold Corporation	International Minerals Corporation	100%	18-Nov-09	61.0	n/a	n/a	n/a	n/a	n/a	5%
Camplats Resources Corp	Goldcorp Inc	100%	16-Nov-09	201.7	58.5	n/a	n/a	n/a	n/a	34%
Castle Gold Corporation	Argonaut Gold Inc	100%	28-Oct-09	97.0	65.2	128.9	61.7	27.8	n/a	39%
Sino Gold Mining Ltd	Eldorado gold	100%	26-Aug-09	2,118	345.7	478.3	223.6	48.1	n/a	21%
Dioro Exploration NL	Ramelius Resources Ltd	38%	30-Jul-09	91.6	51.7	181.0	30.2	11.3	n/a	41%
Moto Goldmines Ltd	Randgold Resources Ltd	100%	27-Jul-09	615.9	54.5	194.7	n/a	n/a	n/a	-5%
Dioro Exploration NL	Avoca Resources Ltd	45%	14-Apr-09	59.5	27.7	115.4	n/a	n/a	n/a	65%
Western Goldfields Inc	New Gold Inc	100%	4-Mar-09	374.6	240.6	145.5	9.7	7.4	n/a	19%

**Notes:**

1. Consideration represents the market value of the target, denominated in Australian dollars, calculated based on the bidder's closing share price, the prevailing exchange rate on the last trading day prior to the announcement (as applicable) and the number of shares on issue prior to the announcement date.
2. Where the transaction involved a company acquiring the balance of shares it did not directly own, the consideration has been grossed up to reflect an implied acquisition of 100
3. Resources and reserve multiples are calculated using the enterprise value implied by the consideration offered and the target's net debt/cash position reported prior to the announcement of the transaction. Resources and reserves have been sourced from latest resources and reserves statement announced by the company prior to the announcement of the transaction. Reserve multiples are based on proven and probable reserves (exclusive of stockpile)
4. Reserve multiples are based on proven and probable reserves (exclusive of stockpile)
5. Resource multiples are based on measured and indicated resources (i.e. it excludes inferred resources) and includes reserves.
6. If financial report/announcement does not disclose whether resources are inclusive/exclusive of reserves, we have assumed that resources are disclosed as being inclusive of reserves.
7. Earnings are based on the latest annual report prior to the announcement of the transaction.
8. In relation to the resource/reserve multiples, n/a indicates that the resource/reserve figure is not available. In relation to the earnings multiples, n/a indicates that the target is either non-producing or in a net loss position.
9. Transaction not complete. Consideration assumes 100 percent acquisition based on current terms.
10. In addition to 1,778 Kinross Gold common shares, the consideration also included 0.11 Kinross Gold common share purchase warrant for each Red Back Mining common share held. Value of warrants has been excluded from the calculation of consideration.
11. Transaction not complete. Conquest Mining currently in the process of compulsorily acquiring remaining 4.8 percent of North Queensland Metals. Consideration represents 100 percent acquisition.
12. The transaction pre-announcement date was 1 April 2010. The scrip consideration has been calculated based on the share price of the bidder as at the day prior to the pre-announcement date.

Source: Capital IQ, Merger Market, annual reports and stock exchange announcements

## **Appendix 1 Independent Expert's Report (including Technical Expert's Report)**



*Dominion Mining Limited  
Independent expert report & Financial services guide  
9 December 2010*

### **Appendix 8 – Independent Technical Specialist Report**

**Appendix 1**  
**Independent Expert's Report**  
**(including Technical Expert's Report)**

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**INDEPENDENT TECHNICAL SPECIALIST'S  
REPORT**

**DOMINION MINING LIMITED AND  
KINGSGATE CONSOLIDATED LIMITED**

**AMC PROJECT 210091**

**December 2010**

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## Independent Expert's Report (including Technical Expert's Report)

### DOMINION MINING LIMITED AND KINGSGATE CONSOLIDATED LIMITED Independent Technical Specialist's Report

9 December 2010

The Directors  
KPMG Corporate Finance (Aust) Pty Ltd  
235 St Georges Terrace  
PERTH WA 6000

Dear Sir

#### INDEPENDENT TECHNICAL SPECIALIST'S REPORT DOMINION MINING LIMITED AND KINGSGATE CONSOLIDATED LIMITED

On 20 October 2010, Dominion Mining Limited ("Dominion") and Kingsgate Consolidated Limited ("Kingsgate") announced an agreed transaction ("the Transaction") under which it is proposed that Kingsgate will acquire all of the issued and outstanding shares in Dominion under a Scheme of Arrangement ("Scheme").

Dominion has engaged KPMG Corporate Finance (Aust) Pty Ltd ("KPMG") to prepare an independent expert's report in relation to the Transaction. KPMG engaged AMC Consultants Pty Ltd ("AMC") to provide technical advice to KPMG for the purposes of its assessment. In particular, KPMG engaged AMC to provide an independent report on the value of Dominion's and Kingsgate's mineral assets.

Dominion's and Kingsgate's principal mineral assets comprise:

- Dominion: the Challenger Gold Mine in South Australia and exploration tenements in Australia.
- Kingsgate: the Chatree Gold Mine and exploration tenements in Thailand.

In relation to the Dominion assets:

- AMC has visited the Challenger Gold Mine, reviewed material technical reports and management information including a life of mine plan, and held discussions with management staff on-site and in Perth.
- AMC has not visited the exploration projects located away from the Challenger Gold Mine as this was considered impractical within designated time constraints.
- AMC has prepared production and capital and operating cost projections (modelling scenarios) which AMC believes are based on reasonable grounds and suitable for valuation purposes.
- AMC has modelled two scenarios for the Challenger Gold Mine. Case 1 is based on ore reserve estimates and that part of other mineral resources and readily demonstrable exploration potential for which AMC judges there is a high confidence of future conversion to ore reserves. Case 2 adds to Case 1 mining and processing inventories, those tonnages which AMC judges to represent good potential for further additions to mining inventories from existing mineral resources and from exploration potential, but to a lesser confidence level than in Case 1. AMC believes that the Case 2 modelling scenario is based on reasonable grounds and suitable for valuation purposes.
- Based on its modelling scenarios and advice from KPMG in relation to metal prices, discount rates, macroeconomic assumptions and taxation, AMC has completed a technical valuation of the Challenger Gold Mine.
- AMC has completed a valuation of Dominion's exploration projects.

In relation to the Kingsgate assets:

- AMC has visited the Chatree Gold Mine and held discussions with management staff on-site and reviewed certain technical presentations.
- AMC has not visited the exploration projects located away from the Chatree Gold Mine as this was considered impractical within designated time constraints.



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- AMC has not undertaken valuations of the Chatree Gold Mine nor Kingsgate's exploration projects as Kingsgate did not provide the information necessary for these purposes.

AMC's use, in this report, of the terms Mineral Resources and Ore Reserves are in accordance with the JORC Code<sup>1</sup>.

AMC has completed its engagement as a Specialist in accordance with the VALMIN Code<sup>2</sup> to the extent that the code is relevant to AMC's engagement.

AMC has not audited the information provided to it, but has aimed to satisfy itself that all of the information has been prepared in accordance with proper industry standards and is based on data that AMC considers to be of acceptable quality and reliability. Where AMC has not been so satisfied, AMC has included comment in this report and made modifications to the estimates and forecasts provided by AMC to KPMG.

AMC's review of operating costs has been restricted to site based costs.

AMC has not reviewed the status of tenements. AMC understands that a review of the status of tenements is being completed as a part of legal due diligence associated with the Transaction.

All monetary figures in this report are expressed in Australian dollars ("A\$") or United States dollars ("US\$") as at September 2010 unless otherwise noted. Costs are presented on a cash cost basis unless otherwise specified.

Production and costs in this report are presented on a year ending June basis.

Mineral Resources are reported as inclusive of Ore Reserves.

For definitions of abbreviations used in this report, refer to Appendix A.

Yours faithfully



**A M Chuk**  
**M AusIMM**  
**Principal Consultant**



**L J Gillett**  
**M AusIMM (CP)**  
**Director**

<sup>1</sup> Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, The JORC Code 2004 Edition, Effective December 2004, Prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia (JORC).

<sup>2</sup> Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports. The VALMIN Code 2005 Edition, Prepared by the VALMIN Committee, a joint committee of the Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists and the Mineral Industry Consultants Association with the participation of the Australian Securities and Investment Commission, the Australian Stock Exchange Limited, the Minerals Council of Australia, the Petroleum Exploration Society of Australia, the Securities Association of Australia and representatives from the Australian finance sector.

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#### DOMINION MINING LIMITED AND KINGSGATE CONSOLIDATED LIMITED

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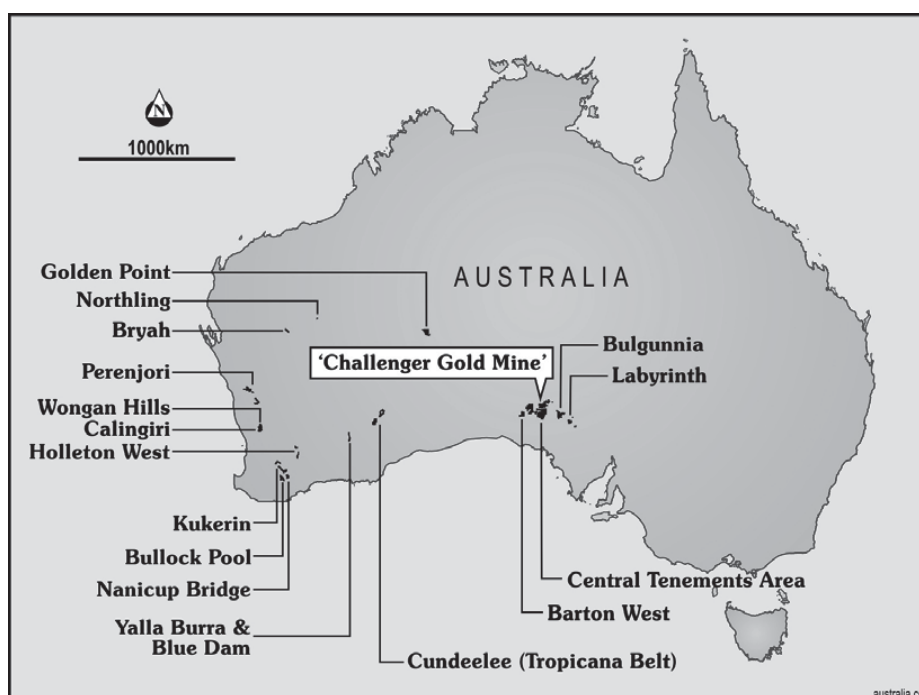
## Independent Expert's Report (including Technical Expert's Report)

### DOMINION MINING LIMITED AND KINGSGATE CONSOLIDATED LIMITED Independent Technical Specialist's Report

#### 1 DOMINION MINING LIMITED

Dominion's principal mineral assets comprise the Challenger Gold Mine ("Challenger") in South Australia which is 100% owned by Dominion and a suite of exploration projects as indicated in Figure 1.1.

**Figure 1.1 Dominion Key Mineral Assets - Location Map**



##### 1.1 Challenger Gold Mine

Challenger is located approximately 740 km north-west of Adelaide in central South Australia, as shown in Figure 1.2.

The Challenger gold deposit was discovered by a Dominion exploration drilling programme in 1995. Drilling continued and the feasibility study for the 'Challenger Project' was completed in September 2001, with the mining lease being granted in December 2001. Open pit mining commenced in October 2002 with first gold shipped in October 2002. Underground development commenced in February 2004 and full scale underground production was established in mid 2005. A processing plant expansion was completed in January 2010 and in March 2010 a ventilation rise from 460 mRL to surface was completed enabling a ventilation upgrade required as a result of the increasing depth of the operation. As of September 2010 the decline was at 320 mRL.

Over its eight years of operation to 30 June 2010, Challenger has produced approximately 650,000 oz of gold. Gold production in the order of 100,000 oz to 120,000 oz per annum is planned over the remaining life of the mine.

For the 12 months to 30 June 2010, Challenger produced 80,570 oz of gold at an operating cash cost of A\$697/oz. In this period, A\$22.8M was spent on expanding the processing plant's throughput capacity, ventilation and power supply upgrades to the underground workings, and additional tailing storage capacity.

At 30 June 2010, the Ore Reserve was 2.31 Mt at 5.7 g/t Au containing 0.42 Moz with Mineral Resources (inclusive of Ore Reserves) being 4.37 Mt at 6.8 g/t Au containing 0.95 Moz.

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### DOMINION MINING LIMITED AND KINGSGATE CONSOLIDATED LIMITED Independent Technical Specialist's Report

Staff at Challenger work on a fly-in-fly-out rostered basis from Adelaide. Total workforce including contractors at 30 June 2010 was 208.

**Figure 1.2** Location Plan of Challenger Gold Mine

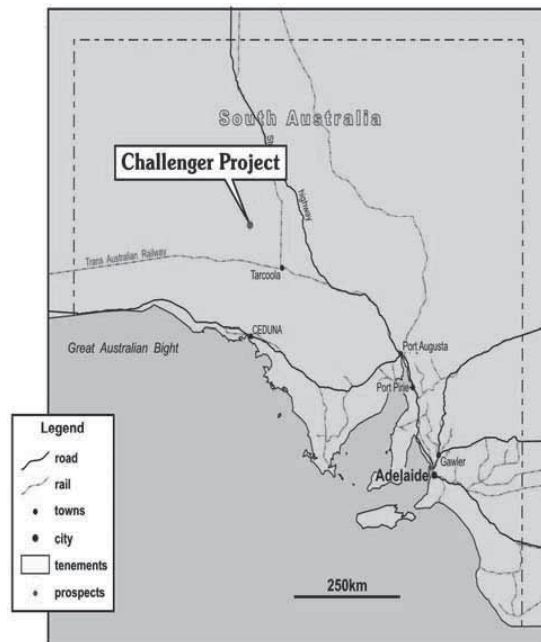
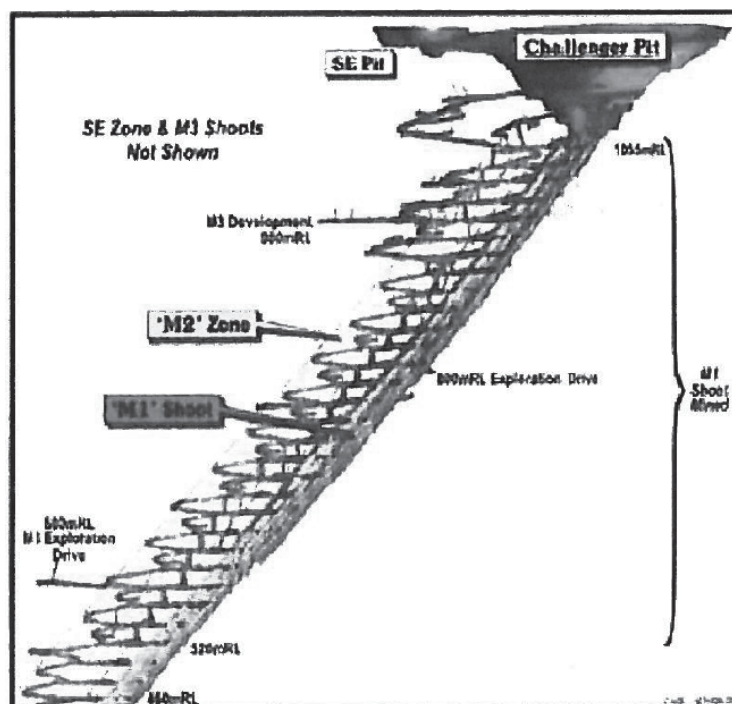


Figure 1.3 provides a schematic diagram of the current underground development beneath the previous open pit workings.

**Figure 1.3** Challenger Mine Development





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## Independent Expert's Report

### (including Technical Expert's Report)

#### DOMINION MINING LIMITED AND KINGSGATE CONSOLIDATED LIMITED

##### Independent Technical Specialist's Report

#### 1.1.1 Geology and Resources

The Challenger deposit is located within the Christie Domain of the north western Gawler Craton, an Archaean to Proterozoic craton composed of granitoid, gneiss and greenstones. These rocks have been subject to a prolonged tectonothermal and magmatic evolution between the Archaean and Neoproterozoic (Andrović 2007). Prior to metamorphism the rocks were thought to be pelitic, recent work suggests that they may have been a volcanoclastic sequence. Later mafic to ultramafics cross-cutting dykes and sills are also present.

The coarse gold mineralisation occurs within and adjacent to coarse grained quartz, feldspar, garnet and biotite-bearing veins, and is associated with minor disseminations of arsenopyrite, loellingite ( $\text{FeAs}_2$ ) and pyrrhotite. There are three main vein/leucosome styles:

- Quartz dominant – gold bearing.
- Polymineralic – gold bearing.
- Pegmatitic – not gold bearing.

Mineralisation occurs in structurally controlled shoots. The veins have a short strike length but are consistent and elongated down plunge, (Bamford, 2002). Mineralisation shoots M1, M2 and M3 have proven to be continuous from surface (1200 mRL) down to approximately 220 mRL.

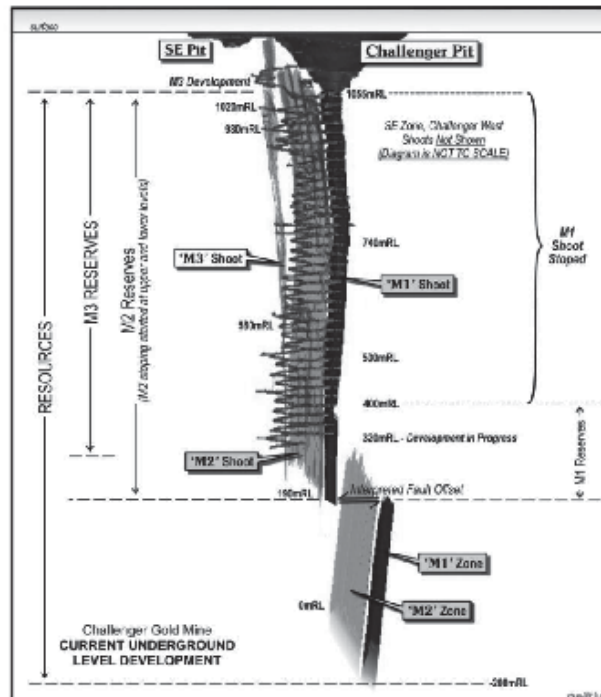
In late 2007 surface exploration drilling was targeting mineralisation below 300 mRL. The surface holes were in excess of 1,100m long. Hole 07CDDH079 failed to intersect mineralisation in the expected position below 200 mRL. Surface exploration drilling for 2008 to late 2009 consisted of four fans of wedged holes targeting the extension of the Challenger mineralisation below 220 mRL. This drilling proved successful with the extension of the Challenger mineralisation below 200 mRL, offset by a fault. The continuing plunging mineralisation has been offset by 150m to the north west by what is now known as '79 Fault'. Mineralisation has now been intersected from surface down to the -220 mRL position. 79 Fault is to date the only significant late stage fault intersected down plunge at Challenger.

Detailed drilling below the fault is being undertaken from underground. At this time it appears that the shoot positions are contiguous with known shoot positions above the fault.

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Figure 1.4 Schematic of Challenger Showing Fault Offset



Dominion has undertaken a significant amount of work to assist it in understanding the geology on a regional and local scale, and this is on going.

In AMC's opinion the geology of the Challenger deposit although complex as a result of the multiple folding events is well understood by Dominion. The local geology is critical for successful mine production and resource development.

#### 1.1.1.1 In Mine Exploration

Exploration of the main mineralisation structures at depth was undertaken from both surface and underground until December 2009. Due to hole lengths in excess of 1.2 km and the inherent complexity of long holes and multiple wedges/daughter holes aiming at small targets, exploration of the main down plunge shoots at Challenger is in future, to be undertaken solely from underground. Targets nearby the main mineralisation that have not been exploited from underground and those that can not be drilled from underground can still be drilled from surface.

Exploration holes have been drilled from existing underground development. These are targeting shoots away from the main mineralisation, such as the Hangingwall Shoot.

In AMC's opinion, prior to mining ceasing at Challenger, there needs to be a focus on establishing the nature and extent of mineralisation in remnant mining areas. This material consists of shoots that are known to occur in the pit or have been intersected in drillholes in the upper underground mine and in some holes down plunge but not yet brought into resource; such as Lower M1, Animus, Footwall Target and the Hangingwall Shoot.

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##### 1.1.1.2 Resource Development and Infill Drilling

Underground diamond drilling from the footwall decline is undertaken with numerous diamond infill holes drilled from the footwall, through the mineralisation and into the hangingwall for each 'ore' drive. The 'ore' drives are separated by 20m vertically. The diamond holes drilled are used to better locate the positions of the folded mineralisation within the 20m window. Specific attention is given to the hinge zone as the cross-cuts from the decline has been preferentially located in the hinge zone.

##### 1.1.1.3 Core Logging

Oriented diamond drill core of varying sizes is geologically, structurally and geotechnically logged, photographed and marked up for sample submission. Mineralised intervals honour lithological boundaries. The average sample length for assay submission is 1m. Core is cut in half with half submitted for assay analysis and the remainder of the core is stored on-site.

Core is logged into Excel templates and the data are transferred to an Access data base. These processes are documented in Standard Operating Procedures which contain document control. Data handling is to industry standard.

##### 1.1.1.4 Mine Geology

The underground operations at Challenger require significant input and control from the geological group due to of the complex folding seen in the mineralised host leucosomes; gold bearing host material.

All underground exposures are visited by a mine geologist or geology technician on day shift or night shift as necessary. Data collected at the face include, but are not limited to, mapping of geological contacts, geotechnical mapping, mapping of significant structures, face and wall photographs, and the collection of samples for grade analysis.

Where headings are not bolted and meshed (made safe) or the geologist is unable to access the heading, photographs of the face and walls are taken for later use.

All mapping data is collected on pre printed mapping sheets which are filed and accessible for later use. The contacts mapped underground are imported into Surpac mining software and used to update the three-dimensional digital geological interpretation.

Underground face and wall samples are collected by hammer from approximately 1.5m from the floor by chipping across the target unit. Chip samples are not collected over an area longer than 1m. Chip sampling is done for both mineralised and non mineralised material. Geological contacts are honoured. No duplicate samples are collected. This is not the accepted industry standard method of sample collection across a face however it is widely used as a function of practicality. Channel sampling (the collection of sample material through the mechanised cutting of an equal area channel across the target unit to be sampled) is the accepted industry standard of face and wall sample collection as it eliminates the bias generated by the human factor which occurs when chip sampling across a face. The position in mine grid of each sample and the assay result for each sample is copied onto the hardcopy face map. The location of the start of the assay interval/face map is located using a wall laser, a dip and azimuth is measured. Each sample number used is unique. Each sample is entered into an Access database as a drillhole. This is done to industry standard.

In AMC's opinion a trial of channel sample collection for wall and face samples should be undertaken. This would report on the practicality of channel sample collection and report on any potential sample bias between the two sample collection methods.

After mapping and sample collection the geologists communicate the mining direction and gradient control to the mining contractor's operator for the extraction of the next round. The mine geologists also control the turn from the cross-cut to the ore drive.

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These processes are clearly documented in Standard Operating Procedures. There are no material concerns arising from the geology procedures used for underground mapping and data collection at Challenger.

##### 1.1.1.5 Grade Control Drilling (Sludge Drilling)

Open hole wet percussion grade control drilling is undertaken in the ore drives and used in geological interpretations, stope design and the mineral resource estimation. Dominion emphasises the importance of quality sample collection over drilling rates.

From the ore drives, holes are drilled by a longhole rig into the footwall, hangingwall, and backs with samples collected every drill rod. These samples are assayed and the information is used to update the geological interpretation, mineral resource, and ore reserve estimates.

Integral to this process at Challenger is a purpose built collection unit so as all the sample generated during the drilling process is collected and none of the sample falls to the ground. Also emphasised is flushing the hole between each sample in an attempt to eliminate sample smearing.

This process is well executed at Challenger with regular studies undertaken to assess any sample smearing. The use of sludge samples in estimation is normally discouraged due to the extremely poor sample collection methods used. In AMC's opinion the collection of wet hole percussion samples at Challenger are of a very high standard and as a result the information can be used in the estimation and design process.

##### 1.1.1.6 Assaying

All gold assaying is done in an on-site laboratory using pulverising and leach ("PAL") and analysed by atomic absorption spectrometer ("AAS"). Some low grade material that forms the edge of the mineralisation halo is assayed for gold off site at Amdel Limited in Adelaide. All assaying for arsenic is done at Amdel Limited.

Duplicate samples are submitted to the on-site laboratory at a one in ten sample ratio. Blanks are included in the sample stream by the laboratory, further analysis is undertaken at the discretion of the laboratory and only when the duplicates have not performed adequately.

Two to four times a year random samples are sent to Amdel Limited for assaying as part of the QA/QC process.

QA/QC reports are now being generated monthly for diamond drill and grade control assay data at Challenger, prior to 2010 this was not done regularly.

AMC has reviewed the following duplicate data and graphs contained in these files *Duplicates 1<sup>st</sup> Jan to 2<sup>nd</sup> Nov 2010.csv* and *QAQC for Jan 10 Monthly Report.xls* provided by Dominion. In AMC's opinion the duplicate data are not being analysed properly. AMC does not have the detection limit and as such could not remove the samples within 15 times the detection limit. This has generated some noise in the analysis of the low grade results. AMC's analysis shows RPD<sup>3</sup> results of between 40% and 45% for both data sets. This will be higher once the lower grade samples have been removed but it is still a poor result. It is desirable to achieve an RPD greater than 80% to 85%.

The co-efficient of variations is between 4 and 9 for the data sets. This is indicative of the notable nugget effect typical of this type of deposit.

<sup>3</sup> The (absolute) Relative Paired Difference (RPD) is the absolute difference between the sample and its duplicate, divided by the mean of the sample and its duplicate, expressed as a percentage.  $RPD = \frac{ABS((x_{original} - x_{duplicate})/x_{mean})}{100}$ .

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#### 1.1.1.7 Mineral Resource

The Mineral Resource for Dominion's Challenger Gold Mine as at the 30 June 2010, reported in accordance with the JORC Code<sup>4</sup> and per the Dominion 2010 Annual Report is shown in Table 1.1.

**Table 1.1 Challenger Mineral Resource as at 30 June 2010**

Classification	Tonnes (t)	Gold Grade (g/t)	Contained Gold (oz)
Measured	315,000	6.3	63,630
Indicated	2,232,500	6.4	460,400
Inferred	1,671,500	7.8	418,080
Measured Low Grade Stockpile	151,700	1.7	8,110
<b>Total</b>	<b>4,370,700</b>	<b>6.8</b>	<b>950,220</b>

AMC has reviewed the processes used by Dominion to generate the Mineral Resource estimate. Dominion use a combination of standard and 'non standard' estimation methods. Notwithstanding this, AMC considers that the resource estimation methods used by Dominion are appropriate.

Mineral resource block models were used to schedule mineral resource tonnes and grades for the first seven production levels and stopes. Once mining was complete and reconciliations undertaken it was shown that the mineral resource models were both under and over calling contained metal with the net result being a marked increase in metal mined.

The increase in contained metal is a result of the mineral resource models not accounting sufficiently for the substantial nugget effect exhibited at Challenger. The nugget effect is defined as highly variable and discontinuous grades over short distances. Due to the block model estimation not representing what was recovered from the first seven levels as a result of the high nugget it was decided to move away from the traditional block model estimations. Therefore, a combination of non traditional and traditional estimation methods have been adopted.

For areas where no development has occurred the shoot 'generic' is used. This is largely confined to Inferred Mineral Resources. The 'generic' concept is specific to Challenger and based on the historical production and reconciliation of the levels above those currently being worked.

The 'M1 generic' has been generated by calculating an ore reserve to mill reconciliation for existing ore production development and stoping in the M1 mineralisation horizon. The 'M1 generic' accounts for a horizontal slice of the M1 mineralised zone at a 20m height.

Table 1.2 shows the current generics in use. The generic is reviewed regularly to include new information. The decision was recently taken to down-grade the generic for the M1 below 440 mRL after numerous levels performed poorly. It should be noted that it has been reported anecdotally that during the time of poor performance of M1 that M2 increased in tonnes and grade and that as a result the generic for M2 has been upgraded.

**Table 1.2 Generics in Use at Challenger**

Shoot	2010		2008	
	Tonnes (t)	Gold Grade (g/t)	Tonnes (t)	Gold Grade (g/t)
M1	22,000	5.2	46,000	9.7
M2	66,000	6.3	54,000	6.3
M3	15,000	4.3	NA	NA

<sup>4</sup> Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, 2004 Edition, prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia.



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Approximately fifty percent of the total tonnage of the 2010 Mineral Resource has been calculated using the generic method. The other fifty percent has been calculated by either interpreting the geology in three-dimensions to create a volume and averaging the value of sample data taken from cross-cuts through the orebody, or the more traditional block model estimation method.

Block modelling has been used for M3 and the SEZ domains. The method used is inverse distance squared, no variograms were generated to indicate search directions or ranges.

Measured status is achieved when the 3 to 5 grade control drillholes, ore development driving, and percussion sampling have all been completed.

Indicated status is achieved when the 3 to 5 grade control holes have been completed and identifiable mineralisation horizons have been established.

Inferred status is achieved when surface drilling or underground exploration drilling has drilled up to half the intended drill spacing and intersected identifiable mineralisation.

Once infill drilling, development mining and grade control drilling have been completed the interpretation/geological surfaces are updated and a stope design is generated. The leucosome ore horizons have barren limbs but otherwise are considered above economic cut-off grade.

In areas that have all type of data collected and do not have a block model tonnage and grade are generated by calculating the area of mineralisation and dilution, with in the 20m high stope block, applying a bulk density (2.72 t/m<sup>3</sup>) and calculating a weighted average grade of all the (cross-cutting) samples available for that 20m block. Samples include exploration and grade control diamond drilling, grade control percussion drilling and face samples. A top-cut of 180 g/t Au is used.

Dominion is aware that this method of grade estimation is not of industry standard, but emphasises that the amount of geological data used to generate these values is high and of good quality.

AMC agrees that there is a very good understanding of the geology by Dominion and acknowledges that high nugget gold deposits are particularly difficult to model successfully. Notwithstanding this, AMC believes there is no material concern for the non industry standard estimation method.

**1.1.1.8 Geology and Resources – Key Findings**

In AMC's opinion, the geology of the Challenger deposit, although complex as a result of the multiple folding events, is well understood by Dominion.

There are no material concerns arising from the geology procedures used for underground mapping and data collection at Challenger.

In AMC's opinion, prior to mining ceasing at Challenger, there needs to be a focus on better defining the grade and extent of mineralisation in remnant mining areas and in areas adjacent to the main shoots which have not been fully explored. This mineralisation consists of shoots that are known to have been present in the pit or have been intersected in drillholes in the upper section of the underground mine and in some holes down plunge, but not yet brought into resource. Such shoots include the Lower M1, Animus, Footwall Target and the Hangingwall.

AMC has reviewed the processes used by Dominion to estimate the Mineral Resource. Dominion uses a combination of standard and 'non standard' estimation methods. Notwithstanding this, AMC considers that the resource estimation method used by Dominion is appropriate.

AMC's has undertaken a review of the duplicate data analysis of QA/QC results and generated different outcomes to Dominion. AMC is of the opinion that Dominion is not analysing the QA/QC results appropriately. AMC believes that this issue is not material in relation to Mineral Resource estimation however believes that analysis should be improved.

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AMC is of the opinion that the Mineral Resource estimates have been classified and reported in a manner consistent with the requirements of the JORC Code.

#### 1.1.2 Mining and Reserves

##### 1.1.2.1 Challenger Ore Reserve

The Ore Reserve for Challenger as at 30 June 2010, reported in accordance with the JORC Code and per the Dominion 2010 Annual Report is shown in Table 1.3.

**Table 1.3 Challenger Ore Reserve as at 30 June 2010**

Classification	Tonnes (t)	Gold Grade (g/t)	Contained Gold (oz)
Proved	323,710	5.8	60,150
Probable	1,834,140	6.0	352,180
Proved Low Grade Stockpiles	151,700	1.7	8,110
<b>Total Reserves</b>	<b>2,309,550</b>	<b>5.7</b>	<b>420,440</b>
Gold in plant circuit			1,210
<b>Total Contained Gold</b>			<b>421,650</b>

AMC has reviewed technical information used in preparing this estimate, and actual production reconciliations to prior Ore Reserve estimates. Given that Ore Reserves have been estimated in the same manner as those that have previously reconciled well with actual performance, AMC is satisfied that the Ore Reserves provide a sound basis for future planning. AMC is satisfied that the estimates have been prepared in accordance with common industry practice and that they have been classified and reported in accordance with the requirements of the JORC Code.

##### 1.1.2.2 Geotechnical, Ground Support and Re-enforcement

Underground excavations are situated in rock which to date has been of exceptional high quality. The mine currently experiences a low stress environment. The decline is currently at around 300 mRL, which is approximately 900m below surface.

All development is currently pattern bolted and meshed and all development intersections are currently cable bolted as a matter of course. As the mine gets deeper, it is likely that stress magnitudes will increase, however, based on available information AMC understands that minimal changes to mining practices will be required over the next 200m.

Starting at around the 200 mRL, a fault offsets the Challenger orebodies by about 150m. Dominion has planned an underground diamond drilling programme to locate major mineralisation trends, as is the usual practice, and to determine the most suitable decline design with relation to the fault.

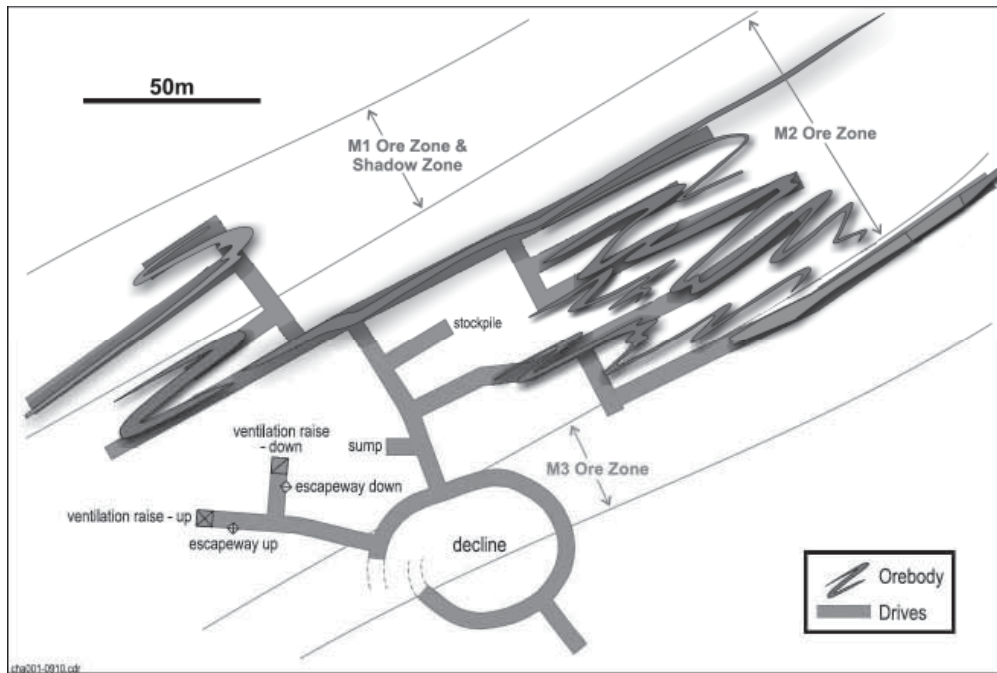
##### 1.1.2.3 Access Development

The mine is accessed through a portal in fresh rock in the South East wall of the Challenger Pit.

The decline is developed at a gradient of 1:7 on the footwall side of the orebody. Currently, the decline is developed at 5.3m wide and 5.8m high, with corners developed at a radius of 20m. Originally the decline was developed to narrower dimensions and consequently contains a number of areas that make it unsuitable for trucks larger than those currently in use. Dominion has established "Project 55", with the aim of modifying/widening certain narrower sections of the decline providing the option of using larger, 55 tonne trucks, which could be more productive as the mine gets deeper.

Mining levels are developed from the decline at 20m vertical intervals. Level development includes cross-cuts, ore drives, stockpiles and other service development. Ore drives provide access to ore for stope definition sludge hole drilling and stoping as indicated in Figure 1.5.

**Figure 1.5 Challenger Level Layout**



#### 1.1.2.4 Ventilation and Services

In 2010, a new 4.5m diameter return airway rise was developed from surface to a depth of 730m to upgrade ventilation. With this addition, the current primary ventilation network should be suitable for mining to 0 mRL. Dominion is currently assessing what modifications will be required to ventilate mining operations below the 0 mRL, which could include a second vent shaft developed from surface.

Internal return airway rises are subsequently developed using longhole rising methods and have a cross-sectional area of 25m<sup>2</sup>, and are typically 15m to 20m long.

Around 260 m<sup>3</sup>/s of air is currently supplied to underground workings by the primary ventilation network.

A secondary means of egress from the mine has been developed for use in an emergency, should the decline become blocked, as is standard in Australian underground mines. This egress is in the form of an interconnecting network of rises and ladder ways.

A series of single helical rotor pumps provides primary dewatering capacity of up to 23 L/s, however, little ground water has been encountered at Challenger to date, and only a fraction of the installed capacity is utilised.

#### 1.1.2.5 Ore Production and Mine Backfill

Dominion is targeting an annual production rate of 635,000t of ore.

Ore production is sourced through ore driving (for tunnel access), uphole retreat open stoping ("UROS") and hand-held mining methods.

UROS is undertaken using 76 mm production drillholes of up to 25m in length, which are drilled in rings and blasted. Broken ore is mucked by front-end-loaders using a mix of conventional and tele-remote techniques. Once UROS is complete on a level, unconsolidated rock fill from development waste is placed in the cavity, as it is cheaper than hauling all waste to surface.

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Some ore cannot be mined using UROS without potentially damaging infrastructure which is in close proximity, and is planned to be mined once use of the relevant infrastructure is no longer required (at the end of the mine life). Some of these remnant areas can be mined earlier with the use of hand-held mining methods, which result in narrower, higher grade stopes, which do not adversely impact on infrastructure and provide additional high grade mill feed earlier than otherwise would be possible.

#### 1.1.2.6 Mining Equipment

Principal mining equipment used at Challenger comprises three diamond drill rigs, three development jumbos, three production longhole rigs, four loaders, seven 45 tonne dump trucks and ancillary equipment.

#### 1.1.2.7 Mine Operating and Capital Costs

Mining is undertaken at Challenger by a contractor, HWE Mining ("HWE"), a wholly owned subsidiary of Leighton Contractors Pty Limited. The contract is in effect until the end of 2011.

Table 1.4 lists key historical performance information for Challenger between 2008 and 2010.

**Table 1.4 Challenger Historical Performance**

Item	Unit	2008	2009	2010
Ore Tonnes Mined	kt	388	431	450
Ore Au Grade Mined	g/t	9.44	7.91	5.75
Tonnes Processed	kt	433	434	547
Metallurgical Recovery	%	93.8	94.0	92.1
Gold Produced	koz	109	99	81
Operating Costs				
- Mining Cost	A\$M	20.1	23.6	33.6
- Processing Cost	A\$M	13.3	14.3	16.0
- Admin Cost	A\$M	6.6	5.9	6.7
Capital Expenditure	A\$M	21	29	41.5

2010 mining operating costs totalled A\$33.6M versus a budget of A\$37.8M (A\$75/t versus A\$60/t).

Mining operating costs in 2011 are budgeted to be approximately A\$75 per tonne and mining capital costs are approximately A\$3.7M per level (20m vertical).

Table 1.5 lists the components of the mining operating costs for the first quarter of the 2011 financial year.

**Table 1.5 Mining Operating Cost Components**

Area	A\$/t	% Cost
Mining Contractor	65.70	78.0
Survey	0.70	0.9
Other Contractors	0.40	0.5
Mining Administration	4.00	4.7
Mines Rescue	0.10	0.2
Power Reticulation	4.20	5.0
Air Leg Stopping	1.50	1.8
Geology	7.60	9.1
<b>Total</b>	<b>84.00</b>	<b>100.0</b>

Unit costs in the first quarter of FY2011 were affected by below-budget actual ore tonnes mined of 136 kt against a budget 159 kt.

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Major components of the mining contractor cost are:

- Maintenance: A\$12.5/t ore.
- Lateral development: A\$9.2/t ore.
- Haulage: A\$6.7/t ore.
- Plant depreciation, interest and insurance: A\$6.5/t.
- Contractor's margin: A\$8/t.

#### 1.1.2.8 Mining and Reserves - Key Findings

Production from Challenger has been ongoing since 2005.

Ground conditions have been of exceptionally good quality.

Grade estimation accuracy is achieved through taking a large number of samples. Progressive sample collection is an integral part of the mining process.

Production excavations generally perform well, and structures that control stability are well understood and can be managed with adequate planning.

Ore Reserves remain over the vertical extent of the mine, some of which are considered to be too-close to existing infrastructure to be extracted until the end of the mine life is approached.

Based on existing geotechnical information, AMC expects that existing mining practices should be appropriate for another 200m depth. Should geotechnical conditions deteriorate beyond this point, it is likely that issues could be managed through modified mining practices which might result in higher mining costs and a lower resource recovery.

The primary ventilation network has recently been upgraded to allow for mining to the 0 mRL, and planning is underway to enable for mining below that depth.

#### 1.1.3 Metallurgy and Processing

##### 1.1.3.1 Background

The treatment plant was commissioned in September 2002 and the first shipment of gold bullion was completed on 24 October 2002.

The plant was constructed by Como Engineers under a lump sum A\$9.6M contract for engineering design, construction and commissioning. Como Engineers dismantled and relocated the second-hand Mt Monger gold processing facility, which was on care and maintenance near Kalgoorlie. The relocated plant had a nominal treatment capacity of 250,000 tpa. An improved gravity circuit was incorporated into the processing plant design.

The processing plant consisted of a jaw crusher supplemented by a secondary crusher for primary ore treatment. The ball mill was capable of processing up to 66 tph of oxide ore and up to 35 tph of primary ore. Oxide and primary ores were designed for a grinding size of 80% passing sizes of 106 and 75 microns respectively.

In September 2006, an Acacia reactor was installed to replace the Wilfrey table. An anticipated increase of gold recovery of 1.5% was not realised.

A debottlenecking programme in 2007 resulted in an increase in throughput to 430,000 tpa.



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In January 2010, a A\$4.8M expansion of the treatment plant was completed which increased the treatment rate to 630,000 tpa. This involved the installation of a second 750 kW ball mill, 12m diameter tailings thickener, and a new tailings storage facility. Upgrades to pumping capacity, cyclone towers, screens, control systems and the power station were also carried out.

#### 1.1.3.2 Processing Plant

The Challenger processing plant is a conventional carbon in pulp ("CIP") gold processing facility. It comprises a jaw crusher supplemented by a cone crusher, two ball mills in series, a gravity circuit to recover coarse gold, cyanidation leaching and adsorption circuit and conventional elution and electrowinning to produce gold bullion.

Tailings are thickened to 60% solids and pumped to the tailing storage facility. In this manner, considerable quantities of water are able to be directly returned to the plant, thus minimising cyanide consumption.

The processing plant operations and maintenance service contractor, Belminco Ltd, employs 40 people with professional staff employed directly by Dominion.

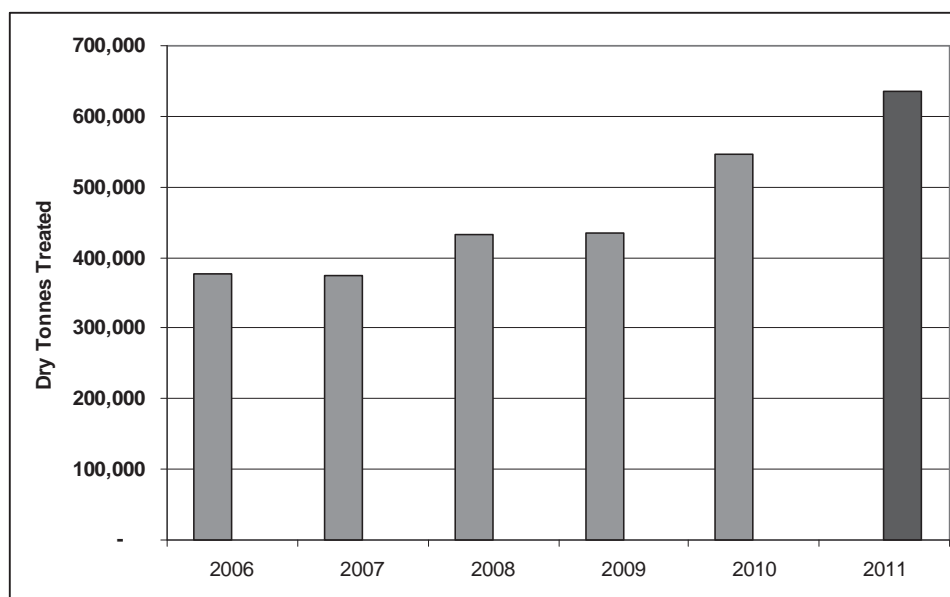
A diesel power station, of approximately 5 MW capacity, supplies power to the treatment plant, underground mine and village. Diesel fuel is a major site cost amounting to A\$2.9M in 2010 and contributing A\$5.35/t to treatment costs. A second diesel power station to supply the underground operation was commissioned during 2010.

An on-site laboratory assays grade control and mill samples.

Water is supplied from a borefield located approximately 3 km west of Challenger with a reverse osmosis plant supplying potable water for elution and general usage.

The plant has undergone a series of upgrades from the original 250,000 tpa when first commissioned to a current 630,000 tpa. The plant has achieved the nominal 75 tph after the installation of the second ball mill and is budgeted to treat 635,000t of ore in 2011.

**Figure 1.6 Tonnage Treated Per Year**



Plant availability has been excellent, consistently achieving better than 96%.

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##### 1.1.3.3 Processing Costs

2010 plant operating costs totalled A\$16.0M versus a budget of A\$15.8M (A\$29.32/t versus A\$28.96/t). Component costs are provided in Table 1.6.

**Table 1.6 Processing Component Costs**

Area	A\$/t	% Cost
Crushing	2.53	8.6
Milling	3.33	11.3
Leaching	4.26	14.5
Gold Room	0.53	1.8
Tailings Storage	0.15	0.5
Laboratory	0.42	1.4
Maintenance	0.27	0.9
Water Supply	0.87	3.0
Power Supply	6.62	22.6
Indirect Costs	10.33	35.2
<b>Total</b>	<b>29.32</b>	<b>100.0</b>

Significant cost drivers for various areas include:

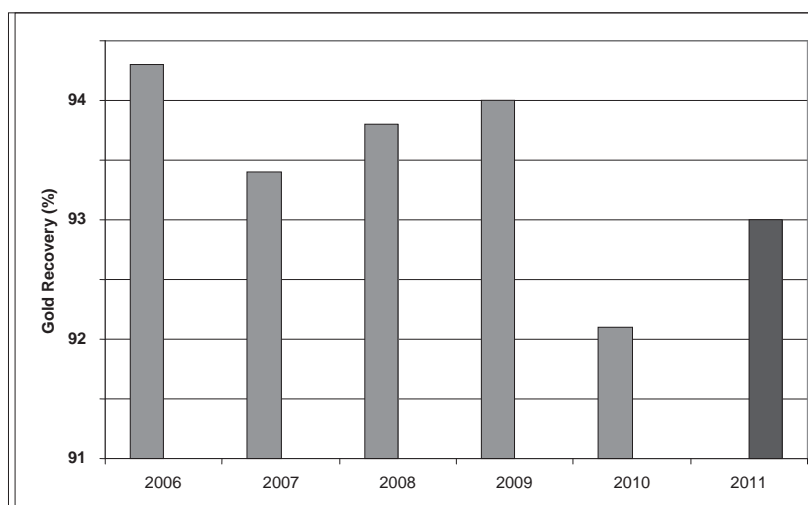
- A\$1.59/t for loader costs feeding the crusher
- A\$2.29/t for cyanide costs in Leaching
- A\$5.35/t for fuel costs associated with Power Supply
- A\$9.19/t for contractor labour costs in Indirect Costs.

The 2011 budgeted costs are A\$29.80/t.

##### 1.1.3.4 Gold Recovery

Plant gold recovery has dropped during the life of the operation as shown in Figure 1.7.

**Figure 1.7 Gold Recovery Trend**

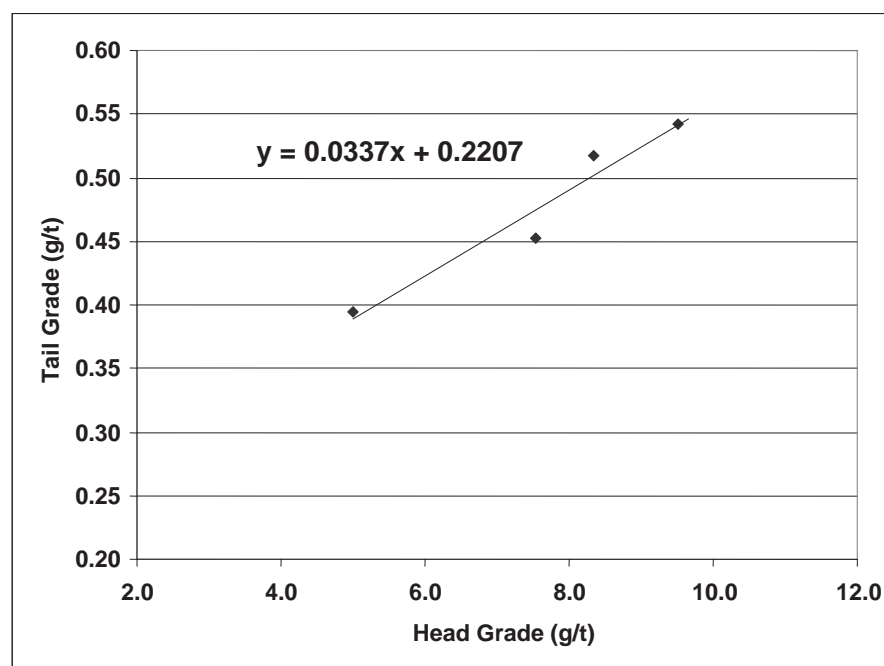


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There is a reasonable correlation between head grade and tailing grade as shown in Figure 1.8. Using this correlation, the 2011 head grade of 5.5 g/t Au should give a gold recovery of 92.6%. With the improvement in grind size with the installation of the second ball mill, a projected recovery of 93.0% is regarded as realistic by AMC.

**Figure 1.8 Head Grade Tail Grade Relationship**



#### 1.1.3.5 Reagent Consumption

The consumption rates of the major reagents for 2010 are shown in Table 1.7.

**Table 1.7 Major Reagent Consumption Rates**

Reagent	Expenditure (A\$000's)	Consumption Rate (kg/t)
Grinding Media	1,280	2.04
Cyanide	1,249	0.68
Lime	780	4.88

These consumption rates are in line with industry norms and are regarded by AMC as reasonable.

#### 1.1.3.6 Metallurgy and Processing - Key Findings

- Challenger throughput for 2010 was 546,649t grading 5.0 g/t Au with a gold recovery of 92.1%. Ore processing operating costs were A\$29.32 per tonne of ore treated.
- The treatment plant is a conventional CIP gold processing facility, comprising a jaw and cone crusher, two ball mills in series, a gravity circuit, cyanidation leaching, adsorption circuit, and elution and electrowinning to produce gold bullion.
- The ore is coarse grained, free milling with very low impurities, and is not considered complex.
- The operation is mature, starting production in 2002 and has produced stable predictable results in the past years. Gold grade has been the chief variable with grades trending lower over time.

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- Gold recovery is directly related to the gold grade in the ore so that lower gold recoveries must be expected from lower feed grades. The budgeted recovery of 92.6% for 2011 is regarded as achievable.
- Plant availability has been excellent, consistently achieving better than 96%.
- The chief cost drivers are diesel fuel for power generation, cyanide, mill balls and labour. Consumption rates are in line with industry norms for this type of operation and are regarded as reasonable.
- A series of mineralogical tests is planned to quantify slight differences in mineralogy between the ore shoots. This will assist in reducing uncertainty associated with varying ore types and is encouraged.
- Sampling and metallurgical monitoring of the process appear adequate with the metallurgical balance showing only a 5% variance to feed measurements.
- Maintenance activities and structural integrity tests appear to be carried out to a good standard but no detailed assessment of these activities has been undertaken by AMC for this report. On the information to hand, the likelihood of serious equipment failure appears low.
- The chief risk to prolonged interruptions to production is weather related. The site is isolated, so failure to deliver reagents could force a plant shutdown.
- Run of mine ore stockpiles (including low grade) are very low, amounting to only 8,860t at the end of June 2010. Should any mining problem occur, processing plant production will be interrupted.

#### 1.1.4 Infrastructure

A 240 room camp, complete with messing and recreation facilities is in place and is owned by Dominion, as is the air strip used for the fly-in-fly-out charter flights to Adelaide Domestic Airport.

An on-site laboratory provides assays for exploration, grade control and process plant monitoring.

The mine water supply wells draw water from deeply buried sediments associated with the Challenger Palaeochannel, approximately 3 km from Challenger. A reverse osmosis treatment plant is used to provide potable water. Water supply has not been an issue to date.

Power for surface use is generated by seven diesel generators with 5 MW combined capacity that are owned and operated by contractors. Power for underground use is generated by five diesel generators with 4 MW combined capacity.

AMC believes the infrastructure supporting the operations is suitable and unlikely to present a material risk to the operations.

#### 1.1.5 Site Administration

Challenger is a remote mine site that is serviced by a fly-in-fly-out workforce.

Site administration provides numerous support services that are essential to the efficient operation of the mine including:

- environmental compliance, occupational health and safety training, inductions, emergency services and first aid
- human resource functions including, recruitment and relocation of staff as required, purchasing, management of suppliers and stores
- camp and the catering contractor, which provides accommodation and messing facilities for the workforce
- air-strip and charter flights to Adelaide.

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### 1.1.6 Environment

#### 1.1.6.1 Overview

The Challenger operation is characterised by relatively low risk of significant environmental impact, in part a reflection of its location in a remote and arid environment. Nonetheless, the implementation of rigorous environmental management programmes and plans has resulted in a high standard of environmental performance on the ground. No significant non-compliances of either project-specific or generic environmental requirements are apparent, and the established impact-monitoring and assessment protocols provide a sound baseline for demonstration of environmental performance over the life of the project, including decommissioning and closure.

#### 1.1.6.2 Specific Environmental Issues

##### Statutory Compliance

Project development and operation has been mediated through the relevant South Australian environmental legislation, primarily through a series of Mining and Rehabilitation Programs ("MARPs") and revisions. The most recent approval, for the development of a second tailings storage facility ("TSF"), was obtained in June 2009.

Annual Mining and Rehabilitation Compliance Reports ("MARCRs") are submitted to the Department of Primary Industries and Resources South Australia ("PIRSA"), using the relevant PIRSA guidelines.

Other than relatively minor hydrocarbon-management issues, which were addressed through an upgrade of waste-management facilities in 2009/2010, no significant environmental incidents have been reported in recent years.

##### Potential Acid Drainage

Based on geochemical analysis by a reputable consultant, all mine waste and oxide tailings have been classified as non acid forming ("NAF"). Primary tailings were classified as potential acid forming ("PAF"), but with the sub-category of Low Capacity (based on kinetic testing). Kinetic (periodic column leach) testing is continuing, but the arid environment (less than 200 mm per year rainfall and more than 3,000 mm per year evaporation), means the risk of acid generation is extremely small – almost negligible. It is improbable that sufficient rainfall will infiltrate into the decommissioned TSFs to cause leaching of oxidized sulphides from the structures; it will be a simple procedure to construct "store-and-release" covers over the TSFs so that the small amount of incident rainfall is stored within the inert cover material and then quickly lost through evapo-transpiration. Prior to decommissioning, any acidic water in the open TSFs will be captured in decant and returned to process.

Effectively, therefore, all mine waste and tailings at Challenger can be considered to be NAF.

##### Flora and Fauna Impacts

Flora and fauna impacts at Challenger are managed through pre-disturbance survey of proposed clearings, and comparison with regional information on diversity and abundance.

No areas of conservation significance have been, or are likely to be, disturbed, and impacts on a small number of individual plant and animal species of conservation significance are minimal; many such fauna species have much larger habitats in undisturbed areas in the region, and simply avoid disturbed areas.

Weak-acid dissociable ("WAD") cyanide levels in tailings water is generally maintained below 10 mg/L, well below the 30 mg/L threshold that is regarded as a trigger for risk to avifauna.



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**1.1.2.5.4 Surface and Ground Water**

No permanent watercourses exist at Challenger. Ephemeral streams form after infrequent sizeable rainfall events, and mine facilities have been located on higher ground and, where necessary, protected from flood waters by engineered structures.

Groundwater is highly saline, with no significant beneficial use other than mining. The aquifers tapped for mine water supply also provide water for pastoral operations, but monitoring has demonstrated that those operations have not been impacted by abstraction for mining. Annual groundwater reports, a requirement of statutory approvals, are submitted to PIRSA and show no deleterious impacts on the local and regional resource.

Risks of groundwater contamination from TSFs are inherently small, because of the groundwater-sink function of the areas under the TSFs. Perimeter groundwater monitoring around the TSFs has shown no significant impairment of water quality through seepage. Should contamination occur in future, recovery bores could be used to return the water to the TSFs and to process.

Within the process plant area, drainage is collected in the process water dam, rather than allowed to flow to the broader environment.

**Heritage**

No Aboriginal or European heritage sites are known to occur in the project area, based on surveys carried out during project development.

**Closure**

Conceptual closure plans have been developed, but final prescriptions have yet to be developed, especially for the TSFs and waste stockpiles.

Dominion has estimated closure costs at A\$1.7M, excluding demolition and salvage. AMC has calculated closure costs using data on areas of disturbance from MARPs and MARCRs and applying unit rates typical for current closure activities on projects like Challenger, and has determined a similar likely cost, also excluding demolition costs, which are assumed to be offset by salvage revenues, and including an allowance for post-closure monitoring and reporting.

However, neither of the above estimates include closure of the new TSF. AMC estimates that this would cost A\$0.8M, giving a total current closure liability of A\$2.5M. While progressive rehabilitation has been and will likely continue to be undertaken on waste stockpiles, at least 80% of closure expenditure will occur in the last year of operating life.

**1.1.6.3 Environment - Key Findings**

- Challenger is a generally low-risk operation in environmental terms.
- Environmental management systems and programmes are of a high standard, and can be expected to continue to underpin sound performance, especially in relation to statutory compliance.
- Acid mine drainage risks appear to be small, particularly in the arid environment of the operation.
- The groundwater which is used to supply the operation is highly saline, and thus has few, if any, beneficial uses other than mining.
- Conceptual closure plans have been developed, and are being progressively refined; a closure and rehabilitation cost estimate of A\$2.5M can be used for financial modelling and most of these costs will occur at the end of project life.

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**1.1.7 Challenger Valuation**

AMC has modelled two scenarios for Challenger. These cases, include projections of mining and processing tonnages, ore grades and operating and capital costs, as a basis for AMC's valuation of Challenger. The valuation date is 1 October 2010.

AMC has not been provided with a detailed LOM schedule for Challenger. Accordingly, AMC has prepared high level ore production and cost schedules for the purposes of valuation. AMC has run-out mining inventories generally in order of confidence. Consequently, AMC has scheduled ore reserves first, followed by mining inventories derived from resources. Low grade stockpiles are scheduled last for processing, due to their relatively low value when compared to Challenger high grade ore. While the actual production schedule will vary from that assumed, AMC is of the opinion that the high level schedule is appropriate for valuation purposes.

AMC's Case 1 is based on ore reserve estimates and that part of other mineral resources for which AMC judges there is a high confidence of future conversion to ore reserves.

AMC's Case 2 adds to Case 1 mining and processing inventories, those tonnages which AMC judges to represent likely further additions to ore reserves from existing mineral resources and from exploration potential but to a lesser confidence level than in Case 1. AMC believes that the Case 2 modelling scenario is based on reasonable grounds.

In preparing its cases, AMC has reviewed a high level life of mine ("LOM") model prepared by Dominion.

**1.1.7.1 AMC Case 1 Modelling Scenario**

Key aspects of AMC's Case 1 modelling scenario are:

- Mining of the June 2010 high grade Ore Reserves (M1, M1 Shadow, M2 and M3 structures) after depletion of material mined in Q1 2011, 1.92 Mt at 5.9 g/t Au containing 364 koz.
- Inclusion of 25% of Inferred Resources for M1, M1 Shadow and M2 structures, at a resource to ore reserve conversion ratio of 90% (which has been achieved over these lodes historically), with 20% dilution and a dilution grade of 0.35 g/t Au, adding 420 kt at 6.2 g/t Au containing 84 koz to the mining inventory.
- A starting low grade stockpile of 164 kt, with the generation of an additional 330 kt of low grade material over the life of the project (7 kt per month while mining).
- Processing of all low grade stockpiles of 494 kt at 1.7 g/t Au containing 27 koz
- A total processing inventory of 2.83 Mt at 5.2 g/t Au containing 474 koz.
- A metallurgical recovery of 93%, and a milling grade reconciliation of 100%, which results in the production of 442 koz.
- A target annual processing plant throughput of 635 ktpa, which results in processing ending in 2015.
- Real operating costs for mining of approximately A\$78/t of ore mined, and processing and administration costs of approximately A\$40/t of ore processed.
- Real capital costs of A\$53M, which consist of allowances for underground infrastructure development (to reflect continuing mining to 120 mRL, or, another 180m vertical depth), tailings dam storage expansion and resource definition drilling.
- Real sustaining capital costs of around A\$3M per annum.

Table 1.8 summarises key parameters of the AMC Case 1 modelling scenario, with nominal costs, rather than nominal costs referred to above.

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**Table 1.8 AMC Case 1 Summary (Nominal Costs)**

Description	Unit	FY11 (exc Q1)	FY12	FY13	FY14	FY15	FY16	Total
Mined HG Tonnes	kt	476	635	635	508	84	-	2,338
Mined HG Au Grade	g/t	5.90	5.90	5.90	6.10	6.20	-	6.00
Rehandled LG Tonnes	kt	-	-	-	127	367	-	494
Rehandled LG Au Grade	g/t	-	-	-	1.70	1.70	-	1.70
Processed Tonnes	kt	476	635	635	635	451	-	2,832
Processed Au Grade	g/t	5.90	5.90	5.90	5.20	2.50	-	5.20
Metallurgical Recovery	%	93	93	93	93	93	-	93
Recovered Gold	koz	84	112	112	99	35	-	442
<b>Operating Costs</b>		-	-	-	-	-	-	-
Mining Cost	A\$000's	36,671	50,721	52,408	43,312	7,408	-	190,520
Processing and Administration Costs	A\$000's	19,002	26,071	26,723	27,391	19,951	-	119,139
Closure and Rehabilitation	A\$000's	-	-	-	-	2,216	568	2,784
<b>Capital Costs</b>		-	-	-	-	-	-	-
Expansion	A\$000's	18,000	23,429	5,274	7,935	371	-	55,009
Sustaining	A\$000's	2,250	3,087	3,164	3,243	2,362	-	14,107

#### 1.1.7.2 AMC Case 2 Modelling Scenario

Key aspects of AMC's Case 2 modelling scenario are:

- Mining of the June 2010 high grade Ore Reserves (M1, M1 Shadow, M2 and M3 structures) after depletion of material mined in Q1 FY2011, 1.92 Mt at 5.9 g/t Au containing 364 koz.
- Inclusion of 100% of Inferred Resources for M1, M1 Shadow and M2 structures, at a resource to ore reserve conversion ratio of 90% (which has been achieved over these lodes historically), with 20% dilution and a dilution grade of 0.35 g/t Au, adding 1.68 Mt at 6.2 g/t Au containing 338 koz to the mining inventory.
- A starting low grade stockpile of 164 kt, with the generation of an additional 506 kt of low grade material over the life of the project.
- Processing of all low grade stockpiles of 670 kt at 1.7 g/t Au containing 36 koz.
- A total processing inventory of 4.27 Mt at 5.9 g/t Au containing 808 koz.
- A metallurgical recovery of 93%, and an Ore Reserve grade reconciliation of 110%, which results in the production of 752 koz.
- A target annual processing plant throughput of 635 ktpa, which results in processing ending in 2017.
- Real operating costs for mining of approximately A\$77/t of ore mined, and processing and administration costs of approximately A\$40/t of ore processed.
- Real capital costs of A\$127M, principally for underground infrastructure to reflect continuing mining to -200 mRL, or, another 500m vertical depth from the decline position at the start of October.
- Real sustaining capital costs of around A\$3M per annum.

Case 2 is an upside case by virtue of inclusion of more Inferred Resources at depth and therefore has greater geological and mining uncertainty

Following additional resource definition drilling it is possible that some Inferred Resources scheduled in Case 2 may be downgraded and unavailable for mining. Conversely, a number of exploration targets have not been included in Case 2 schedules, and could provide alternative ore sources, given exploration success.

In Case 2, AMC has applied a mill reconciliation factor of 110%, an upside assumption, based on:

- Dominion is typically conservative when estimating resources, and recent mining experience at depth suggests that the ounces per vertical metre could be higher than allowed for in the Inferred Resources.

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- Amongst completed mining areas, positive reconciliations between ounces estimated for designed excavations and mill reconciled ounces are common.
- Dominion could employ more selective mining methods, which could result in higher grades being mined.

Table 1.9 summarises key parameters of the AMC Case 2 modelling scenario, with nominal costs, rather than nominal costs referred to above.

**Table 1.9 AMC Case 2 Summary (Nominal Costs)**

Description	Unit	FY11 (exc Q1)	FY 12	FY 13	FY 14	FY 15	FY 16	FY 17	FY 18	Total
Mined HG Tonnes	kt	476	635	635	635	635	467	117	-	3,600
Mined HG Au Grade	g/t	6.5	6.5	6.5	6.8	6.9	6.9	6.9	-	6.7
Rehandled LG Tonnes	kt	-	-	-	-	-	168	502	-	670
Rehandled LG Au Grade	g/t	-	-	-	-	-	1.7	1.7	-	1.7
Processed Tonnes	kt	476	635	635	635	635	635	619	-	4,270
Processed Au Grade	g/t	6.5	6.5	6.5	6.8	6.9	5.5	2.7	-	5.9
Metallurgical Recovery	%	93	93	93	93	93	93	93	-	93
Recovered Gold	koz	92	123	123	129	130	104	50	-	752
<b>Operating Costs</b>										
Mining Cost	A\$000's	35,719	49,551	51,348	53,203	55,120	41,969	10,868	-	297,777
Processing and Administration Costs	A\$000's	19,002	26,071	26,723	27,391	28,076	28,778	28,735	-	184,777
Closure and Rehabilitation	A\$000's	-	-	-	-	-	-	2,328	597	2,925
<b>Capital Costs</b>										
Expansion	A\$000's	18,000	27,022	32,190	36,735	11,257	9,158	600	-	134,962
Sustaining	A\$000's	2,250	3,087	3,164	3,243	3,324	3,407	3,402	-	21,879

KPMG has provided AMC metal prices and macro economic assumptions for use in AMC's valuation of Challenger. KPMG also advised discount rates and taxation inclusions within AMC's models. The information provided to AMC by KPMG is presented in Appendix C.

Based on consideration of its Case 1 and Case 2 modeling scenarios and the information provided by KPMG, AMC has determined a low and high value for Challenger of:

- Low Valuation: A\$148M.
- High Valuation A\$208M.

The results of the sensitivity analysis undertaken by AMC on the above estimates is provided in Appendix D.

#### 1.1.8 Challenger Risks and Opportunities

- A significant amount of mine development has been undertaken at Challenger. Resources and ore reserves still remain on most levels over the current 900m vertical extent of the mine. This provides a large number of possible working areas and mining fronts, which provides flexibility and increases the likelihood that production targets can be met.
- Estimates of Inferred Resources are based on limited drilling and past experience with the mineralised structures on mined levels. Consequently, mining inventories derived from Inferred Resources could be higher or lower than that assumed for valuation purposes.
- Increased mining at depth may require changes to mining practices that could result in higher operating costs and lower recovery of the resource.
- There are a number of exploration targets within close proximity to existing infrastructure at Challenger. Should testing of these targets return positive results, it is possible they could be mined using existing infrastructure.
- Where Lamprophyre sills have intersected mineralisation, they have slowed mining and reduced the recovered tonnage and grade. Having experienced problems with such areas in mid 2008 Dominion should identify potential areas through drilling and modify the extraction plans accordingly.

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- There is potential for to mine additional ore from other identified but largely untested shoots adjacent to both previously and planned mining areas.
- All ore is mined from a single underground mine, and surface stockpiles of high grade ore are small. Consequently disruptions to production from the mine, would immediately reduce gold production.
- Environmental risks are small, with no issue considered by AMC to be likely to impede project continuation and development (given continued sound environmental planning and statutory compliance).
- Closure and rehabilitation will be both inexpensive and uncomplicated; prompt relinquishment of tenements and environmental obligations are likely after project decommissioning.

### 1.2 Dominion Exploration Properties and Valuation

This section of this report concerns the value of Dominion's exploration portfolio. It is based on information from Dominion annual and quarterly reports and additional information provided by Dominion in response to AMC requests and AMC transactions database records supplemented by related information.

Not all of the requested information on project expenditures and other details has been provided.

The projects reviewed included those listed in Dominion's most recent annual and quarterly reports.

Valuation has been carried by normal exploration valuation methods with primary use of Comparable Transactions and the derivative Unit Area method of valuation. Where information is available, Past Expenditure has also been considered. The exploration valuation methodologies considered by AMC for this report are presented in Appendix E.

#### 1.2.1 Labyrinth, South Australia (Dominion 98%)

The area has geology similar to that hosting Olympic Dam and Prominent Hill. It covers a large gravity high and a related magnetic anomaly and there are several geophysical targets. As well as the Labyrinth cost centre, the project includes Gosse and Kingoonya with a combined expenditure of A\$2.4M to second/third quarter 2010. There are apparently heritage area issues.

The area as plotted approximates 40 km<sup>2</sup>. In 2006, transactions for large Gawler Craton areas indicate unit values of A\$500/km<sup>2</sup> to A\$2,000/km<sup>2</sup> and the Southern Gold farm-in to Dominion areas near Challenger in December 2006 (area not available) can value the project at that time at A\$1.1M to A\$1.3M.

Transactions in 2009 include an area adjacent to Prominent Hill with project estimated value of around A\$6M and one at Intercept Hill with similar exploration targets at A\$1.7M to A\$2.0M.

Application of a Prospectivity Enhancement Multiplier ("PEM") of 1.0 suggests a value in excess of A\$2M while a unit area valuation of A\$2,000/km<sup>2</sup> to A\$3,000/km<sup>2</sup> suggests a mean estimate of A\$1.0M. AMC's review concludes a range of A\$1.0M to A\$2.0M.

#### 1.2.2 Bulgunnia, South Australia (Dominion 78%)

Close to Prominent Hill on a favourable major structure with several drill targets, the project area approximates 746 km<sup>2</sup>. Dominion has spent A\$2.1M to July 2010.

A PEM of 1.0 to 1.3 values Dominion's interest at A\$2.1M to A\$2.7M and a unit area value of A\$2,000/km<sup>2</sup> to A\$3,000/km<sup>2</sup>, indicates a Dominion value of A\$1.5M to A\$2.2M. AMC's review weights the former approach and concludes a valuation range of A\$2.0M to A\$2.5M.



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##### 1.2.3 Barton West, South Australia (Dominion 90%)

The Eucla Basin mineral sands project Barton West (also known as Maralinga Joint Venture), has a reported Inferred Mineral Resource of 171.8 Mt at 2.8% heavy minerals. Reported expenditure to July 2010 is A\$1.3M, though a further A\$0.3M is reported as Barton East.

Recent Comparable Transactions include:

- October 2008 purchase by Iluka of Adelaide Resources' interests in the area for A\$5M. The interests included a strategically valuable 49% of the Columna Joint Venture including the Tripitaka zircon deposit within three exploration licences of total area of over 5,200 km<sup>2</sup>.
- March 2009 purchase by Iluka of Mithral's interests near Ceduna for A\$0.55M. No resources were then estimated.
- August 2009 purchase by Diatreme of 25% of its subsidiary Lost Sands which holds several deposits on the same strandline as Barton and Columna including Cyclone variously stated at 60 Mt to 130 Mt of 3.1% to 2.3% heavy minerals. The purchase price in shares then valued the company at A\$2.8M.

AMC's review considers the latter transaction as concerning assets most similar to Barton West which it values at A\$2.5M to A\$3.0M. AMC values Dominion's interest in the range of A\$2.3M to A\$2.7M.

##### 1.2.4 Central Tenements Area, South Australia

The Central Tenements Area ("CTA") is located in the area immediately surrounding Challenger. Iron Road had earned a 51% interest in the iron ore rights to last reporting. It can earn a further 39% by sole funding exploration and issuing \$1m of equity, or 2% of total equity, whichever is greater to Dominion by August 2011. Dominion's present 49% is valued by AMC at A\$0.7M for the probability weighted value of the future share placement and 10/90 of the value of Iron Road's past and contingent future work.

Also located in the CTA are the Southern Gold West Gawler Craton Joint Venture (Dominion 49% and diluting), the Sandstone Joint Venture (Dominion expenditure A\$1.1M to October 2009), Mobella (expenditure A\$0.2M to January 2010) and Campfire Bore (expenditure A\$0.8M to May 2010).

##### 1.2.5 Cundeelee, Western Australia (Dominion 100%)

This 1,213 km<sup>2</sup> area near to the Tropicana gold discovery contains numerous gold targets based mainly on shallow geochemical drilling.

In October 2010, Sirius Resources acquired 70% of a 2,300 km<sup>2</sup> area near Tropicana, reported to have drill targets, for shares valued at A\$2.76M together with a contingent share placement dependent on good discovery success. Time and probability discounts reduce the value of the latter to a relatively small additional amount. The implied 100% value would be around A\$4M or A\$1,750/km<sup>2</sup>.

Applying a higher unit value of A\$2,000/km<sup>2</sup> to A\$2,500/km<sup>2</sup> to Dominion's interests, AMC values it at A\$2.4M to A\$3.0M.

##### 1.2.6 Calingiri/Wongan Hills, Western Australia (Dominion 100% and 80%)

This area of five exploration licences approximates 600 km<sup>2</sup> to 800 km<sup>2</sup>. The Wongan Hills Project in which the main prospect is called Ninan is 80% owned and appears to be enclosed within the Calingiri Project area.

Broad intersections of low grade copper sulphides have been intersected in drilling with contained shorter intercepts grading over 1% copper. The sulphides respond to induced polarisation survey and there are a number of targets. This appears to be a newly discovered locus of copper sulphide mineralisation and targets are described as Golden Grove style volcanic hosted massive sulphide hosted mineralisation.

Dominion earned its 80% of Wongan Hills by farm-in but details of the agreement have not been provided.

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In the absence of information requested, valuation requires Comparable Transaction analysis. Inputs considered include:

- Canegrass in Western Australia's Midwest, a large area prospective mainly for gold bought in May 2009 for A\$1.3M in cash and shares or about A\$2,000/km<sup>2</sup>.
- Two large areas prospective for base metals joint ventured in 2010 on terms indicating unit values respectively of A\$5,000/km<sup>2</sup> to A\$6,000/km<sup>2</sup> and A\$1,500/km<sup>2</sup> to A\$3,500/km<sup>2</sup>.

Given this project seems to represent a newly discovered base metal mineralised sub-province with targets for ongoing exploration but so far lacking grades of clear economic potential, AMC's review indicates a unit value of A\$2,500/km<sup>2</sup> to A\$3,500/km<sup>2</sup> and assumes beneficial ownership of 500 km<sup>2</sup> to 600 km<sup>2</sup> to estimate a value to Dominion of A\$1.3M to A\$2.1M.

#### 1.2.7 South West Yilgarn, Western Australia (Dominion 100%)

There are five projects under this heading are listed in Table 1.10. Project areas are available to AMC but not past expenditures.

**Table 1.10 South West Yilgarn Project Summary**

Project	Area	Observation
Kukerin	673 km <sup>2</sup>	Gold mineralisation is outlined by shallow interface drilling within a shear zone. Mineralisation of potentially economic grade so far limited to short strike length.
Nanicup Bridge	297 km <sup>2</sup>	4 km long gold anomaly within gneiss. Geochemical drill intercepts up to 3m at 11.3 g/t Au. Deeper drilling recorded broad intercepts of 0.5 g/t Au to 0.6 g/t Au with shorter sections up to 12m grading 1.0 g/t Au to 2.3g/t Au. Follow up apparently so far unsuccessful.
Bullock Pool	386 km <sup>2</sup>	Anomalous gold geochemistry over 25 km <sup>2</sup> in mafic and ultramafic greenstones. Bedrock drilling intersected disseminated sulphides with up to 9m at 2.0 g/t Au.
Holleton West	273 km <sup>2</sup>	Nickel targets in ultramafic rocks and gold targets in BIFs in belt west of Flying Fox - Bounty line.
Perenjori	902 km <sup>2</sup>	North of Perth around Morawa, Mullewa near Youanmi. 1 km long gold anomaly and limited interface drilling intersected up to 7m at 2 g/t Au.

These and other projects were developed from a regional geochemical survey of 128,000 km<sup>2</sup> of the South West Yilgarn in which 160,000 samples were collected.

Comparable Transaction information is limited to a 2007 transaction concerning an area of 250 km<sup>2</sup> at Dinninup being on terms indicating a then value of A\$250/km<sup>2</sup>. On average, projects in this region should attract a lower transaction value than those around the established goldfields to the east and north. Given the demonstrated presence of gold mineralisation in each of these projects, unit values of from A\$500/km<sup>2</sup> to A\$1,500/km<sup>2</sup> seem appropriate. A total value between A\$2M to A\$3M is judged appropriate.

Apparently an initial public offering of an entity containing these projects and having ownership of the regional sample database had been planned and Dominion had considered retaining a 32% interest while raising subscribed funds of A\$6M to A\$7M. Such figures suggest an implied value of around A\$2.8M to A\$3.2M for the mineral assets which this review considers appropriate for the projects discussed above together with the database.

#### 1.2.8 Challenger West

Challenger West is a separate shoot located adjacent to the Challenger pit. Mineral Resources and Ore Reserves reported for Challenger West are listed in Table 1.11.

**Table 1.11 Challenger West Mineral Resources and Ore Reserves as at 30 June 2010**

Classification	Tonnes (t)	Gold Grade (g/t)	Contained Gold (oz)
Indicated Resource	150,600	15.5	75,230
Inferred Resource	23,000	34.1	25,000
Probable Ore Reserve	85,500	8.3	22,780

Indicated Resource listed is inclusive of Probable Reserve. Indicated Resource valued using the Yardstick Value method is 52,690 oz.

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Challenger West is not reflected in AMC's production scenarios for Challenger. For valuation purposes, AMC has applied the Yardstick Value method commonly applied to exploration valuations. For that part of the Indicated Resource reported as Ore Reserve, AMC has applied a Yardstick Value of A\$30 to A\$50 per ounce. For the Indicated Resource outside the Ore Reserve, AMC has applied a Yardstick Value of A\$20 to A\$30 per ounce. For the Inferred Resource, AMC has applied a Yardstick Value of A\$10 to A\$20 per ounce. Using this method, Challenger West is valued at A\$2.0M to A\$3.2M.

#### 1.2.9 Additional Tenements

AMC notes that Dominion has additional tenements in the Bryah Basin (farm in agreement with options to earn a 70% interest with Cazaly Resources) and tenement applications pending in West Musgrave block in Western Australia and PDR Laos. These projects are considered to be very early stage with limited ground work and untested anomalous targets. AMC notes that the Bryah Basin tenement is located in rocks known to host economic mineralisation as are the tenements under application in PDR Laos.

#### 1.2.10 Dominion Exploration Valuation Summary

AMC's low and high valuations for Dominion's exploration projects are summaries on Table 1.12.

**Table 1.12 Dominion Exploration Valuation Summary**

Project	Low Valuation (A\$M)	High Valuation (A\$M)
Labrynth	1.0	2.0
Bulgunnia	2.0	2.5
Barton West	2.3	2.7
Central Tenements Area	0.7	0.7
Cundeelee	2.4	3.0
Calingiri/Wongan Hills	1.3	2.1
South West Yilgarn	2.8	3.2
Challenger West	2.0	3.2
<b>Total</b>	<b>14.5</b>	<b>19.4</b>

#### 1.3 Dominion Valuation Summary

As outlined in Section 1.1.7 of this report, based on consideration of its Case 1 and Case 2 modeling scenarios for Challenger and the information provided by KPMG, AMC has determined a low and high value for Challenger of:

- Low Valuation: A\$148M.
- High Valuation A\$208M.

The high valuation exceeds the low valuation by approximately 40%. This range has resulted as a consequence differences in assumptions between AMC's Case 1 and Case 2 modelling scenarios. Key aspects where technical uncertainties have affected such assumptions include, conversion of Inferred resource at depth to ore reserves. The establishment of additional resources and reserves at depth in areas that have been difficult to drill from current drill sites, grade confidence of the inferred resources, the degree that current reserve to actual production reconciliations continue, and mining assumptions below the 79 Fault. Many of these aspects result from the narrow and deeply plunging nature of the mineralisation as indicated in Figure 1.4, which make resource definition at depth complex. These uncertainties have resulted in a broad valuation range. AMC has considered this range and believes it provides a reasonable representation of possible valuation outcomes for Challenger.

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As outlined in Section 1.2 of this report, based on its consideration and valuation of Dominion's exploration projects, AMC has determined a low and high value for the exploration projects of:

- Low Valuation: A\$14.5M.
- High Valuation A\$19.4M.

AMC is of the opinion that a reasonable valuation range for Dominions mineral assets is:

- Low Valuation: A\$162.5M.
- High Valuation A\$227.4M.

AMC's preferred value for Dominion's mineral assets is A\$195.1M.

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## 2 KINGSGATE CONSOLIDATED LIMITED

### 2.1 Chatree Gold Mine

Kingsgate's interest in the Chatree Gold Project ("Chatree") is held by the Thai-registered company Akara Mining Limited ("Akara"). The Chatree is located in central Thailand (Figure 2.1) and consists of an operating open pit mine with associated processing plant and infrastructure.

**Figure 2.1 Chatree Location**



Mining operations are conducted by a contractor in a series of open pits on contiguous mining leases. In 2010, the processing plant treated 2.7 Mt for 132,628 oz of gold and 549,522 oz of silver poured at a gold recovery of 90.4%. A further 3.9 Mt of lower-grade material was mined and stockpiled for future treatment. Ore Reserves as at 30 June 2010 reported at a 0.4 g/t Au cut-off are listed in Table 2.1 and Mineral Resources as at 30 June 2010 are listed in Table 2.2, per the Kingsgate 2010 Annual Report.

**Table 2.1 Chatree Ore Reserves as at 30 June 2010**

Item	Classification	Tonnes (Mt)	Gold Grade (g/t)	Silver Grade (g/t)	Contained Gold (oz)	Contained Silver (oz)
Chatree Mine Leases	Proved	5.4	1.06	5.0	0.18	0.86
	Probable	2.7	1.27	4.9	0.11	0.44
	<b>Total</b>	<b>8.1</b>	<b>1.13</b>	<b>5.0</b>	<b>0.29</b>	<b>1.30</b>
Chatree North Mine Leases	Proved	32.0	0.99	10.3	1.02	10.56
	Probable	16.0	0.93	8.9	0.48	4.59
	<b>Total</b>	<b>48.0</b>	<b>0.97</b>	<b>9.8</b>	<b>1.49</b>	<b>15.15</b>
<b>Stockpiles</b>	<b>Proved</b>	<b>5.6</b>	<b>0.79</b>	<b>12.1</b>	<b>0.14</b>	<b>2.19</b>
<b>Total Ore Reserves</b>		<b>61.7</b>	<b>0.97</b>	<b>9.4</b>	<b>1.93</b>	<b>18.63</b>



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**Table 2.2 Chatree Mineral Resources as at 30 June 2010**

Item	Classification	Tonnes (Mt)	Gold Grade (g/t)	Silver Grade (g/t)	Contained Gold (oz)	Contained Silver (oz)
Chatree Mine Leases	Measured	23.6	0.79	4.4	0.60	3.36
	Indicated	15.2	0.82	4.2	0.40	2.07
	Inferred	11.5	0.80	4.5	0.30	1.67
	<b>Total</b>	<b>50.3</b>	<b>0.80</b>	<b>4.4</b>	<b>1.30</b>	<b>7.10</b>
Chatree North Mine Leases	Measured	56.2	0.81	8.6	1.47	15.49
	Indicated	41.6	0.74	6.7	0.99	9.00
	Inferred	19.8	0.66	5.0	0.42	3.19
	<b>Total</b>	<b>117.6</b>	<b>0.76</b>	<b>7.3</b>	<b>2.88</b>	<b>27.68</b>
<b>Total Mineral Resources (including stockpiles)</b>		<b>173.5</b>	<b>0.77</b>	<b>6.6</b>	<b>4.32</b>	<b>36.97</b>

Chatree is divided into Chatree and Chatree North by the Nong Kanark–Wang Pong Highway (Highway 1301).

Akara's Chatree tenements comprise:

- 14 Mining Leases, three Waste Dump Leases and one lease for the TSF covering 954 ha over the deposits and infrastructure areas of Chatree
- 21 Special Prospecting Licences ("SPLs") covering 326 km<sup>2</sup> and 49 Special Prospecting Licence Applications ("SPLAs"), covering 722 km<sup>2</sup> over a contiguous area surrounding Chatree.

Akara has an agreement with Issara Mining Limited ("Issara") involving Akara's exploration tenements (SPLs and SPLAs) and tenements held by Issara's 100% owned subsidiaries. Under this agreement:

- Issara has the right to explore on Akara's SPLs and SPLAs, at no cost to Akara.
- Akara has the right to develop, with up to a 100% interest, any gold and silver discovery made on its own exploration tenements by paying Issara the equivalent pre-development market value of the discovery.
- Akara has first right of refusal on at least a 40% interest in the development of any gold and silver discovery on exploration tenements held by Issara's subsidiaries by paying Issara the appropriate proportion of the equivalent pre-development market value of the discovery.
- Issara will retain the benefits of any discovery of minerals other than gold and silver.

Under a separate agreement, Issara conducts resource definition on Akara's mining leases on a contractual basis.

The Chatree gold deposits were discovered in 1995. The region had no recorded history of gold production or evidence of artisanal workings. The Chatree mine was commissioned in late 2001 and, having operated continuously since, had produced over one million ounces of gold by the end of January 2010.

#### 2.1.1 Geology and Resources

Chatree is located within the Loei-Phetchabun-Ko Chang volcanic belt, which flanks the western boundary of the Khorat Plateau sediments. The belt contains intrusive and extrusive rocks of acid to basic composition and represents several episodes of igneous activity believed to extend from the mid Devonian to the late Tertiary. Sedimentary rocks, mainly volcanic derived, and some limestone beds are locally interbedded with the volcanics.

The Chatree mineral deposits are located in part of the volcanic belt consisting mainly of andesitic and basaltic volcanics, intruded by bodies of microgabbro, diorite, granodiorite and microgranite. Host rocks to the mineralisation are considered to be Permian to Triassic in age and in the Chatree area the belt is locally overlapped by thin Tertiary and younger sediments which extend westwards and thicken considerably into the Chao Phraya Basin.

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In the mine area, the host volcanic sequence comprises four main units:

- the uppermost unit in the mine area is a lithic rich fiamme breccia
- rhyolitic breccias and fine grained epiclastic sedimentary rocks
- a thick sequence of andesitic breccia
- the basal unit is dominated by andesitic breccias and flows, containing dacite dome complexes.

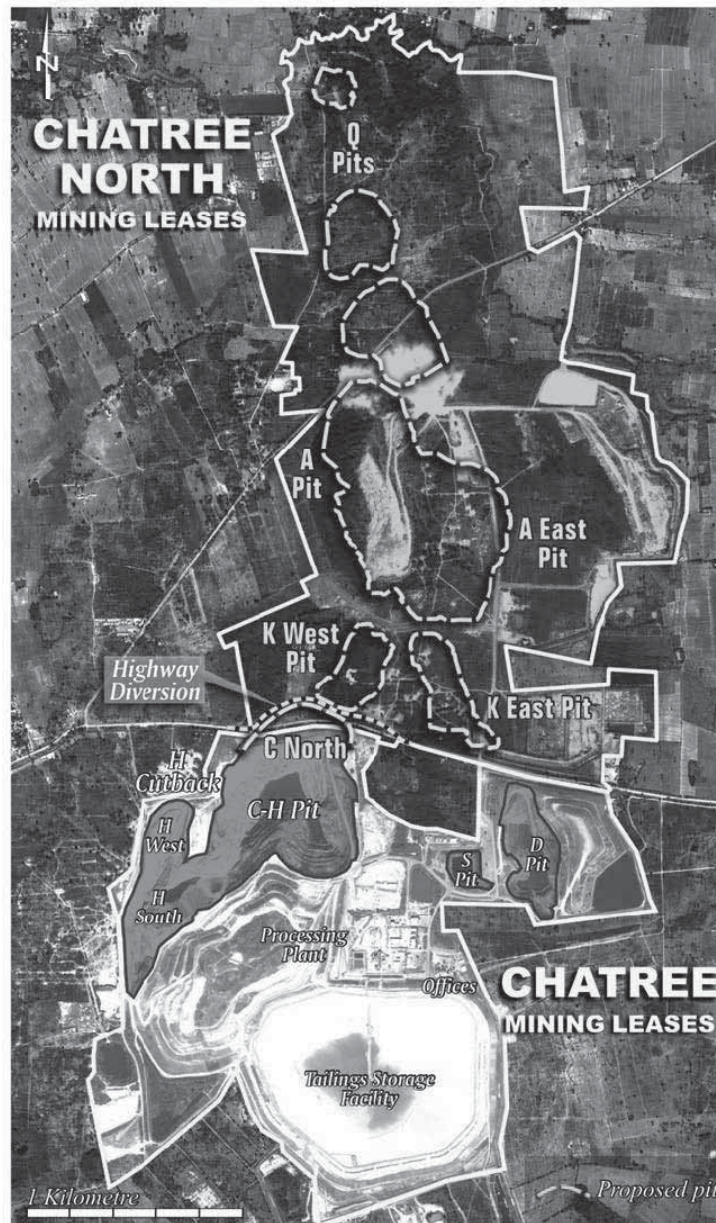
The stratigraphy is disrupted by several north-south trending, steeply dipping faults that also offset mineralisation. Barren andesite dykes and some porphyritic dykes cross-cut mineralisation.

The gold mineralisation is closely associated with a variety of types of quartz carbonate veins, some of which contain sulphides. They vary in width from millimetres to tens of metres. The veining is hosted in four broad zones of silicification, each developed over 300m to 400m of strike length. Significant amounts of silver and minor amounts of zinc and lead are also associated with the mineralisation. Sulphides tend to comprise less than 3% of the ore mass. Visible gold is rare.

Mineralisation is split into pit areas (Figure 2.2). Initial mining was carried out in the Chatree area but most current production is from Chatree North.

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**Figure 2.2 Chatree Site Layout**



The dominant vein zones in the southern area (C, D and H) are sub-vertical to steep west dipping, whilst those in the northern lease area tend to be shallowly east dipping. Most of Mineral Resource is located in the A Pit and A East Pit area. The quartz veins which host gold mineralisation are mainly vertical to steeply west dipping and tend to be best developed in the sedimentary unit which itself dips at 20° to the east. Veining outside this unit tends to be sparser in density, but may still contain gold.

The mineralisation type is a low sulphidation epithermal deposit. Veining is interpreted to have been emplaced into host rocks which were subject to intense silicification prior to the emplacement of the mineralised veins. The silicification has preferentially altered the andesitic breccia and the epiclastic sedimentary rocks, which tend to host mineralisation in the southern and northern portions of the mine leases respectively.

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Mineralised areas have been located using a combination of geological mapping, soil and rock chip sampling and geophysical techniques. Mineral Resources are defined by reverse circulation and diamond drilling. Drill testing of mineralised zones is conducted over broad spacing, generally 100m x 40m, infilled to a density of 25m x 20m over areas of interest. Diamond drilling is carried out both as tails to reverse circulation drillholes, and as complete holes from surface. Assaying of samples is carried out at an on-site laboratory.

Geological interpretations are carried out on both sections and plans with major lithological boundaries, oxidation state, faults, crosscutting late dykes and zones of quartz veining identified. Key features are wire framed and used as the basis for the geological model from which the resource estimate is derived, and to establish domains for grade estimation information.

Resource estimation is undertaken using the multiple indicator kriging method. The method estimates recoverable resources within blocks of dimensions 20m (east) x 25m (north) x 6m (elevation).

Measured, Indicated and Inferred Resource categories of the JORC Code are applied according to the amount of information within and adjacent to a model panel which reflects drilling density.

#### 2.1.2 Mining and Reserves

All mining operations at Chatree are currently open pit. Recent mining operations have been focused on A, K East and C-H Pits. Mining operations are undertaken by a Thailand-based contractor, Lotus Hall Mining Heavy Engineering Construction Company Limited ("Lotus Hall"), with technical services and overall supervision being provided by Akara staff. Lotus Hall has significant local experience.

A Pit will be the largest final pit, providing nearly 80% of the future plant feed. C-H Pit has historically been the most significant contributor to plant feed. Activity in this pit is focussed at the northern extremity, for which one additional cut-back is planned. A previous cut-back in this area necessitated a diversion of Highway 1301, which was moved up to 200m to the north over a distance of some 700m. At some indefinite future time, the highway must be replaced on its original alignment, which will require extensive backfilling of the pit.

Mining is a conventional open pit operation involving drilling and blasting of all materials except topsoil. The pits are blasted as 6m high benches, which are then excavated as 3m high flitches. Three fleets are used for load-and-haul operations:

- Two 170 tonne hydraulic excavators and eight trucks with 90 tonne payload capacity operate on the A Hill benches and will remain dedicated to A Pit, being the largest of the designed excavations.
- Three 105 tonne excavators matched with twelve 54 tonne payload capacity trucks operating in A and K Pits.
- Two 85 tonne excavators matched with articulated off-highway trucks with 38 tonne payload capacity operating in the smaller C, H and proposed H West and J Pits. They are also employed for TSF wall construction, topsoil removal and batter trimming.

Ancillary fleet includes five bull dozers, three graders and two water carts. Three additional hydraulic excavators have been fitted with hydraulic hammers for secondary breakage, and are employed in the pit, on stockpiles or at the run of mine pad, as required.

The current mining fleet is currently producing ore at a rate of 5 Mtpa, sufficient to meet the requirements of the expanded processing plant.

Mining operations are conducted on a two-shifts-per-day, seven-days-per-week schedule.

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Grade control is based on reverse circulation drilling on a pattern of 8m x 5m, with the holes angled at 60° towards the dip of the mineralised veins. The holes are generally drilled to a vertical depth of 12m, covering four 3m excavation flitches. The reverse circulation drilling is undertaken in the same manner as resource drilling, except that it is sampled on 1.5m intervals and the samples are analysed for gold by accelerated cyanide leach (LeachWELL™) in the Akara mine laboratory. Geological mapping of the pits is also undertaken, with the aim of compiling a complete geological interpretation for every fourth bench as the pit is mined.

Grade control data are evaluated using a conditional simulation method to designate material as either high grade ore, low grade ore, marginal grade ore or waste.

Ore reserves have been estimated within open pit designs based on economic limits. Those economic limits on "shells" were determined by applying Whittle Four-X optimisation software to the resource model with a gold price of US\$950 per ounce. The pit slope designs were specified by geotechnical consultants. From these shells, detailed pit designs were prepared, incorporating ramp layouts and goodbye cuts.

Ore Reserves are subdivided into high grade (above 1.5 g/t Au), low grade (between 0.8 g/t Au and 1.5 g/t Au) and marginal grade (between 0.4 g/t Au and 0.8 g/t Au) blocks to facilitate mining strategies.

### **2.1.3 Metallurgy and Processing**

The existing facility comprises crushing and grinding circuits followed by one leach-only tank and eleven carbon in leach ("CIL") tanks, each with a live capacity of 720 m<sup>3</sup>. Gold and silver adsorbed onto the carbon are removed in an elution circuit, recovered from the eluted solution by electrowinning, and then smelted to produce dore bullion. Eluted carbon is regenerated in a kiln and returned to the CIL circuit. Gravity concentration of the ball mill cyclone underflow by Falcon concentrator and in-line leach reactor, recovers the relatively small amount of coarser gold in plant feed.

The Chatree processing plant flow sheet is presented in Figure 2.3.

Plant tailings are treated by the INCO process to reduce the amount of total cyanide reporting to the TSF to below the statutory limit of 20 ppm.

### **Plant and Associated Infrastructure Development**

The original Chatree processing plant was designed by Ausenco Limited and commissioned November 2001.

The processing plant, rated at 1 Mtpa, underwent several modifications which progressively increased design throughput capacity to the current 2.3 Mtpa.

Plant expansions to date have comprised:

- |                  |  |
|------------------|--|
| 1. December 2001 | Original plant built.  |
| 2. December 2002 | Three CIL tanks added.   |
| 3. August 2003   | Two more CIL tanks added; second cyanide destruction plant commissioned.                                     |
| 4. December 2003 | Comminution circuit expanded with new high aspect SAG mill and conversion of existing SAG mill to ball mill. |
| 5. October 2005  | Pebble crusher added.  |
| 6. June 2006     | Gravity concentration added.   |







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- total cash costs of US\$335/oz Au
- total production costs after tax, depreciation and amortisation of US\$408/oz Au.

The mine poured its first millionth ounce of gold in February 2010.

**Metallurgical Recoveries**

The Chatree ore is free milling, with fine grained gold occurring mostly on grain boundaries. It is low in sulphur and other deleterious elements but high in silver, averaging a silver:gold ratio of around 10:1.

Metallurgical recoveries are forecast using algorithms that calculate tailing grades. These algorithms have been derived from a combination of actual plant performance data and relevant metallurgical testwork.

Actual gold recovery reported for 2010 of 89.9% was lower than predicted by 1.5%. The lower actual recoveries can be attributed to the high plant throughput of 2.7 Mt. To allow for the increase in plant throughput, new algorithms have been derived and have been applied from 1 July 2010.

Series metallurgical testwork programmes have been undertaken at site and at Ammtec Metallurgical Laboratories in Australia on ore from Chatree North in relation to the future mining programme. With the exception of that for Q Prospect, testwork confirmed that the future feed to the processing plant would yield very similar gold and silver recoveries to those obtained on ore processed to date. Again, except for Q Prospect mineralisation, metallurgical characteristics appeared to be, in essence, unchanged from that in Chatree South. Ore from the A Hill and A South Pits, the two principal current sources of ore at Chatree North, has been treated in the existing plant since the beginning of 2009 without any apparent change in metallurgical characteristics.

**Plant Expansion**

The new Chatree processing plant (scheduled to be commissioned in September 2011) will be a separate 2.7 Mtpa ore processing plant located beside the existing 2.3 Mtpa Chatree plant. This will result in a combined total ore processing capacity in excess of 5 Mtpa. The expansion will provide a parallel crushing and grinding circuit, four new tanks, seven new carbon adsorption tanks, two parallel 12 tonne elution and electrowinning circuits, new gold room, and a tailings thickener.

**2.1.4 Infrastructure**

Public Highway 1301 traverses the Chatree mine area. It is a fully sealed two-lane road and links to the major north-south arterial routes connecting Bangkok to regional centres. The roads have readily catered for all heavy equipment supply to the mine to date.

Grid power at 115 kV is accessed approximately 2 km east of the plant site. A dedicated sub-station and 22 kV line service the mine.

As mentioned above, Chatree operates on the basis of zero discharge of water from the mining leases.

Two water reservoirs have been constructed on the original mining lease and four at Chatree North to collect all surface run-off and all water pumped from the operating pits. Water recovered from these is either pumped to the process water storage tank in the plant, or to process water storage in the now abandoned C - H, D and S Pits at Chatree South, or is used to fill water trucks required to control dust in the vicinity of the open pits.

Most of the water used in the plant is reclaimed from the TSF. The utilisation of abandoned pits for process water storage offsets the effect of reduced water recycling from the TSF and has greatly eased the supply restrictions experienced in previous dry seasons. It also facilitates wet season management of excess water.

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The existing TSF was designed to strict environmental criteria. A 300 mm thick compacted clay liner at the base of the TSF provides low permeability to minimize the amount of seepage into the groundwater. The liner is protected by a 150 mm thick layer of lateritic gravel. An under-drainage system is located on the surface of the liner to enable seepage from the tailings to flow by gravity to two sumps. This consists of a system of interconnected, perforated and flexible HDPE pipes, surrounded by filter sand. The seepage water, together with surface water from the TSF that is collected in a decant tower, are pumped back to the processing plant.

The height of the TSF walls has been progressively raised. The ninth raise in height was completed in April 2010 to an elevation is 111.9 mRL. At this height, the existing TSF was capable of storing a further 5 Mt of tailings. Plans are currently being prepared for additional TSF capacity to cope with the expanded plant capacity.

#### 2.1.5 Environment

##### 2.1.5.1 Overview

The major environmental risk at Chatree is acid drainage: the large proportion (74%) of PAF mine waste and a high rainfall (1,100 mm/year) demands careful management to encapsulate PAF material and possible treatment of acid drainage.

Other environmental issues (dust, water, cyanide and tailings management) involve lower risk, and are generally pre-emptively managed. Sound environmental performance is acknowledged by the receipt in June 2010 of the project's sixth consecutive Thai National Award for Health, Safety and Environment.

The operation is subject to regular third-party environmental auditing, the most recent of which (March 2010) attested to statutory compliance and the meeting of environmental commitments. The operation is also fully compliant with the International Cyanide Management Code.

##### 2.1.5.2 Specific Environmental Issues

###### Acid Drainage

With almost three-quarters of mine waste being PAF, effective encapsulation of PAF material with NAF or acid consuming ("AC") material is critical for long term protection of water quality in this high-rainfall environment. AMC has not reviewed the geochemical testwork underpinning the characterisation of mine waste, so it is not clear if the PAF material is highly reactive (PAF-high capacity) or poses a smaller risk (PAF-low capacity). Whatever the classification of PAF material, construction of inert covers preclude or practicably minimize entry of rainfall runoff into PAF cores in waste stockpiles.

Given the relatively high rainfall of the site, it is likely to be necessary to develop management protocols for capture and treatment of acidic drainage waters from waste stockpiles, including in the period after project decommissioning. Depending on the severity of any future acid drainage, it could be necessary to install a plant for lime-dosing or similar treatment of acid drainage before release to the broader environment; less problematic acidity could be managed by manual dosing in catch ponds and direction of water through tortuous-path wetlands to "polish" drainage water to acceptable standards.

AMC has not determined if tailings are also acid-forming. If they are, the same treatments as described above for waste-stockpile encapsulation and drainage-water management would be required once clay-lined and underdrainage-equipped TSFs are decommissioned. During operation, the persistent existence of decant water can reasonably be expected to prevent significant oxidation of sulphides, and the underdrainage systems and perimeter bore network would in any case allow interception of acid drainage.

###### Statutory Approvals and Compliance

The current process-plant upgrade was approved through the Thai Environmental Impact Assessment ("EIA") process in June 2007. Some of the environmental commitments and programmes from the EIA document have been incorporated into conditions of the relevant Mining Leases for the operation.

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Annual and semi-annual third-party environmental audits, the most recent being completed in March 2010, demonstrate high standards of compliance with both statutory compliance and generic industry environmental performance standards.

Approval for a second TSF is being sought as part of a revised Mining Plan currently being assessed by Government, and it is not yet known if a full EIA will be required. A third TSF is likely to be required later in the project life. AMC is not aware of any reason that approvals for these additional TSFs would be withheld, but is not sufficiently familiar with either the TSF proposals or the attitudes of Thai environmental regulators to provide a definitive opinion.

#### **Closure and Rehabilitation**

Some parts of existing waste stockpiles have already been rehabilitated successfully, demonstrating a commitment to progressive rehabilitation that is crucial to management of acid drainage risks.

In compliance with a Mining Lease condition, a closure and rehabilitation fund has been established. As at 30 June 2009, the fund held US\$5.1M, and is added to at the rate of US\$5.26 per ounce of gold produced. On the basis of proposed future production, almost US\$1M per year could be added to the fund.

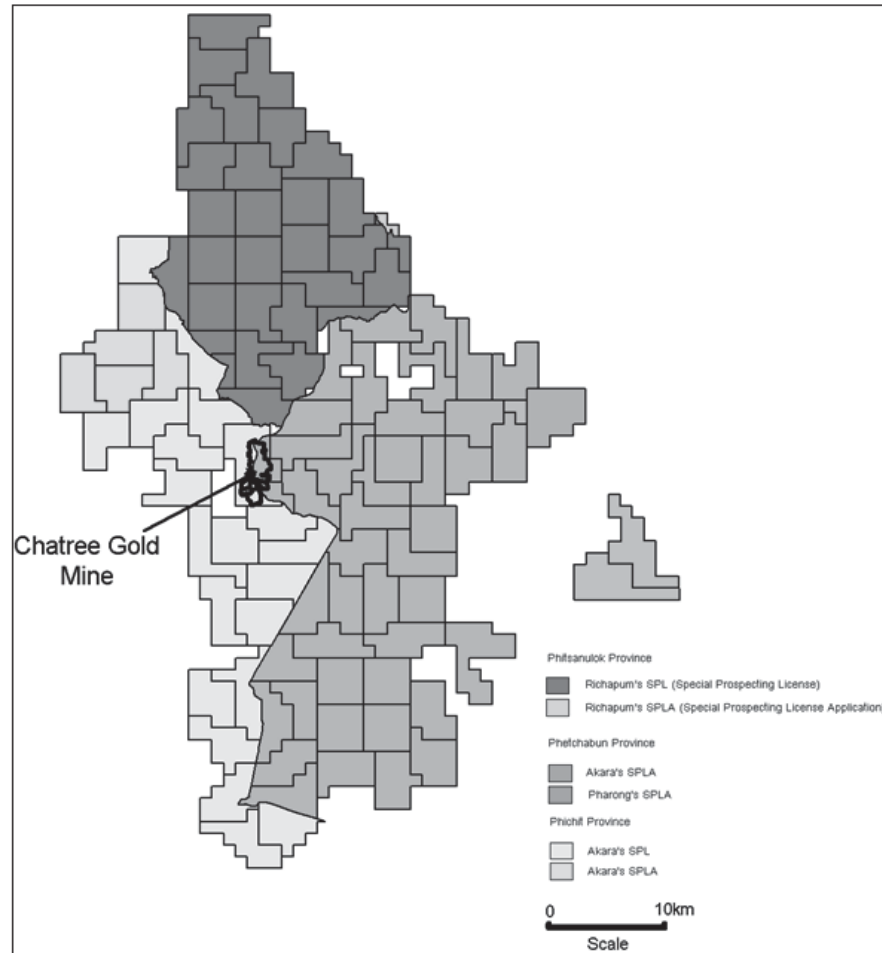
AMC has not been able to prepare an independent estimate of closure liabilities and likely costs, and thus comment on the adequacy of this provisioning, but notes that the above-mentioned rate of provisioning for closure (US\$5.26/oz Au) is in the upper quartile of actual closure and rehabilitation costs, on a LOM basis, for the industry in Australia and South-east Asia.

#### **2.2 Exploration**

Akara has a significant tenement holding in the area surrounding Chatree and the broader region (Figure 2.4). Exploration is conducted by Issara under agreement and includes areas held by Issara and Issara subsidiaries.

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**Figure 2.4 Chatree Region Exploration Tenements**



Exploration on the mine leases is focused on defining resources capable of providing additional open pit ore reserves. High priority targets are near current ore reserves and focus on areas where the pits might be deepened or lengthened by definition of further mineralisation.

Conceptual targets also include areas which might be suitable for underground mining.

Exploration tenure in Thailand is held as SPLs granted for five year periods and have a maximum size of 16 km<sup>2</sup>. Approvals of SPLAs are granted at both a Provincial and National level. Once an SPLA is lodged and recorded, low impact field work may be undertaken (soil and rock chip sampling, geophysics, mapping) but drilling cannot be conducted until the licence is granted.

Akara has interest in 21 SPLs covering 326 km<sup>2</sup> and 49 SPLAs covering 722 km<sup>2</sup>.

The Akara SPLs and SPLAs cover geological units considered by Issara to be prospective for repetitions of the Chatree mineralisation, in addition to other styles of gold mineralisation. They are also located over areas where Tertiary alluvial cover is relatively shallow. The SPLs contain a number of exploration prospects. SPLs and SPLAs have been covered with airborne magnetics and radiometrics, sediment sampling and bedrock drilling sampling on a minimum of 1 km x 1 km pattern.

# Appendix 1

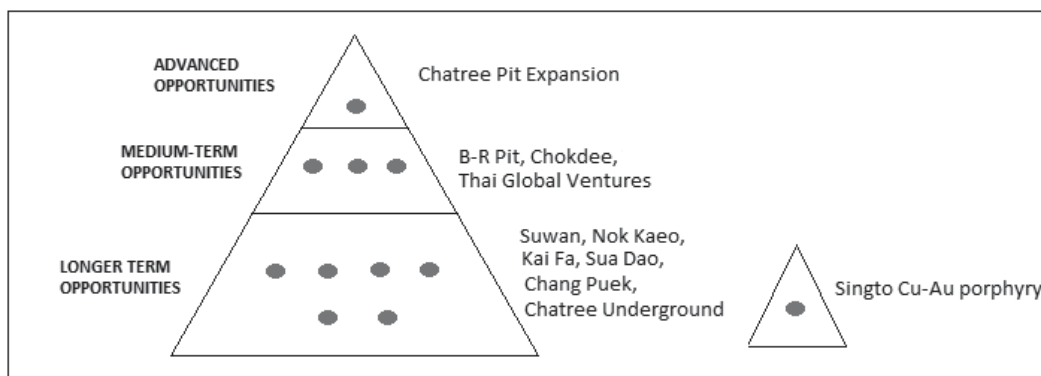
## Independent Expert's Report (including Technical Expert's Report)

### DOMINION MINING LIMITED AND KINGSGATE CONSOLIDATED LIMITED Independent Technical Specialist's Report

Most of the prospects are at a grass-roots level of exploration that require drilling to indicate potential for mineralisation. Drilling is not possible until SPLs are granted. Some prospects close to Chatree that have been drilled indicate small tonnages of material with gold grades similar to Chatree that could provide incremental ore reserves. Other targets are further afield and would probably require a stand-alone operation.

Based on the limited information available, AMC has considered the ranking of exploration opportunities outlined in Figure 2.5.

**Figure 2.5 Outline of Exploration Opportunities**



### 2.3 Kingsgate Risks and Opportunities

Future planned mill feed is available from current ore reserves, resource delineation targets and exploration targets within and outside the granted mining leases.

Current Ore Reserves are based on a gold price of US\$950. Pit optimisations at higher gold prices indicate that pit cut backs may become economic. This is likely to lead to additions to the Ore Reserve at similar grade to the current Ore Reserve.

The open pits have sufficient working areas and available plant to maintain required production rates over the next few years. There is some constraint to pit expansion by land ownership.

There is limited opportunity within the current Ore Reserve to increase head grade, although it may be possible to re-assess scheduling to mine higher grades earlier. Resource opportunities close to the Chatree operation do not currently indicate potential for significant increases in grade.

Drilling has been targeted at higher-grade veins that might be mined from underground but to date intersected grades may not support an underground mining operation.

Exploration opportunities beyond the Chatree operation are mainly at a grass-roots stage.

## **Appendix 1 Independent Expert's Report (including Technical Expert's Report)**

**DOMINION MINING LIMITED AND KINGSGATE CONSOLIDATED LIMITED**  
**Independent Technical Specialist's Report**

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### **3 SOURCES OF INFORMATION**

Key documents, presentations and files provided to and used by AMC in completing its review are listed in Appendix F.



## Appendix 1

### Independent Expert's Report (including Technical Expert's Report)

#### DOMINION MINING LIMITED AND KINGSGATE CONSOLIDATED LIMITED Independent Technical Specialist's Report

#### 4 QUALIFICATIONS

AMC is a firm of mineral industry consultants whose activities include the preparation of due diligence reports on and reviews of mining and exploration projects for equity and debt funding and for public reports. AMC has completed assignments of a similar nature for KPMG. In these assignments, AMC and its subconsultants have acted as independent parties. AMC and its subconsultants have also carried out technical consulting assignments for Dominion and Kingsgate. AMC and its subconsultants have not undertaken technical consulting assignments specifically in relation to the Transaction.

Neither AMC nor its subconsultants have any business relationship with either KPMG, Dominion or Kingsgate other than the carrying out of individual consulting assignments as engaged.

While some employees of AMC and its subconsultants may have small direct or beneficial shareholdings in Dominion and/or Kingsgate, neither AMC nor the contributors to this report nor members of their immediate families have any interests in Dominion and/or Kingsgate that could be reasonably construed to affect their independence. AMC has no pecuniary interest, association or employment relationship with KPMG, Dominion, or Kingsgate.

AMC is being paid a fee by Dominion according to its normal per diem rates and out-of-pocket expenses in the preparation of this report. AMC's fee is not contingent upon the outcome of the Transaction.

In letters relating to our engagement, Dominion agreed to comply with those obligations of the commissioning entity under the VALMIN Code including that to the best of its knowledge and understanding, complete, accurate and true disclosure of all relevant material information has been made.

In preparing this report, AMC has relied on information provided by Dominion, and to a lesser extent by Kingsgate, and AMC has no reason to believe that information is materially misleading or incomplete or contains any material errors. Dominion has been provided with drafts of those sections of our report relating to its operations to enable correction of any factual errors and notation of any material omissions. The views, statements, opinions and conclusions expressed by AMC are based on the assumption that all data provided to it by Dominion and Kingsgate are complete, factual and correct to the best of their knowledge.

Dominion has separately represented in writing that to the best of its knowledge, it has provided AMC with all material information relevant to its operations and projects described in this report.

This report and the conclusions in it are effective at 12 November 2010. Those conclusions may change in the future with changes in relevant metal prices, exploration and other technical developments in regard to the projects and the market for mineral properties.

Dominion has provided AMC with indemnities in regard to damages, losses and liabilities related to or arising out of our engagement other than those arising from illegal acts, bad faith or negligence on our part or our reliance on unauthorised statements from third parties.

This report has been provided to KPMG for the purposes of forming its opinion in regard to the Transaction. AMC has given its consent for its report to be appended to KPMG's report and for it to be provided to shareholders and has not withdrawn that consent before their lodgement with the Australian Securities & Investments Commission. Neither this report nor any part of it may be used for any other purpose without written consent.

The signatories to this report are corporate members of the AusIMM and bound by its Code of Ethics.



**A M Chuk**  
**M AusIMM**  
**Principal Consultant**



**L J Gillett**  
**M AusIMM (CP)**  
**Director**

# Appendix 1

## Independent Expert's Report

### (including Technical Expert's Report)

#### DOMINION MINING LIMITED AND KINGSGATE CONSOLIDATED LIMITED

#### Independent Technical Specialist's Report

### APPENDIX A

#### ABBREVIATIONS

A\$	Australian dollar
AAS	atomic absorption spectrometer
AC	acid consuming
Akara	Akara Mining Limited
Ag	silver
AMC	AMC Consultants Pty Ltd
Au	Gold
C	centigrade
Challenger	Challenger Gold Mine
Chatree	Chatree Gold Mine
CIL	carbon in leach
CIP	carbon in pulp
CTA	Central Tenements Area
CY	Calendar Year
DDH	Diamond drillholes
Dominion	Dominion Mining Limited
EIA	Environmental Impact Assessment
FY	financial year
g	gram
g/t	grams per tonne
Issara	Issara Mining Limited
JORC Code	Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, The JORC Code 2004 Edition, Effective December 2004, Prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia (JORC).
Kingsgate	Kingsgate Consolidated Limited
km	kilometres
km <sup>2</sup>	square kilometres
koz	thousand ounces
kt	thousand tonnes
ktpa	thousand tonnes per annum
LOM	life of mine
M	million
m	metres
m <sup>2</sup>	square metre
m <sup>3</sup>	cubic metres
m <sup>3</sup> /s	cubic metres per second
MARCRS	Mining and Rehabilitation Compliance Reports
MARPS	Mining and Rehabilitation Programs
MEPA	mineral exploration and production agreement
mm	millimetres
modelling scenarios	production and capital and operating cost projections as provided by AMC to KPMG
mRL	reduced level
Mt	million tonnes
Mtpa	million tonnes per annum
MW	megawatt
NAF	non acid forming
oz	ounce
PAF	potentially acid forming

PIRSA	Primary Industries and Resources South Australia
ppm	parts per million
QA/QC	quality assurance/quality control
SPLs	Special Prospecting Licences
SPLAs	Special Prospecting Licence Applications
t	tonnes
tpa	tonnes per annum
tph	tonnes per hour
TSF	tailings storage facility
UROS	Uphole retreat open stoping
US\$	United States dollar
VALMIN Code	Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports. The VALMIN Code 2005 Edition, Prepared by the VALMIN Committee, a joint committee of the Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists and the Mineral Industry Consultants Association with the participation of the Australian Securities and Investment Commission, the Australian Stock Exchange Limited, the Minerals Council of Australia, the Petroleum Exploration Society of Australia, the Securities Association of Australia and representatives from the Australian finance sector.
w/o	Waste to Ore Ratio
WAD	Weak-acid dissociable
Zn	zinc
%	percent

# Appendix 1

## Independent Expert's Report

### (including Technical Expert's Report)

#### DOMINION MINING LIMITED AND KINGSGATE CONSOLIDATED LIMITED

#### Independent Technical Specialist's Report

### APPENDIX B

### REPORT CONTRIBUTORS

The contributors to this report include the following:

Name	Qualifications	Affiliations	Involvement
Andrew Chuk	BEng (Mining) (Hons) B Economics	AMC Principal Consultant	Project Leader and Kingsgate Mining.
Lawrie Gillett	BEng (Mining) DipGeosc (Mineral Economics)	AMC Director/Principal Mining Engineer	Peer Reviewer.
Brad Watson	BEng (Hons) (Mining Engineering), BComm (Finance)	AMC Senior Mining Engineer	Dominion Mining and Modelling scenarios.
Dean Carville	B App Sc (App. Geol)	AMC Principal Geologist	Kingsgate Geology, Resources and Exploration.
Tracie Burrows	B App Sc (App. Geol)	AMC Principal Geologist	Dominion Geology and Resources.
Steve Ellis	B App Sc (Industrial Chemistry) MSc (Mineral Economics)	Evans & Peck Pty Ltd Metallurgist	Metallurgy.
Chris John	BSc (Agric) (Hons) PhD	John Consulting Service, Director	Environment.
Bob Appleyard	BSc, Dip Ed	AMC Principal Geologist	Dominion Exploration.

# Appendix 1

## Independent Expert's Report

### (including Technical Expert's Report)

#### DOMINION MINING LIMITED AND KINGSGATE CONSOLIDATED LIMITED

#### Independent Technical Specialist's Report

### APPENDIX C

#### KPMG PROVIDED PRICING, DISCOUNT RATES AND MACROECONOMIC ASSUMPTIONS

Summary of macros sent to AMC																
Discount rates	Low - Case 1		High - Case 2													
Gold operations	10.6%		12.2%													
Gold prices (nominal)	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026
USDounce	1,300	1,250	1,200	1,150	1,150	1,150	1,150	1,150	1,150	1,150	1,150	1,150	1,150	1,150	1,150	1,150
Foreign exchange forecasts	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026
AUDUSD (nominal)	0.94	0.92	0.88	0.83	0.83	0.83	0.83	0.83	0.83	0.83	0.83	0.83	0.83	0.83	0.83	0.83
Inflation forecasts	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026
Australia	3.0%	2.9%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
United States	1.5%	2.0%	2.3%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Note: FY = financial year ending 30 June																

APPENDIX D  
VALUATION SENSITIVITY ANALYSIS

Figure E-I AMC Case 1

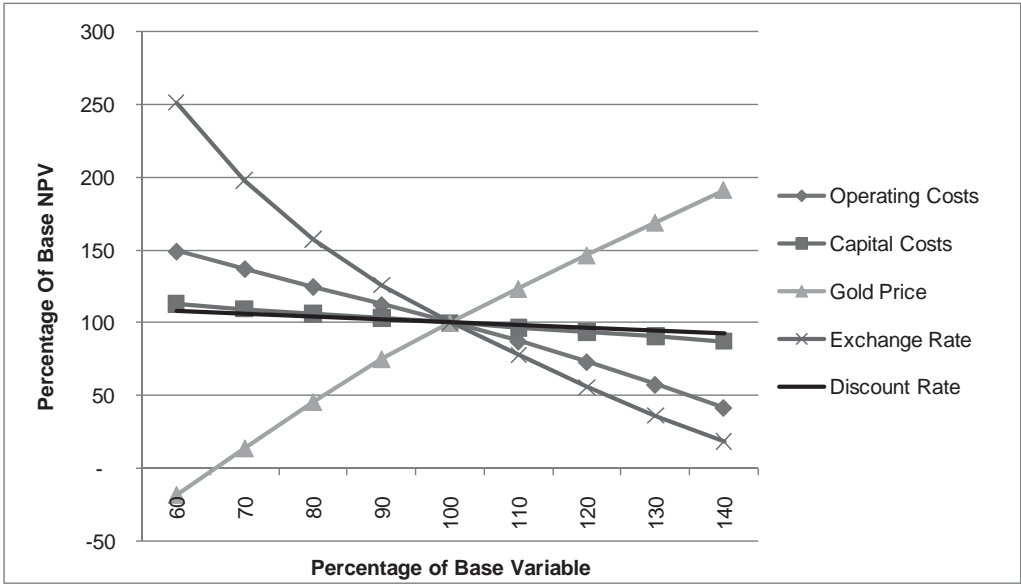
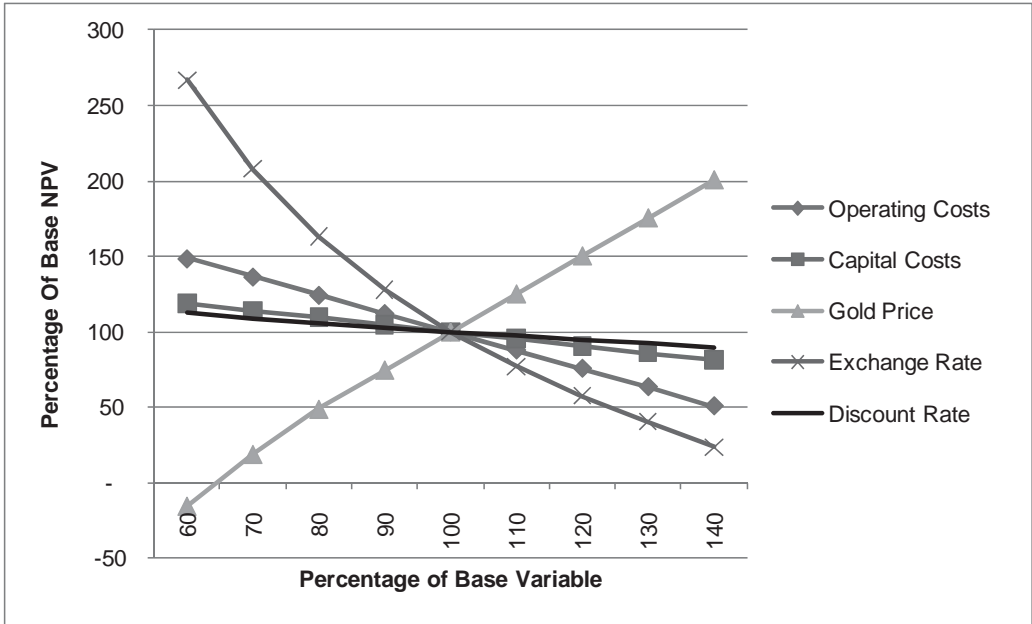


Figure E-II AMC Case 2



**DOMINION MINING LIMITED AND KINGSGATE CONSOLIDATED LIMITED**  
**Independent Technical Specialist's Report**

**APPENDIX E**

**EXPLORATION VALUATION METHODOLOGIES**

The valuation of exploration projects, particularly those for which it is not possible to quantify Mineral Resources, is very subjective. There are, however, several generally accepted procedures to value exploration projects and we have used such methods as appropriate to arrive at balanced judgments of value.

Where possible, AMC attempts to use more than one method before selecting the valuation appropriate to that project. Values are rounded, outliers in contributing estimates sometimes excluded and usually, because of the subjectivity, the mid point of the value range has been chosen as the Preferred Value.

**The Past Expenditure Method**

A Prospectivity Enhancement Multiplier ("PEM") generally between 0.5 and 3.0 is applied to past expenditure which we judge to be effective in regard to future prospectivity.

**The Yardstick Value Method**

Rules of Thumb or Yardstick Values can be used for properties where a Mineral Resource has been quantified. A value per contained metal unit (eg ounce of gold or gold equivalent) is assigned to an actual Mineral Resource or to a preliminary mineralisation estimate.

**Actual or Comparable Transaction Method**

A value is determined by reference to either actual transactions for the property in question (Actual Transaction method) or to recent transactions for projects considered to be similar to those under review. (Comparable Transaction method). Comparable Transactions are converted to a value per unit area.

**Joint Venture Terms Method**

Many transactions on exploration tenements are of a farm-in nature and we assess a "cash equivalent" value for them from the terms the "deemed expenditure" on the property at the time of the deal discounted by a time and probability factor for the likelihood that the farm-in will complete its earning requirement. We adjust the resulting value for any other terms of the joint venture and/or for the results of work carried out since the commencement of the farm-in.

**Expected Value Method**

An Expected Value valuation can be applied where there is sufficient information to enable an indicative Net Present Value ("NPV") calculation, which takes into account the costs of that ongoing exploration and with a probability/risk factor for the chances of that exploration being successful.

This method is most relevant when the exploration area is closely associated with an existing mining operation or development project where a production scenario has been developed for valuation.



**DOMINION MINING LIMITED AND KINGSGATE CONSOLIDATED LIMITED**  
**Independent Technical Specialist's Report**

**APPENDIX F**

**PRINCIPAL INFORMATION SOURCES**

**Dominion Mining Limited**

Challenger Life of Mine Plan.

Dominion Gold Operations Pty Ltd, Challenger Gold Project South Australia, Addendum to Mining and Rehabilitation Program Volume 1, November 2003.

Dominion Gold Operations Pty Ltd, Challenger Gold Project South Australia, Addendum to Mining and Rehabilitation Program and Environmental Management and Monitoring Program Volume 1, February 2002.

Outback Ecology Services, Dominion Gold Operations Pty Ltd, Dominion Gold Operations, 2009-10 Mining and Rehabilitation Compliance Report for Mining Lease (ML) 6103 and Miscellaneous Purpose Lease (MPL) 63, 65 and 66, May 2010.

Outback Ecology Services, Dominion Gold Operations Pty Ltd, Dominion Gold Operations, Revised Mining and Rehabilitation Program (MARF) for the Challenger Gold Project, South Australia (ML6103 and MPL 63, 64 and 66), September 2009.

Outback Ecology Services, Dominion Gold Operations Pty Ltd, Dominion Gold Operations, 2009-10 Mining and Rehabilitation Compliance Report for Mining Lease (ML) 6103 and Miscellaneous Purpose Lease (MPL) 63, 65 and 66, April 2009.

Outback Ecology Services, Dominion Gold Operations Pty Ltd, Dominion Gold Operations, Addendum Mining and Rehabilitation Program (MARF) for the Construction of Tailing Storage Facility 2 (TSF2) at the Challenger Gold Project (ML6103), March 2009.

Birt, T and Reid, A. J, Archaean Gold Mineralisation in the Gawler Craton, South Australia, p29-33, MESA Journal 46, September 2007.

Dominion Mining Limited, Annual Report 2010. 27 September 2010.

Dominion Mining Limited, Quarterly Reports 31 December 2007 to 30 September 2010.

Dominion Mining Limited, Resource Statement end June 2010 (10).xlsx.

Dominion Mining Limited, Androvic. P.Challenger Geological Summary.doc. 2007.

Dominion Mining Limited, Poustie, T, Bamford P. and Daly, S. Challenger – South Australia's First Archaean Gold Mine, p4-8 MESA Journal 27, October 2002.

Dominion Gold Operations, Geological Standard Procedures, UGP003, UGP004, UGP006, UGP007, UGP008, UGP009, UGP011, UGP024, UGP026, SOP Face Sampling, Geological and Geotechnical Mapping, Core Mark-Up.

**KINGSGATE CONSOLIDATED LIMITED**

Gemell Mining Engineers, Akara Technical Report – DRAFT, October 2010.

Kingsgate Consolidated Limited, 2010 Annual Report.

Kingsgate Consolidated Limited, Presentation, Geology Induction November 2010.

Kingsgate Consolidated Limited, Presentation, Issara Exploration Summary, November 2010.

## Appendix 2

### Investigating Accountant's Report

## Appendix 2

### Investigating Accountant's Report



#### Private & Confidential

The Directors  
Kingsgate Consolidated Limited  
Suite 801  
Level 8, 14 Martin Place  
Sydney NSW 2000

The Directors  
Dominion Mining Limited  
15 Outram Street  
WEST PERTH WA 6005

PricewaterhouseCoopers  
Securities Ltd  
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ABN 54 003 311 617  
Holder of Australian Financial  
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15 December 2010

Dear Directors

#### **Subject: Investigating Accountant's Report on Historical Financial Information and Financial Services Guide**

We have prepared this report on certain historical financial information of Kingsgate Consolidated Limited and its controlled entities (**Kingsgate**) and Dominion Mining Limited and its controlled entities (**Dominion**) for inclusion in the Scheme Explanatory Memorandum to be issued by Dominion (the **EM**) in connection with the proposed acquisition of Dominion by Kingsgate (the **Transaction**).

Expressions defined in the EM have the same meaning in this report.

The nature of this report is such that it should be given by an entity which holds an Australian financial services licence under the Corporations Act 2001. PricewaterhouseCoopers Securities Ltd, which is wholly owned by PricewaterhouseCoopers, holds the appropriate Australian financial services licence. This report is both an Investigating Accountant's Report, the scope of which is set out below, and a Financial Services Guide, as attached at Appendix A.

#### **Scope**

You have requested PricewaterhouseCoopers Securities Ltd to prepare this investigating accountant's report (the **Report**) covering the following information:

##### ***Historical financial information***

- (i) Summary consolidated statements of financial position for each of Kingsgate and Dominion as at 30 June 2010;





- (ii) pro forma summary consolidated statement of financial position for Kingsgate (post the acquisition of Dominion) as at 30 June 2010 ( the "Pro Forma Consolidated Statement of Financial Position");

(collectively, the **Historical Financial Information**).

This Report has been prepared for inclusion in the EM. We disclaim any assumption of responsibility for any reliance on this Report or on the Historical Financial Information to which this Report relates for any purposes other than the purpose for which it was prepared.

#### **Limitation of scope of review of the Pro Forma Consolidated Statement of Financial Position**

As detailed in Section 9.10 (a) of the EM, the directors of Kingsgate are responsible for the preparation of the Historical Financial Information, except that the Directors of Dominion are responsible for the information regarding Dominion provided to Kingsgate to prepare that Historical Financial Information. In preparing the Historical Financial Information no detailed valuation has been undertaken to reflect the fair value of acquired assets and liabilities in accordance with AASB3 Business Combinations as described in Section 9.10 (d) of the EM.

#### **Scope of review of Historical Financial Information**

The Historical Financial Information set out in Section 9.10 of the EM has been extracted from the audited financial statements of Kingsgate and Dominion. The financial statements were audited by PricewaterhouseCoopers and Ernst & Young respectively who issued unqualified audit opinions on them. The Historical Financial Information incorporates such pro forma transactions and adjustments as the Directors considered necessary to present the Historical Financial Information on a basis consistent with the financial position of the combined entity after the Transaction. The Directors are responsible for the preparation of the Historical Financial Information, including the determination of the Pro Forma Transactions and adjustments.

We have conducted our review of the Historical Financial Information in accordance with Australian Auditing Standards applicable to review engagements. We made such inquiries and performed such procedures as we, in our professional judgement, considered reasonable in the circumstances including:

- a review of work papers, accounting records and other documents
- a review of the adjustments made to the Historical Financial Information
- a review of the assumptions (which include the Pro Forma Transactions) used to compile the Pro Forma Consolidated Statement of Financial Position
- a comparison of consistency in application of the recognition and measurement principles under Australian Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by Kingsgate, and
- enquiry of Directors, management and others.



These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion on the Historical Financial Information.

#### **Review statement on Historical Financial Information**

Based on our review, which is not an audit, except for the limitation of scope described above, nothing has come to our attention which causes us to believe that:

- the Pro Forma Consolidated Statement of Financial Position has not been properly prepared on the basis of the Pro Forma Transactions
- the Pro Forma Transactions do not form a reasonable basis for the Pro Forma Consolidated Statement of Financial Position
- the Historical Financial Information, as set out in Section 9.10 of the EM, does not present fairly the historical consolidated statements of financial position of Kingsgate and Dominion and the Pro Forma Consolidated Statement of Financial Position of Kingsgate as at 30 June 2010, assuming completion of the Pro Forma Transactions

in accordance with the recognition and measurement principles prescribed under Australian Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by Kingsgate.

#### **Subsequent events**

Apart from the matters dealt with in this Report, and having regard to the scope of our Report, to the best of our knowledge and belief no material transactions or events outside of the ordinary course of business of Kingsgate or Dominion have come to our attention that would require comment on, or adjustment to, the information referred to in our Report or that would cause such information to be misleading or deceptive.

#### **Independence or disclosure of interest**

PricewaterhouseCoopers Securities Ltd does not have any interest in the outcome of the Schemes other than the preparation of this Report and participation in due diligence procedures for which normal professional fees will be received.

#### **Liability**

PricewaterhouseCoopers Securities Ltd has consented to the inclusion of this Report in the EM in the form and context in which it is included. The liability of PricewaterhouseCoopers Securities Ltd is limited to the inclusion of this Report in the EM. PricewaterhouseCoopers Securities Ltd makes no representation regarding, and has no liability for, any other statements or other material in, or any omissions from, the EM.

## Appendix 2 Investigating Accountant's Report



### Financial Services Guide

We have included our Financial Services Guide as Appendix A to our Report. The Financial Services Guide is designed to assist retail clients in their use of any general financial product advice in our Report.

Yours faithfully

A handwritten signature in black ink, appearing to read 'R Savage', is positioned above the name Richard D Savage.

Richard D Savage  
Authorised Representative of  
PricewaterhouseCoopers Securities Ltd

A handwritten signature in black ink, appearing to read 'A J Parker', is positioned above the name Andrew J Parker.

Andrew J Parker  
Authorised Representative of  
PricewaterhouseCoopers Securities Ltd





#### Appendix A – Financial Services Guide

##### PRICEWATERHOUSECOOPERS SECURITIES LTD FINANCIAL SERVICES GUIDE

This Financial Services Guide is dated 15 December 2010

#### 1. About us

PricewaterhouseCoopers Securities Ltd (ABN 54 003 311 617, Australian Financial Services Licence no 244572) (**PwC Securities**) has been engaged by Kingsgate Consolidated Limited (**Kingsgate**) and Dominion Mining Limited (**Dominion**) to provide a report in the form of an Independent Accountant's Report in relation to the pro forma historical financial information (**the Report**) for inclusion in the Explanatory Memorandum dated on or about 16 December 2010.

You have not engaged us directly but have been provided with a copy of the Report as a retail client because of your connection to the matters set out in the Report.

#### 2. This Financial Services Guide

This Financial Services Guide (**FSG**) is designed to assist retail clients in their use of any general financial product advice contained in the Report. This FSG contains information about PwC Securities generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the Report, and how complaints against us will be dealt with.

#### 3. Financial services we are licensed to provide

Our Australian financial services licence allows us to provide a broad range of services, including providing financial product advice in relation to various financial products such as securities, interests in managed investment schemes, derivatives, superannuation products, foreign exchange contracts, insurance products, life products, managed investment schemes, government debentures, stocks or bonds, and deposit products.

#### 4. General financial product advice

The Report contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.

You should consider your own objectives, financial situation and needs when assessing the suitability of the Report to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

#### 5. Fees, commissions and other benefits we may receive

PwC Securities charges fees to produce reports, including this Report. These fees are negotiated and agreed with the entity who engages PwC Securities to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. In the preparation of this Report our fees are charged on an hourly basis and as at the date of this Report amount to \$100,000 (excluding GST).



Directors or employees of PwC Securities, PricewaterhouseCoopers, or other associated entities, may receive partnership distributions, salary or wages from PricewaterhouseCoopers.

#### **6. Associations with issuers of financial products**

PwC Securities and its authorised representatives, employees and associates may from time to time have relationships with the issuers of financial products. For example, PricewaterhouseCoopers may be the auditor of, or provide financial services to, the issuer of a financial product and PwC Securities may provide financial services to the issuer of a financial product in the ordinary course of its business. PricewaterhouseCoopers is the auditor of Kingsgate.

#### **7. Complaints**

If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner. In addition, a copy of our internal complaints handling procedure is available upon request.

If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Financial Ombudsman Service (**FOS**), an external complaints resolution service. FOS can be contacted by calling 1300 780 808. You will not be charged for using the FOS service.

#### **8. Contact Details**

PwC Securities can be contacted by sending a letter to the following address:

Mr Andrew Parker Tower 2 Darling Park

201 Sussex Street Sydney NSW 2000

## **Appendix 2**

### **Investigating Accountant's Report**

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# Appendix 3

## Scheme Implementation Agreement



# Appendix 3

## Scheme Implementation Agreement

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## Appendix 3

### Scheme Implementation Agreement

#### Scheme implementation agreement dated 20 October 2010

**Parties**      **Dominion Mining Ltd ABN 37 000 660 864** of 15 Outram Street, West Perth, Western Australia 6005, Australia (Target)

**Kingsgate Consolidated Limited ABN 42 000 837 472** of Suite 801, Level 8, 14 Martin Place, Sydney, New South Wales 2000, Australia (Bidder)

#### Background

- A. The Bidder proposes to acquire all of the Target Shares for the Share Scheme Consideration pursuant to a scheme of arrangement under Part 5.1 of the Corporations Act.
- B. The Target proposes to cancel all of the Target Options pursuant to a scheme of arrangement under Part 5.1 of the Corporations Act.
- C. The Target has agreed to propose the Schemes and issue the Explanatory Memorandums at the request of the Bidder, and the Target and the Bidder have agreed to implement the Schemes on and subject to the terms and conditions of this agreement.

#### Operative provisions

##### 1. Definitions and interpretation

###### 1.1 Definitions

In this agreement:

**AIFRS** means the International Financial Reporting Standards as adopted in Australia.

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

**ASX** means, as the context requires, ASX Limited ABN 98 008 624 691 or the securities market conducted by ASX Limited.

**Bidder Board** means the board of directors of the Bidder.

**Bidder Disclosure Letter** means the letter from the Bidder to the Target entitled "Bidder Disclosure Letter", dated the same date as this agreement and countersigned by the Target.

**Bidder Group** means the Bidder and each Related Entity of the Bidder.

**Bidder Indemnified Parties** means the Bidder, its Related Entities and each of their respective Representatives.

**Bidder Information** means all information regarding the Bidder and its Related Entities and the Share Scheme Consideration or the Option Scheme Consideration that is required by the Corporations Act, Listing Rules and the Policy Statements to be included in the Explanatory Memorandums including all the information that would be required under sections 636(1)(c), (g), (h), (i), (k)(ii), (l) and (m) of the Corporations Act to be included in a bidder's statement if the Bidder were offering the Share Scheme Consideration and Option Scheme Consideration as consideration under a takeover bid, and for the avoidance of doubt does not include the Target Information, the Independent Expert's Report and any investigating accountant's report.

**Bidder Material Adverse Change** means any event, occurrence or matter which individually or when aggregated with all such events, occurrences or matters, has had or is reasonably likely to have:

- (a) a material adverse effect on the business, assets, liabilities, financial or trading position, profitability or prospects of the Bidder Group, taken as a whole; or
- (b) the effect of a diminution in the:
  - (i) consolidated net assets of the Bidder Group (calculated on the basis of AIFRS as at the date of this agreement) of at least \$50 million compared to the consolidated net assets of the Bidder Group as at 30 June 2010; or
  - (ii) consolidated earnings before interest, tax, depreciation and amortisation excluding significant non-cash items (calculated on the basis of AIFRS as at the date of this agreement) in any financial year of the Bidder after the one ended 30 June 2010, taken as a whole, of at least \$20 million,



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### Scheme Implementation Agreement

other than an event, occurrence or matter:

(c) that is or arises from:

- (i) changes in world gold prices or exchange rates;
- (ii) general changes in economic, political or business conditions; or
- (iii) changes in law, regulation or policy of any Regulatory Authority which impacts the Bidder Group's operations, in each case, which impacts producers of gold in a similar manner, but excluding for the avoidance of doubt changes in law, regulation or policy of any Regulatory Authority which are directed at the Bidder Group's existing operations or which changes affect the Bidder Group disproportionately more than other global gold producing entities, including but not limited to the Target;

(d) reasonably attributable to the execution of the Transaction Documents or the announcement of the Schemes and the completion of the transactions contemplated by them; or

(e) fairly disclosed in the Bidder Disclosure Letter or in any announcement made by Bidder to ASX prior to the parties entering into this agreement.

**Bidder Prescribed Occurrence** means any of the occurrences set out in Schedule 4, other than:

- (a) as required to be done by the Bidder under the Transaction Documents;
- (b) as approved by the Target in writing (prior to the occurrence); or
- (c) as fairly disclosed in the Bidder Disclosure Letter or in any announcement made by the Bidder to ASX prior to the parties entering into this agreement.

**Bidder Shares** means fully paid ordinary shares in the capital of the Bidder.

**Bidder Tenements** means the mining tenements listed in the Bidder Disclosure Letter.

**Bidder Warranties** means the warranties set out in Schedule 5.

**Break Fee** means \$3.75 million.

**Business** means the business conducted by the Target Group.

**Business Day** means a business day as defined in the Listing Rules.

**Claim** means any claim, demand or cause of action whether arising in contract, tort, under statute or otherwise in relation to:

- (a) any provision of a Transaction Document;
- (b) the Target Shares or their acquisition by the Bidder;
- (c) the Target Options or their cancellation; or
- (d) any matter connected with any member of the Target Group.

**Competing Proposal** means a proposed transaction or arrangement pursuant to which a person other than the Bidder or any of its Related Entities would, if the proposed transaction or arrangement is entered into or completed substantially in accordance with its terms:

- (a) directly or indirectly acquire, have a right to acquire or otherwise acquire an economic interest in, all or a substantial part of, the Business;
- (b) acquire a Relevant Interest in, or enter into any agreement connected with or relating to the acquisition of a Relevant Interest in, 20% or more of Target Shares or otherwise acquire Control of the Target or the Target Group; or
- (c) otherwise acquire or merge with the Target whether by way of takeover offer, scheme of arrangement, shareholder approved acquisition, capital reduction, share buy back, sale or purchase of assets, joint venture, reverse takeover, dual-listed company structure or other synthetic merger or any other transaction or arrangement.

**Condition** means each condition specified in clause 3.1.

**Control** has the meaning given in section 50AA of the Corporations Act.

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

**Counterproposal** has the meaning given in clause 9.7.

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**Court** means a court of competent jurisdiction determined by the Target with the approval of the Bidder (not to be unreasonably withheld).

**Disclosure Letter** means the letter from the Target to the Bidder entitled "Disclosure Letter", dated the same date as this agreement and countersigned by the Bidder.

**Effective** means the coming into effect, pursuant to section 411(10) of the Corporations Act, of the orders of the Court made under section 411(4)(b) of the Corporations Act in relation to the Schemes.

**Effective Date** means the date on which the Schemes become Effective.

**Encumbrance** means a mortgage, charge, pledge, lien, encumbrance, security interest, title retention, preferential right, trust arrangement, contractual right of set off, or any other security agreement or arrangement in favour of any person, whether registered or unregistered.

**End Date** means the date which is 6 months after the date of this agreement.

**Explanatory Memorandums** means the Share Explanatory Memorandum and the Option Explanatory Memorandum.

**Exclusivity Period** means the period commencing on the date of this agreement and ending on the earlier of:

- (a) the date this agreement is validly terminated in accordance with its terms;
- (b) the Implementation Date; and
- (c) the End Date.

**First Court Date** means the first day of hearing of an application made to the Court for an orders pursuant to section 411(1) of the Corporations Act convening the Scheme Meetings or, if the hearing of such application is adjourned for any reason, means the first day of the adjourned hearing.

**GST** has the meaning given in the GST Act.

**GST Act** means the A New Tax System (Goods and Services Tax) Act 1999 (Cth).

**Guarantee** means any guarantee, bond, security deposit, letter of credit or suretyship or any other obligation to pay, purchase or provide funds (whether by the advance of money, the purchase of or subscription for shares or other securities, the purchase of assets or services, or otherwise) for the payment or discharge of, to indemnify against the consequences of default in the payment of, or otherwise be responsible for, any indebtedness of, obligation of, liability of or the insolvency of any other person.

**Implementation Date** means the date which is 5 Business Days after the Record Date or such other date as the Target and the Bidder agree in writing.

**Indemnified Losses** means, in relation to any fact, matter or circumstance, all losses, costs, damages, expenses and other liabilities arising out of or in connection with that fact, matter or circumstance including all legal and other professional expenses on a solicitor client basis incurred in connection with investigating, disputing, defending or settling any claim, action, demand or proceeding relating to that fact, matter or circumstance (including any claim, action, demand or proceeding based on the terms of this agreement).

**Ineligible Foreign Optionholder** means a Scheme Optionholder whose address shown in the Target Option Register on the Record Date is a place outside Australia and its external territories unless the Bidder determines that it is lawful and not unduly onerous or impracticable to provide that Scheme Optionholder with New Bidder Shares when the Option Scheme becomes Effective.

**Ineligible Foreign Shareholder** means a Scheme Shareholder whose address shown in the Target Share Register on the Record Date is a place outside Australia and its external territories unless the Bidder determines that it is lawful and not unduly onerous or impracticable to provide that Scheme Shareholder with New Bidder Shares when the Share Scheme becomes Effective.

**Independent Expert** means the independent expert to be engaged by the Target to express an opinion as to whether:

- (a) the Share Scheme is in the best interests of the Target Shareholders; and
- (b) the Option Scheme is in the best interests of Target Optionholders.

**Independent Expert's Report** means the report from the Independent Expert in respect of the Schemes.

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**Insolvency Event** means the occurrence of any one or more of the following events in relation to a person:

- (a) an application is made to court (unless it is frivolous or struck out or withdrawn within 3 Business Days) or a resolution is passed or an order is made for the winding up or dissolution of the person;
- (b) the person proposes or takes any steps to implement a scheme of arrangement or other compromise or arrangement with its creditors or any class of them;
- (c) a receiver, receiver and manager, liquidator, provisional liquidator, administrator, trustee or similar officer is appointed in respect of the person or any of its assets;
- (d) anything occurs under the law of any jurisdiction which has a substantially similar effect to any of the events set out in paragraphs (a) to (c) in relation to the person.

**Listing Rules** means the official listing rules of ASX.

**New Bidder Share** means a Bidder Share to be provided to:

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

**Officer** has the meaning given in section 9 of the Corporations Act.

**Option Deed Poll** means a deed poll to be executed by the Bidder in favour of the Scheme Optionholders, substantially in the form set out in Annexure D or in such other form as the Target and the Bidder agree in writing.

**Option Explanatory Memorandum** means the explanatory memorandum to be prepared by the Target in respect of the Option Scheme in accordance with the terms of this agreement and to be dispatched to the Target Optionholders.

**Option Scheme** means a scheme of arrangement under Part 5.1 of the Corporations Act between the Target and the Scheme Optionholders substantially in the form set out in Annexure B or in such other form as the Target and the Bidder agree in writing.

**Option Scheme Consideration** means the amount determined in accordance with Schedule 6.

**Option Scheme Meeting** means the meeting to be convened by the Court in relation to the Option Scheme pursuant to section 411(1) of the Corporations Act.

**Policy Statements** means all policy statements and practice notes published by ASIC and in force at the date of this agreement.

**Record Date** means 7.00 pm on the date which is 5 Business Days after the Effective Date or such other time and date (after the Effective Date) as the Bidder and the Target agree in writing.

**Regulator's Draft** means the draft of the Explanatory Memorandums which is provided to ASIC pursuant to section 411(2) of the Corporations Act.

**Regulatory Authority** means:

- (a) any government or local authority and any department, minister or agency of any government; and
- (b) any other authority, agency, commission or similar entity having powers or jurisdiction under any law or regulation or the listing rules of any recognised stock or securities exchange.

**Regulatory Conditions** means the Conditions set out in clauses 3.1(a), 3.1(b), 3.1(c) and 3.1(d).

**Regulatory Review Period** means the period from the date on which the Target provides a draft of the Explanatory Memorandums to ASIC in accordance with clause 5.2(h) to the date on which ASIC provides a letter indicating whether or not it proposes to appear to make submissions, or will intervene to oppose the Schemes, when the application made to the Court for orders under section 411(1) of the Corporations Act convening the Scheme Meetings to consider the Schemes are heard.

**Related Entity** of a corporation means:

- (a) a related body corporate of that corporation within the meaning of section 50 of the Corporations Act; and
- (b) a trustee of any unit trust in relation to which that corporation, or a corporation referred to in paragraph (a), directly or indirectly:
  - (i) controls the right to appoint the trustee;
  - (ii) is in a position to control the casting of, more than one half of the maximum number of votes that might be cast at a meeting of holders of units in the trust; or
  - (iii) holds or is in a position to control the disposal of more than one half of the issued units of the trust.

**Relevant Interest** has the meaning given in sections 608 and 609 of the Corporations Act.

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**Representatives** means, in relation to a party, all officers, employees, professional advisers and agents of the party or of its Related Entities.

**Required Consultation Period** means the period commencing at the time both parties become aware that clause 3.9(a) or 3.9(b) (as applicable) is triggered and ending on the earlier of:

- (a) the end of the day that is 5 Business Days after both parties become so aware; and
- (b) 8.00 am on the Second Court Date.

**Rival Bidder** has the meaning given to the term in clause 9.5.

**Sale Agent** means a person appointed by the Bidder to sell the New Bidder Shares that are attributable to Ineligible Foreign Shareholders and Ineligible Foreign Optionholders under the Schemes.

**Scheme Meetings** means the Share Scheme Meeting and the Option Scheme Meeting.

**Scheme Option** means a Target Option on issue on the Record Date.

**Scheme Optionholder** means each person who holds Scheme Options.

**Scheme Share** means a Target Share on issue on the Record Date.

**Scheme Shareholder** means each person who holds Scheme Shares.

**Schemes** means the Share Scheme and the Option Scheme.

**Second Court Date** means the first day of hearing of an application made to the Court for an order pursuant to section 411(4)(b) of the Corporations Act approving the Schemes or, if the hearing of such application is adjourned for any reason, means the first day of the adjourned hearing.

**Share Scheme** means a scheme of arrangement under Part 5.1 of the Corporations Act between the Target and the Scheme Shareholders substantially in the form set out in Annexure A or in such other form as the Target and the Bidder agree in writing.

**Share Scheme Consideration** means 0.31 New Bidder Shares for each Scheme Share.

**Share Scheme Meeting** means the meeting to be convened by the Court in relation to the Share Scheme pursuant to section 411(1) of the Corporations Act.

**Share Deed Poll** means a deed poll to be executed by the Bidder in favour of the Scheme Shareholders, substantially in the form set out in Annexure C or in such other form as the Target and the Bidder agree in writing.

**Share Explanatory Memorandum** means the explanatory memorandum to be prepared by the Target in respect of the Share Scheme in accordance with the terms of this agreement and to be dispatched to the Target Shareholders.

**Standard Rate** in relation to interest payable on any payment due under this agreement means the rate which is the 90 day Bank Bill Swap Reference Rate (Average Bid) as published in the Australian Financial Review on the first date on which interest accrues on that payment (or if that rate or publication is not published, the rate determined by the parties, acting reasonably, to be the nearest equivalent rate having regard to prevailing market conditions) plus (in either case) a margin of 2% per annum.

**Subsidiary** has the meaning given in section 9 of the Corporations Act.

**Superior Proposal** means a bona fide, written Competing Proposal received by the Target after the date of this agreement which the Target Board determines, acting in good faith and acting reasonably (after consultation with, and the receipt of written advice from, its external legal advisors practising in the area of corporate law):

- (a) is reasonably capable of being valued and completed, taking into account all aspects of the Competing Proposal and the person or persons making it; and
- (b) would, if completed substantially in accordance with its terms, be more favourable to the Scheme Shareholders than the Share Scheme, taking into account all aspects of the Competing Proposal.

**Target Announcement** means an announcement in the form of Annexure E.

**Target Board** means the board of directors of the Target.

**Target Director** means a director of the Target.

**Target ESOP** means the Dominion Employee Share Option Plan.

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### Scheme Implementation Agreement

**Target Group** means the Target and each Related Entity of the Target.

**Target Indemnified Parties** means the Target, its Related Entities and each of their respective Representatives.

**Target Information** means all information included in the Explanatory Memorandums other than the Bidder Information, the Independent Expert's Report and an investigating accountant's report.

**Target Material Adverse Change** means any event, occurrence or matter which individually or when aggregated with all such events, occurrences or matters, has had or is reasonably likely to have:

(a) a material adverse effect on the business, assets, liabilities, financial or trading position, profitability or prospects of the Target Group, taken as a whole; or

(b) without limitation to paragraph (a), the effect of a diminution in the:

(i) consolidated net assets of the Target Group (calculated on the basis of AIFRS as at the date of this agreement) of at least \$20 million compared to the consolidated net assets of the Target Group as at 30 June 2010; or

(ii) consolidated earnings before interest, tax, depreciation and amortisation excluding significant non-cash items (calculated on the basis of AIFRS as at the date of this agreement) in any financial year of the Target after the one ended 30 June 2010, taken as a whole, of at least \$10 million,

other than an event, occurrence or matter:

(c) that is or arises from:

(i) changes in world gold prices or exchange rates;

(ii) general changes in economic, political or business conditions; or

(iii) changes in law, regulation or policy of any Regulatory Authority which impacts the Target Group's operations, in each case, which impacts producers of gold in a similar manner, but excluding for the avoidance of doubt changes in law, regulation or policy of any Regulatory Authority which are directed at the Target Group's existing operations or which changes affect the Target Group disproportionately more than other global gold producing entities, including but not limited to the Bidder;

(d) reasonably attributable to the execution of the Transaction Documents or the announcement of the Schemes and the completion of the transactions contemplated by them; or

(e) fairly disclosed in the Disclosure Letter or in any announcement made by Target to ASX prior to the parties entering into this agreement.

**Target Option Register** means the register of option holders of the Target maintained by or on behalf of the Target in accordance with section 168(1) of the Corporations Act.

**Target Optionholder** means a person who is registered in the Target Option Register as a holder of Target Options.

**Target Options** means an option to acquire one unissued Target Share issued under the Target ESOP or the Dominion Long Term Incentive Plan (in respect of the Managing Director).

**Target Performance Rights** means a performance right issued under the Dominion Long Term Incentive Plan (in respect of the Managing Director).

**Target Prescribed Occurrence** means any of the occurrences set out in Schedule 2, other than:

(a) as required to be done by the Target under the Transaction Documents;

(b) as approved by the Bidder in writing (prior to the occurrence); or

(c) in relation to any occurrence except those numbered 1 to 12, as fairly disclosed in the Disclosure Letter or in any announcement made by the Target to ASX prior to the parties entering into this agreement.

**Target Shareholder** means a person who is registered in the Target Share Register as a holder of Target Shares.

**Target Shares** means fully paid ordinary shares in the capital of the Target.

**Target Share Register** means the register of members of the Target maintained by or on behalf of the Target in accordance with section 168(1) of the Corporations Act.

**Target Share Registry** means Registries Limited of Level 7, 207 Kent Street, Sydney, New South Wales 2000, Australia.

**Target Warranties** means the warranties set out in Schedule 3.

**Tenements** means the mining tenements listed in the Disclosure Letter.

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### Scheme Implementation Agreement

**Third Party** means a person other than a member of the Bidder Group or the Target Group.

**Timetable** means the indicative timetable in relation to the Schemes set out in Schedule 1, or such other indicative timetable as the Target and the Bidder agree in writing.

**Transaction** means:

- (a) the acquisition by the Bidder (or a Related Entity of the Bidder) of the Scheme Shares for the Share Scheme Consideration pursuant to the Share Scheme; and
- (b) the cancellation of the Scheme Options for the Option Scheme Consideration pursuant to the Option Scheme.

**Transaction Documents** means:

- (a) this agreement;
- (b) the Share Scheme;
- (c) the Option Scheme;
- (d) the Share Deed Poll; and
- (e) the Option Deed Poll.

**Warranty Claim** means any Claim by a party arising out of a breach of a Target Warranty or Bidder Warranty (as applicable).

#### 1.2 Reasonable or best endeavours

Any provision of this agreement which requires a party to use best endeavours, reasonable endeavours or all reasonable endeavours to procure that something is performed or occurs or does not occur does not include any obligation to:

- (a) commence any legal action or proceeding against any person; or
- (b) pay an amount of money to or for the benefit of any Third Party:
  - (i) in the form of an inducement or consideration to a Third Party to procure something other than the payment of reasonable expenses or costs and costs of advisers to procure the relevant thing; or
  - (ii) in circumstances that are commercially onerous or unreasonable in the context of this agreement,

except where that provision expressly specifies otherwise.

#### 1.3 Knowledge and awareness of the Target or Bidder

If any Target Warranty or Bidder Warranty is qualified by the Target's or the Bidder's awareness or knowledge, the facts of which the Target or the Bidder is aware or that are within the Target's or the Bidder's awareness or knowledge are taken to be all facts of which any director or officer of the Target or the Bidder (as the case requires) is actually aware at the relevant time.

#### 1.4 Business Days

If the day on which any act to be done under this agreement is a day other than a Business Day, that act must be done on or by the next Business Day except where this agreement expressly specifies otherwise.

#### 1.5 Listing rules are law

A listing rule or business rule of a financial market or securities exchange will be regarded as a law for the purposes of this agreement.

#### 1.6 General rules of interpretation

In this agreement headings are for convenience only and do not affect interpretation and, unless the contrary intention appears:

- (a) a word importing the singular includes the plural and vice versa, and a word of any gender includes the corresponding words of any other gender;
- (b) the word **including** or any other form of that word is not a word of limitation;
- (c) if a word or phrase is given a defined meaning, any other part of speech or grammatical form of that word or phrase has a corresponding meaning;
- (d) a reference to a **person** includes an individual, the estate of an individual, a corporation, an authority, an association or parties in a joint venture, a partnership and a trust;
- (e) a reference to a party includes that party's executors, administrators, successors and permitted assigns, including persons taking by way of novation and, in the case of a trustee, includes any substituted or additional trustee;
- (f) a reference to a document (including this agreement) is to that document as varied, novated, ratified or replaced from time to time;



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### Scheme Implementation Agreement

- (g) a reference to a party, clause, schedule, exhibit, attachment, or annexure is a reference to a party, clause, schedule, exhibit, attachment, or annexure to or of this agreement, and a reference to this agreement includes all schedules, exhibits, attachments, and annexures to it;
- (h) a reference to an agency or body if that agency or body ceases to exist or is reconstituted, renamed or replaced or has its powers or function removed (**obsolete body**), means the agency or body which performs most closely the functions of the obsolete body;
- (i) a reference to a statute includes any regulations or other instruments made under it (**delegated legislation**) and a reference to a statute or delegated legislation or a provision of either includes consolidations, amendments, re-enactments and replacements;
- (j) a reference to **\$** or **dollar** or **cents** is to Australian currency;
- (k) a reference to time is to Sydney, Australia time; and
- (l) this agreement must not be construed adversely to a party just because that party prepared it or caused it to be prepared.

## 2. Obligations in relation to Schemes

### 2.1 Target to propose and implement Schemes

The Target must propose and (subject to it becoming Effective) implement the Schemes on and subject to the terms and conditions of this agreement.

### 2.2 Bidder to assist

The Bidder must assist the Target to propose and implement the Schemes on and subject to the terms and conditions of this agreement.

## 3. Conditions precedent

### 3.1 Conditions

Subject to this clause 3, the obligations of the Bidder under clauses 5.3(k) and 5.3(l) and the Target under clauses 5.2(r) and 5.2(s) do not become binding on the parties and have no force or effect, and the Schemes must not become Effective, until each of the conditions listed in the first column of the following table has been either satisfied or waived in accordance with clause 3.7:

Condition	Right to waive
(a) the Treasurer of the Commonwealth of Australia or his delegate has either: <ul style="list-style-type: none"> <li>(i) provided written notice which is unconditional or subject only to conditions reasonably acceptable to the Bidder that there is no objection under the Foreign Acquisitions and Takeovers Act 1975 (Cth) or Australian foreign investment policy to the proposed acquisition by the Bidder of all of the Target Shares; or</li> <li>(ii) become precluded from exercising any power to make an order under the Foreign Acquisitions and Takeovers Act 1975 (Cth) in relation to the proposed acquisition by the Bidder of all of the Target Shares;</li> </ul>	Bidder
(b) before 8.00 am on the Second Court Date, ASIC and ASX issue or provide such consents, approvals or waivers or do other acts which the Bidder and the Target agree are necessary to implement the Transaction. If such consents, approvals or doing of other acts are subject to conditions those conditions must be acceptable to the Bidder and the Target;	Bidder and Target
(c) all other approvals of any Regulatory Authority which the Target and the Bidder agree are necessary or desirable to implement the Transaction have been obtained either unconditionally or on conditions satisfactory to the Bidder and the Target acting reasonably and have not been withdrawn or revoked;	Bidder and Target
(d) no temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction, no preliminary or final decision, determination, or order issued by any Regulatory Authority and no other legal restraint preventing any of the transactions contemplated by this agreement is in effect as at 8.00 am on the Second Court Date;	Bidder and Target
(e) the Independent Expert concludes that the Share Scheme is in the best interests of Scheme Shareholders;	Bidder and Target

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Condition	Right to waive
(f) the Independent Expert concludes that the Option Scheme is in the best interests of Scheme Optionholders;	Bidder and Target
(g) no Target Material Adverse Change has occurred after the date of this agreement and before 8.00 am on the Second Court Date;	Bidder
(h) no Bidder Material Adverse Change has occurred after the date of this agreement and before 8.00 am on the Second Court Date;	Target
(i) no Target Prescribed Occurrence has occurred or becomes known to the Bidder after the date of this agreement and before 8.00 am on the Second Court Date;	Bidder
(j) no Bidder Prescribed Occurrence has occurred or becomes known to the Target after the date of this agreement and before 8.00 am on the Second Court Date;	Target
(k) before 8.00 am on the Second Court Date, the Target Shareholders approve the Share Scheme by the majorities required under section 411(4)(a)(ii) of the Corporations Act;	None
(l) before 8.00 am on the Second Court Date, the Target Optionholders approve the Option Scheme by the majorities required under section 411(4)(a)(i) of the Corporations Act;	Bidder
(m) the Court approves the Share Scheme in accordance with section 411(4)(b) of the Corporations Act;	None
(n) the Court approves the Option Scheme in accordance with section 411(4)(b) of the Corporations Act;	Bidder
(o) the Target Warranties are true and correct in all material respects on the date of this agreement and as at 8.00 am on the Second Court Date;	Bidder
(p) the Bidder Warranties are true and correct in all material respects on the date of this agreement and as at 8.00 am on the Second Court Date;	Target
(q) the Target, the Bidder and the holder of Target Performance Rights enters into a cancellation deed on terms and conditions reasonably satisfactory to the Bidder under which all of the Target Performance Rights are cancelled or acquired by the Bidder with effect from implementation of the Schemes on the Implementation Date for total cash consideration of \$102,000; and	Bidder
(r) if the Target must seek approvals from the Target Shareholders in accordance with clause 4.10(b), those approvals are obtained.	Bidder

### 3.2 Obligations in relation to Conditions

Each party must:

- (a) use all reasonable endeavours to ensure that each Condition:
  - (i) is satisfied as soon as practicable after the date of this agreement and in any event before the End Date; or
  - (ii) continues to be satisfied at all times until the last time it is to be satisfied, as the case requires;
- (b) not take any action that will or is reasonably likely to hinder or prevent the satisfaction of any Condition except to the extent that such action is required to be taken pursuant to, or is otherwise permitted by, this agreement or is required by law;
- (c) co-operate with, and comply with all reasonable requests of, the other party for the purposes of procuring the satisfaction of any Condition; and
- (d) keep the other party informed of any fact, matter or circumstance of which it becomes aware that may result in a Condition not being satisfied in accordance with its terms.

### 3.3 Obligations in relation to Regulatory Conditions

Without limiting clause 3.2 but subject to clause 3.4, the Bidder and the Target must use all reasonable endeavours to ensure that each Regulatory Condition is satisfied as soon as practicable after the date of this agreement and in particular the Bidder and the Target must:

- (a) provide to the other party (as applicable) a draft of each document which it has prepared for the purposes of procuring satisfaction of any Regulatory Condition and a reasonable opportunity to comment on that draft (except to the extent such document contains commercially sensitive information);

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### Scheme Implementation Agreement

- (b) provide to the other party (as applicable) a copy of each notice given, application made and all other information supplied to any third party, and each notice or request received from any Regulatory Authority in connection with procuring the satisfaction of any Regulatory Condition;
- (c) notify the other party (as applicable) of any meetings to be held with a Regulatory Authority for the purposes of procuring the satisfaction of any Regulatory Condition and permit the other party and its professional advisers to be present at such meeting; and
- (d) consult with the other party (as applicable) in relation to any further information to be provided to the relevant Regulatory Authority.

#### 3.4 Provision of undertakings

Notwithstanding any other provision of this agreement, for the purposes of satisfying any Regulatory Condition, neither the Bidder nor the Target is required to agree to any conditions or to provide or to agree to provide any written undertakings to a Regulatory Authority which are not acceptable to the Bidder or the Target (as the case requires).

#### 3.5 Notice of satisfaction of Conditions

Each party must promptly after becoming aware of the satisfaction of any Condition notify the other party of the satisfaction of that Condition and provide reasonable evidence that the Condition has been satisfied.

#### 3.6 Notice of failure of satisfaction of Conditions

Each party must promptly after becoming aware of the failure to satisfy a Condition notify the other party of the failure to satisfy that Condition.

#### 3.7 Waiver of Conditions

The breach or non-fulfilment of a Condition:

- (a) may not be waived if the word "None" appears in the second column of the table in clause 3.1 opposite that Condition;
- (b) may be waived and may only be waived:
  - (i) if one party is specified in the second column of the table in clause 3.1 opposite that Condition, by that party by notice to the other party;
  - (ii) subject to clause 3.7(b)(iii), if both parties are specified in the second column of the table in clause 3.1 opposite that Condition, by written agreement between both parties; or
  - (iii) in the case of the Condition in clause 3.1(f) where the Bidder has notified the Target that it does not wish the Option Scheme to proceed, by the Bidder by notice to the Target.

A party entitled to waive or to agree to waive the breach or non-fulfilment of a Condition under this clause 3.7 may do so in its absolute discretion. A party that waives or agrees to waive a Condition is not prevented from bringing a Claim against the other party in respect of any breach of this agreement that caused that Condition not to be satisfied.

#### 3.8 Certificate in relation to Conditions

Each party must:

- (a) give the Court on the Second Court Date a certificate confirming (in respect of matters within its knowledge) whether or not the Conditions (other than the Conditions in clauses 3.1(m) and 3.1(n)) have been satisfied or waived; and
- (b) give the other party a draft of its certificate by 5.00 pm on the Business Day prior to the Second Court Date.

#### 3.9 Consultation on failure of Conditions

If:

- (a) there is a breach or non-fulfilment of a Condition which is not waived in accordance with this agreement; or
- (b) any fact, matter or circumstance will prevent a Condition being satisfied by the date specified in clause 3.1 for its satisfaction (and the relevant breach or non-fulfilment of the Condition has not otherwise been waived in accordance with this agreement), the parties must consult in good faith to:
  - (c) determine whether a transaction which results in:
    - (i) the Bidder having legal and beneficial ownership of all Target Shares; and
    - (ii) the Bidder having legal and beneficial ownership of all Target Options or the Target Options being cancelled, may proceed by an alternative means or method;
  - (d) extend the time or date for satisfaction of the relevant Condition or the End Date; or

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- (e) change the date of application made to the Court for an order under section 411(4)(b) of the Corporations Act approving the Schemes or adjourning that application (as applicable) to another date agreed by the parties (being a date no later than 5 Business Days before the End Date).

#### 3.10 Termination of agreement

If the parties are unable to reach agreement under clause 3.9 within the Required Consultation Period, then unless the breach or non-fulfilment of the Condition is waived in accordance with this agreement, either party may terminate this agreement by notice in writing to the other party without incurring any liability for that termination (other than a liability under clause 10 or clause 11 if applicable), except where the relevant Condition has become incapable of satisfaction, has not been satisfied, or ceases to be satisfied, as a direct result of a failure by the party seeking to terminate to comply with a material obligation under this agreement.

## 4. Schemes

### 4.1 Share Scheme Consideration

The Bidder undertakes to the Target (in the Target's own right and separately as trustee for each of the Scheme Shareholders) that, in consideration for the transfer to the Bidder of Scheme Shares held by Scheme Shareholders under the terms of the Share Scheme, the Bidder will:

- (a) accept that transfer; and
- (b) provide, or procure the provision to, each Scheme Shareholder the Share Scheme Consideration for each Scheme Share in accordance with the terms of the Share Scheme.

### 4.2 Option Scheme Consideration

The Bidder undertakes to the Target (in the Target's own right and separately as trustee for each of the Scheme Optionholders) that, in consideration for the cancellation of Scheme Options held by Scheme Optionholders under the terms of the Option Scheme, the Bidder will provide, or procure the provision to, each Scheme Optionholder the Option Scheme Consideration for each Scheme Option in accordance with the terms of the Option Scheme.

### 4.3 Fractional entitlement

If:

- (a) the number of Scheme Shares held by a Scheme Shareholder is such that an entitlement of that Scheme Shareholder to New Bidder Shares is not a whole number; or
- (b) the number of Scheme Options held by a Scheme Optionholder is such that an entitlement of that Scheme Optionholder to New Bidder Shares is not a whole number,

any fractional entitlement will:

- (c) where the entitlement is to half a New Bidder Share or more, be rounded up to the nearest whole number of New Bidder Shares; and
- (d) where the entitlement is to less than half a New Bidder Share, be rounded down to the nearest whole number of New Bidder Shares.

### 4.4 Ineligible Foreign Shareholders

The Bidder has no obligation to provide, and will not provide, any New Bidder Shares to any Ineligible Foreign Shareholder under the Share Scheme, and instead:

- (a) the Bidder must appoint the Sale Agent on or before the Record Date;
- (b) the Bidder must provide, or procure the provision of, the New Bidder Shares which would otherwise be required to be provided to the Ineligible Foreign Shareholders under the Share Scheme to the Sale Agent;
- (c) the Bidder must procure that, as soon as reasonably practicable after the Implementation Date, the Sale Agent sells or procures the sale (including on an aggregated or partially aggregated basis), in the ordinary course of trading on ASX, of all the New Bidder Shares provided to the Sale Agent pursuant to clause 4.4(b) and remits to the Bidder the proceeds of sale (**Share Proceeds**);
- (d) the Bidder must pay all applicable brokerage, stamp duty and other costs and charges in connection with the sale of the New Bidder Shares pursuant to clause 4.4(c); and

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- (e) the Bidder must pay, or procure the payment, to each Ineligible Foreign Shareholder the amount "A" calculated in accordance with the following formula and rounded down to the nearest cent:

$$A = (B \div C) \times D$$

where:

- B = the number of New Bidder Shares that would have been provided to that Ineligible Foreign Shareholder had it not been an Ineligible Foreign Shareholder;
- C = the total number of New Bidder Shares which would otherwise have been provided to all Ineligible Foreign Shareholders collectively and which were instead provided to the Sale Agent; and
- D = the Share Proceeds;
- (f) none of the Target, the Bidder or the Sale Agent gives any assurance as to the price that will be achieved for the sale of New Bidder Shares in accordance with clause 4.4(c). The sale of the New Bidder Shares under this clause 4.4 will be at the risk of the Ineligible Foreign Shareholders.

#### 4.5 Ineligible Foreign Optionholders

The Bidder has no obligation to provide, and will not provide, any New Bidder Shares to any Ineligible Foreign Optionholder under the Option Scheme, and instead:

- (a) the Bidder must appoint the Sale Agent on or before the Record Date;
- (b) the Bidder must provide, or procure the provision of, the New Bidder Shares which would otherwise be required to be provided to the Ineligible Foreign Optionholders under the Option Scheme to the Sale Agent;
- (c) the Bidder must procure that, as soon as reasonably practicable after the Implementation Date, the Sale Agent sells or procures the sale (including on an aggregated or partially aggregated basis), in the ordinary course of trading on ASX, of all the New Bidder Shares provided to the Sale Agent pursuant to clause 4.5(b) and remits to the Bidder the proceeds of sale (**Option Proceeds**);
- (d) the Bidder must pay all applicable brokerage, stamp duty and other costs and charges in connection with the sale of the New Bidder Shares pursuant to clause 4.5(c); and
- (e) the Bidder must pay, or procure the payment, to each Ineligible Foreign Optionholder the amount "A" calculated in accordance with the following formula and rounded down to the nearest cent:

$$A = (B \div C) \times D$$

where:

- B = the number of New Bidder Shares that would have been provided to that Ineligible Foreign Optionholder had it not been an Ineligible Foreign Optionholder;
- C = the total number of New Bidder Shares which would otherwise have been provided to all Ineligible Foreign Optionholders collectively and which were instead provided to the Sale Agent; and
- D = the Option Proceeds;
- (f) none of the Target, the Bidder or the Sale Agent gives any assurance as to the price that will be achieved for the sale of New Bidder Shares in accordance with clause 4.4(c). The sale of the New Bidder Shares under this clause 4.5 will be at the risk of the Ineligible Foreign Optionholders.

#### 4.6 Share splitting

If the Bidder and the Target are of the opinion that a number of Scheme Shareholders and/or other persons (who, to avoid doubt, may include other Scheme Shareholders) have, before the Record Date, been party to a shareholding splitting or division or an acquisition of Scheme Shares in an attempt to obtain, or which provides, an advantage by reference to the rounding provided for in the calculation of each Scheme Shareholder's entitlement to the Share Scheme Consideration, the Bidder may give notice to those Scheme Shareholders prior to the Implementation Date:

- (a) setting out the names and registered addresses of all of those Scheme Shareholders;
- (b) stating that opinion; and
- (c) attributing to one of them specifically identified in the notice the Scheme Shares held by all of them, and, after the notice has been so given, the Scheme Shareholder specifically identified in the notice shall, for the purposes of the Share Scheme, be taken to hold all those Scheme Shares and each of the other Scheme Shareholders whose names are set out in the notice shall, for the purposes of the Share Scheme, be taken to hold no Scheme Shares.

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### Scheme Implementation Agreement

#### 4.7 Anti-manipulation

If the Bidder and the Target are of the opinion that a Scheme Shareholder or other person has, before the Record Date:

- (a) been party to an arrangement resulting in a change in the registered address of the Scheme Shareholder to a jurisdiction so as to make that Scheme Shareholder (the **relevant Scheme Shareholder**) an Ineligible Foreign Shareholder or a transfer of Target Shares by the person to a person (also the relevant Scheme Shareholder) who would be an Ineligible Foreign Shareholder;
- (b) in circumstances where the Bidder and the Target are of the opinion that the arrangement or transfer was undertaken to achieve that result in order to maximise the cash consideration payable to the relevant Scheme Shareholder,

the Bidder may give notice to the relevant Scheme Shareholder prior to the Implementation Date:

- (c) setting out the name of the relevant Scheme Shareholder and the other persons involved;
- (d) stating that opinion; and
- (e) stating what, in its opinion, would have been the holdings and registered addresses at which the Scheme Shares held by the relevant Scheme Shareholder would have been held had the arrangement or transfer not been undertaken, and after the notice has been so given, the Scheme Shares held by the relevant Scheme Shareholder shall be taken to be held in the holdings and registered addresses specified in notice.

#### 4.8 Provision of Target Share and Target Option information

In order to facilitate the provision of New Bidder Shares to Scheme Shareholders and Scheme Optionholders:

- (a) the Target must provide, or procure the provision, to the Bidder or a nominee of the Bidder a complete copy of the Target Share Register and the Target Option Register as at the Record Date (which must include the name, address and registered holding of each Scheme Shareholder and Scheme Optionholder as at the Record Date), within 2 Business Days after the Record Date; and
- (b) the details and information to be provided under clause 4.8(a) must be provided in such form as the Bidder or its Representatives may reasonably require.

#### 4.9 Shares to rank equally

The Bidder undertakes in favour of the Target (in the Target's own right and separately as trustee for each of the Scheme Shareholders and Scheme Optionholders) that:

- (a) the New Bidder Shares will rank equally in all respects with all existing Bidder Shares; and
- (b) on issue each New Bidder Share will be fully paid and free from all Encumbrances.

#### 4.10 ASX waiver

- (a) As soon as reasonably practicable after the date of this agreement, the Target must use its reasonable endeavours to procure that ASX grants a waiver from rule 6.23 of the Listing Rules in respect of the Option Scheme and the cancellation of Target Performance Rights referred to in clause 3.1(q).
- (b) If the waiver referred to in clause 4.10(a):
  - (i) is obtained on or before the date on which the Regulator's Draft is given to ASIC, but is subject to one or more conditions that are not reasonably satisfactory to the Bidder; or
  - (ii) is not obtained on or before the date on which the Regulator's Draft is given to ASIC,the Target must seek any approvals that are required from the Target Shareholders under rule 6.23 of the Listing Rules in relation to the Option Scheme and the cancellation of Target Performance Rights referred to in clause 3.1(q) on the same date as the Scheme Meetings.

### 5. Implementation of Schemes

#### 5.1 Timetable

The parties acknowledge that the Timetable is an indicative timetable and will consult with each other regularly in relation to:

- (a) performing their respective obligations within the framework established by the Timetable; and
- (b) any need to modify the Timetable.



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### Scheme Implementation Agreement

#### 5.2 Target's obligations

The Target must take all steps reasonably necessary to propose and implement the Schemes as soon as reasonably practicable after the date of this agreement and use reasonable endeavours so as to complete the Transaction substantially in accordance with the Timetable, and in particular the Target must:

- (a) **promote merits of Transaction:** subject to proper performance by the Target Directors of their fiduciary and statutory duties, participate in, and ensure the Target Board participates in, efforts reasonably requested by the Bidder to promote the merits of the Transaction to Target Shareholders and Target Optionholders, including (subject to the foregoing) meeting with key Target Shareholders and Target Optionholders at the reasonable request of the Bidder;
- (b) **appoint counsel and approach court:** appoint Senior Counsel or Queen's Counsel reasonably experienced in schemes of arrangement to represent the Target in Court on the First Court Date and the Second Court Date and apply to the Court for the First Court Date and Second Court Date hearings;
- (c) **Explanatory Memorandums:** prepare the Explanatory Memorandums in accordance with the requirements of the Corporations Act, the Listing Rules and the Policy Statements, provide successive advanced drafts of the Explanatory Memorandums to the Bidder and allow the Bidder a reasonable opportunity to review and comment on those drafts, consult with the Bidder in relation to the content and presentation of those drafts and consider in good faith comments on, and suggested amendments to, those drafts from the Bidder and its Representatives;
- (d) **Independent Expert:** promptly appoint the Independent Expert and provide all assistance and information reasonably requested by the Independent Expert in connection with the preparation of the Independent Expert's Report and any other materials to be prepared by the Independent Expert for inclusion in the Explanatory Memorandums;
- (e) **assist investigating accountant:** subject to the investigating accountant entering into arrangements with the Bidder as to confidentiality in a form reasonably acceptable to the Target, provide all assistance and information reasonably requested by the investigating accountant to enable it to prepare its reports for inclusion in the Explanatory Memorandums and any other materials to be prepared by it for inclusion in the Explanatory Memorandums;
- (f) **Bidder Information:** incorporate the Bidder Information in the Explanatory Memorandums and update and amend such Bidder Information as reasonably requested by the Bidder prior to finalising the Regulator's Draft;
- (g) **proposed Regulator's Draft:** provide the Bidder with the proposed Regulator's Draft at least 2 Business Days before its proposed submission to ASIC to enable the Bidder to review the proposed Regulator's Draft;
- (h) **provide Regulator's Draft to ASIC:** as soon as reasonably practicable, provide the Regulator's Draft to:
  - (i) ASIC for its review for the purposes of section 411(2) of the Corporations Act; and
  - (ii) the Bidder,and liaise with ASIC as necessary during the Regulatory Review Period;
- (i) **keep the Bidder informed:** during the Regulatory Review Period:
  - (i) promptly provide to the Bidder and include in revised drafts of the Explanatory Memorandums any new information in relation to the Target Group not included in the Regulator's Draft which is required by the Corporations Act, Listing Rules or the Policy Statements to be included in the Explanatory Memorandums; and
  - (ii) promptly notify, and consult with, the Bidder in relation to any matters raised by ASIC in connection with the Explanatory Memorandums or the Schemes and any presentation or submission to, or at any proposed meeting with, ASIC, and co-operate and consult with the Bidder to resolve any such matters;
- (j) **Court documents:** consult with the Bidder in relation to the content of the documents required for the purposes of the hearings on the First Court Date and the Second Court Date, including for the purposes of sections 411(1) and 411(4)(b) of the Corporations Act in relation to the Schemes (including originating process, affidavits, submissions and draft minutes of Court orders) and consider in good faith comments on, and suggested amendments to, those documents from the Bidder and its Representatives;
- (k) **approval of Explanatory Memorandums:** as soon as reasonably practicable after the end of the Regulatory Review Period (or, if earlier and applicable, after ASIC informs the Target that it does not propose to make submissions to the Court under section 411(2)(b)(ii) of the Corporations Act), procure that a meeting of the Target Board is convened to consider approving the Explanatory Memorandums for dispatch to Target Shareholders and Target Optionholders, subject to the approval of the Court;
- (l) **First Court Hearing:** provided the approval of the Target Board referred to in clause 5.2(k) is given, lodge all necessary documents with the Court and take all other reasonable steps to ensure that an application is heard by the Court for an order under section 411(1) of the Corporations Act directing the Target to convene the Scheme Meetings;

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### Scheme Implementation Agreement

- (m) **registration of Explanatory Memorandums:** request ASIC to register the explanatory statements included in the Explanatory Memorandums in relation to the Schemes in accordance with section 412(6) of the Corporations Act;
- (n) **comply with Court orders:** comply with the orders of the Court including, if ordered:
  - (i) dispatch the Scheme Explanatory Memorandum to the Target Shareholders and convene and hold the Share Scheme Meeting; and
  - (ii) dispatch the Option Explanatory Memorandum to the Target Optionholders and convene and hold the Option Scheme Meeting.
- (o) **update Explanatory Memorandums:** if it becomes aware of information after dispatch of the Explanatory Memorandums that is material for disclosure to Target Shareholders or Target Optionholders in deciding whether to approve the Schemes or that is required to be disclosed to Target Shareholders or Target Optionholders under any applicable law, inform Target Shareholders and Target Optionholders of the information in an appropriate and timely manner, in accordance with applicable law and after having applied to the Court for such orders (if any) in relation to that disclosure as are appropriate, after consulting with the Bidder as to the content and presentation of that information;
- (p) **section 411(17)(b) statement:** apply to ASIC for the production of a statement in writing pursuant to section 411(17)(b) of the Corporations Act stating that ASIC has no objection to the Schemes;
- (q) **Second Court Date:** if:
  - (i) the resolution submitted to the Share Scheme Meeting in relation to the Share Scheme is passed by the majorities required under section 411(4)(a)(ii) of the Corporations Act;
  - (ii) the resolution submitted to the Option Scheme Meeting in relation to the Option Scheme is passed by the majorities required under section 411(4)(a)(i) of the Corporations Act;
 and provided all other Conditions (other than the Conditions referred to in clauses 3.1(m) and 3.1(n)) are satisfied or waived in accordance with this agreement, apply to the Court for orders approving the Schemes under section 411(4)(b) of the Corporations Act;
- (r) **lodge copy of Court orders:** if the Court makes orders under section 411(4)(b) of the Corporations Act approving the Schemes, promptly lodge with ASIC an office copy of those orders in accordance with section 411(10) of the Corporations Act;
- (s) **registration:** if the Court makes orders under section 411(4)(b) of the Corporations Act approving the Schemes:
  - (i) use reasonable endeavours to procure that ASX suspends trading in Target Shares from the close of trading on the Effective Date;
  - (ii) close the Target Share Register as at the Record Date and determine the identity of the Scheme Shareholders and their entitlements to the Share Scheme Consideration in accordance with the Share Scheme;
  - (iii) close the Target Option Register as at the Record Date and determine the identity of the Scheme Optionholders and their entitlements to the Option Scheme Consideration in accordance with the Option Scheme;
  - (iv) provide to the Bidder all information about the Scheme Shareholders that the Bidder reasonably requires in order for the Bidder to provide or procure the provision of the Share Scheme Consideration in accordance with the Share Scheme;
  - (v) provide to the Bidder all information about the Scheme Optionholders that the Bidder reasonably requires in order for the Bidder to provide or procure the provision of the Option Scheme Consideration in accordance with the Option Scheme;
  - (vi) subject to the Bidder satisfying its obligations under clause 5.3(k), execute proper instruments of transfer of and effect and register the transfer of the Scheme Shares in the name of the Bidder (or the Bidder's nominee) in accordance with the Share Scheme;
  - (vii) subject to the Bidder satisfying its obligations under clause 5.3(l), cancel the Scheme Options in accordance with the Option Scheme; and
  - (viii) do all other things contemplated by or necessary to give effect to the Schemes and the orders of the Court approving the Schemes;
- (t) **ASX listing:** use reasonable endeavours to maintain its admission to the official list of ASX and the quotation of Target Shares on ASX up to and including the Implementation Date or such later date as the Bidder reasonably requests;
- (u) **Target incentive plans:** as soon as reasonably practicable, suspend all of Target executive and employee incentive plans that will or could result in securities being granted or offered to Target Group officers and employees (without prejudice to the rights of holders of Target Options and Target Performance Rights which are in existence at the date of this agreement);
- (v) **Target dividend reinvestment plan:** as soon as reasonably practicable, suspend the Target dividend reinvestment plan; and

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### Scheme Implementation Agreement

(w) **Target ESOP:** procure that the Target Board does not exercise its discretion under rule 7.2 of the Target ESOP.

#### 5.3 Bidder's obligations

The Bidder must take all steps reasonably necessary to assist the Target to propose and implement the Schemes as soon as is reasonably practicable after the date of this agreement and use reasonable endeavours so as to complete the transaction substantially in accordance with the Timetable, and in particular the Bidder must:

- (a) **Bidder Information:** prepare and provide to the Target the Bidder Information in a form appropriate for inclusion in the Explanatory Memorandums (the Bidder acknowledging that the Target will rely on such information to prepare the Explanatory Memorandums and agreeing the Bidder Information will be provided in good faith), consult with the Target in relation to the content and presentation of that information in the Explanatory Memorandums and consider in good faith comments on, and suggested amendments to, that information from the Target and its Representatives, and ensure that the Bidder Information is not misleading or deceptive in any material respect at the time the Explanatory Memorandums are despatched;
- (b) **assist Independent Expert:** subject to the Independent Expert entering into arrangements with the Target as to confidentiality in a form reasonably acceptable to the Bidder, provide all assistance and information reasonably requested by the Independent Expert to enable it to prepare its reports for inclusion in the Explanatory Memorandums and any other materials to be prepared by it for inclusion in the Explanatory Memorandums;
- (c) **investigating accountant:** promptly appoint any investigating accountant to be appointed in connection with the preparation of the Explanatory Memorandums and provide all assistance and information reasonably requested by the investigating accountant in connection with its report for inclusion in the Explanatory Memorandums and any other materials to be prepared by the investigating accountant for inclusion in the Explanatory Memorandums;
- (d) **review Explanatory Memorandums:** as soon as reasonably practicable after receipt from the Target of a draft of the Explanatory Memorandums in accordance with clause 5.2(c) provide the Target with any comments or suggested amendments to that draft in good faith;
- (e) **comments on Regulator's Draft:** as soon as reasonably practicable after receipt from the Target of the proposed Regulator's Draft provided in accordance with clause 5.2(g), either:
  - (i) confirm in writing to the Target that the Bidder Information in the form and context in which it appears in the draft of the Explanatory Memorandums is not misleading or deceptive in any material respect and does not contain any material omission; or
  - (ii) provide to the Target the changes required to ensure that the Bidder Information in the form and context in which it appears in the Explanatory Memorandums is not misleading or deceptive in any material respect and does not contain any material omission;
- (f) **approval of Explanatory Memorandums:** as soon as reasonably practicable after the end of the Regulatory Review Period (or, if earlier and applicable, after ASIC informs the Target that it does not propose to make submissions to the Court under section 411(2)(b)(ii) of the Corporations Act), procure that a meeting of the Bidder Board is convened to consider approving those sections of the Explanatory Memorandums that relate to any Bidder Indemnified Parties appropriate for dispatch to Target Shareholders and Target Optionholders, subject to the approval of the Court;
- (g) **update Bidder Information:** if at any time after the dispatch of the Explanatory Memorandums it becomes aware:
  - (i) of new information which, were it known at the time of dispatch, should have been included in any Bidder Information provided previously to the Target; or
  - (ii) that any part of the Bidder Information contained in the Explanatory Memorandums is misleading or deceptive in any material respect (whether by omission or otherwise),advise the Target so that the Target can determine whether supplementary disclosure to Target Shareholders and Target Optionholders is required;
- (h) **Share Deed Poll:** prior to or on the First Court Date, execute the Share Deed Poll and deliver the executed Share Deed Poll to the Target;
- (i) **Option Deed Poll:** prior to or on the First Court Date, execute the Option Deed Poll and deliver the executed Option Deed Poll to the Target;
- (j) **representation:** procure that it is separately represented at the hearings on the First Court Date and the Second Court Date, at which hearings the Bidder will undertake (if requested by the Court) to do all such things and take all such steps within its power as may be reasonably necessary in order to ensure the fulfilment of its obligations under this agreement and the Schemes;

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### Scheme Implementation Agreement

- (k) **Share Scheme Consideration:** if the Share Scheme becomes Effective, provide, or procure the provision of, the Share Scheme Consideration on the Implementation Date in accordance with the Share Scheme;
- (l) **Option Scheme Consideration:** if the Option Scheme becomes Effective, provide, or procure the provision of, the Option Scheme Consideration on the Implementation Date in accordance with the Option Scheme;
- (m) **Employees and Director arrangements:** after the Schemes become Effective, comply with and honour, and cause the Target to comply with and honour, all employment contracts with all Target employees and, subject to law, directors, including making directors' retirement payments disclosed in the Disclosure Letter; and
- (n) **Directors:** cause one (or if agreed with the Target, more than one) Target Director nominated by the Target and agreed by the Bidder to be appointed as a director of the Bidder as soon as reasonably practicable after the Scheme becomes Effective.

#### 5.4 Target registry details

For the purposes of clause 5.2(s), the Target must give all necessary directions to the Target Registry to ensure that any information that the Bidder reasonably requests in relation to the Target Share Register and Target Option Register, including any CHES sub-register and any issuer-sponsored sub-register, is promptly provided to the Bidder and, where requested by the Bidder, the Target must procure that such information is made available in such electronic form as is reasonably requested by the Bidder.

#### 5.5 Responsibility for information

The Bidder's obligations under clauses 5.3(c) and 5.3(e) relate only to the factual accuracy of Bidder Information and the Bidder takes no responsibility for information in the Explanatory Memorandums other than the Bidder Information. The Explanatory Memorandums must include a statement that:

- (a) the Bidder Indemnified Parties are not responsible for any information contained in the Explanatory Memorandums other than the Bidder Information; and
- (b) the Target Indemnified Parties are not responsible for any information contained in the Explanatory Memorandums other than the Target Information.

#### 5.6 Disputes in relation to information

If there is a dispute between the parties in relation to the presentation or content of any part of the Explanatory Memorandums (including the Bidder Information), the parties must consult in good faith and use their reasonable endeavours to resolve the dispute within 2 Business Days of the dispute arising. If the parties fail to agree on the disputed presentation or content:

- (a) the Target will have the final decision on any information other than the Bidder Information, provided that such information complies with the Corporations Act, the Listing Rules and the Policy Statements; and
- (b) the Bidder will have the final decision on any Bidder Information, provided that the Bidder Information complies with the Corporations Act, the Listing Rules and the Policy Statements.

The parties must continue to perform their obligations under this agreement even where there is a dispute in relation to the presentation or content of any part of the Explanatory Memorandums.

#### 5.7 Target indemnity

The Target acknowledges and agrees that it is responsible for the Target Information contained in the Explanatory Memorandums and must pay to the Bidder on demand an amount equal to all Indemnified Losses suffered or incurred by the Bidder Indemnified Parties arising out of or in connection with any failure of the Target Information to comply with the Corporations Act, the Listing Rules or the Policy Statements in connection with its inclusion in the Explanatory Memorandums.

#### 5.8 Bidder indemnity

The Bidder acknowledges and agrees that it is responsible for the Bidder Information contained in the Explanatory Memorandums and must pay to the Target on demand an amount equal to all Indemnified Losses suffered or incurred by the Target Indemnified Parties arising out of or in connection with any failure of such Bidder Information to comply with the Corporations Act, the Listing Rules or the Policy Statements in connection with its inclusion in the Explanatory Memorandums.

#### 5.9 Verification

The Target and the Bidder must undertake reasonable verification processes in relation to the Explanatory Memorandums and make the results of such processes available on request by the other party to comply with their respective obligations under clauses 5.2(k) and 5.3(f).

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#### 5.10 Reconstitution of Target Board

Subject to the Schemes becoming Effective, the Target must take all actions necessary to:

- (a) procure that a majority of the Target Directors and a majority of the directors of each Subsidiary of the Target resign their office on or before the Effective Date;
- (b) cause the appointment, on or before the Effective Date, to the Target Board and to the board of each Subsidiary of the Target of that number of persons nominated by the Bidder which will be a majority of each respective board, subject to those persons having provided a consent to act as directors of the relevant companies;
- (c) procure that any Target Directors or directors of each Subsidiary of the Target who are not nominees of the Bidder on the Implementation Date resign from their office on the Implementation Date; and
- (d) cause the appointment, on the Implementation Date, to the Target Board and to the board of each Subsidiary of the Target of any persons nominated by the Bidder, subject to those persons having provided a consent to act as directors of the relevant companies.

### 6. Conduct of business and requests for access

#### 6.1 Conduct of business

Subject to clause 6.2, from the date of this agreement up to and including the Implementation Date, the Target must procure that each member of the Target Group conducts the Business in the ordinary and usual course consistent with its usual business practices and in accordance with all applicable laws and regulations and does not make any significant change to the nature or scale of any activity comprised in the Business.

#### 6.2 Permitted activities

Nothing in clause 6.1 restricts any member of the Target Group from any activity which:

- (a) is required to be done by the Target under the Transaction Documents;
- (b) is approved by the Bidder in writing (prior to the activity);
- (c) has been fairly disclosed to ASX prior to the date of this agreement; or
- (d) is fairly disclosed in the Disclosure Letter.

#### 6.3 Transition and integration plan

As soon as practicable after executing the agreement, the Target must consult with the Bidder in good faith to discuss and agree a transition and integration plan, to the extent that to do so will not constitute a breach of the fiduciary or statutory duties of the Target Board.

### 7. Recommendation and intentions

#### 7.1 Target Directors recommendation

Subject to clause 7.2, each Target Director in office at the relevant time must, in the Target Announcement and the Explanatory Memorandums, recommend that:

- (a) Target Shareholders vote in favour of all resolutions to be proposed at the Share Scheme Meeting in relation to the Share Scheme and approve the Share Scheme without any qualification other than a qualification that the recommendation is subject to:
  - (i) no Superior Proposal being made; and
  - (ii) the Independent Expert opining that the Share Scheme is in the best interests of the Target Shareholders; and
- (b) Target Optionholders vote in favour of all resolutions to be proposed at the Option Scheme Meeting in relation to the Option Scheme and approve the Option Scheme without any qualification other than a qualification that the recommendation is subject to:
  - (i) no Superior Proposal being made; and
  - (ii) the Independent Expert opining that the Option Scheme is in the best interests of the Target Optionholders.

#### 7.2 Maintenance of recommendation

Neither a Target Director nor the Target Board may make any public statement or publicly take (or fail to take) any other action which qualifies their support for the Schemes and the Transaction, or which contradicts, or subsequently change, withdraw or modify:

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- (a) the recommendation referred to in clause 7.1(a) except where:
  - (i) the Target Board determines, after the Bidder's rights under clause 9.7 have been exhausted, that a Competing Proposal constitutes a Superior Proposal;
  - (ii) the Independent Expert does not opine in its final report to the Target for inclusion in the Explanatory Memorandums that the Share Scheme is in the best interests of Target Shareholders or where the Independent Expert modifies its report to this effect; or
  - (iii) the Target Board has determined in good faith, having received expert advice as appropriate, that the duties of the Target Directors require them to change their recommendation; or
- (b) the recommendation referred to in clause 7.1(b) except where:
  - (i) the Target Board determines, after the Bidder's rights under clause 9.7 have been exhausted, that a Competing Proposal constitutes a Superior Proposal;
  - (ii) the Independent Expert does not opine in its final report to the Target for inclusion in the Explanatory Memorandums that the Option Scheme is in the best interests of Target Optionholders or where the Independent Expert modifies its report to this effect; or
  - (iii) the Target Board has determined in good faith, having received expert advice as appropriate, that the duties of the Target Directors require them to change their recommendation.

#### 7.3 Target Director intentions

Subject to clause 7.4, each Target Director must:

- (a) announce in the Target Announcement and the Explanatory Memorandums their intention to vote in favour of the Share Scheme any Target Shares in which they have a Relevant Interest and in respect of which they have power to vote, without any qualification other than a qualification that the intention is subject to:
  - (i) no Superior Proposal being made; and
  - (ii) the Independent Expert opining that the Share Scheme is in the best interests of the Target Shareholders; and
- (b) announce in the Target Announcement and the Explanatory Memorandums their intention to vote in favour of the Option Scheme any Target Options in which they have a Relevant Interest and in respect of which they have power to vote, without any qualification other than a qualification that the intention is subject to:
  - (i) no Superior Proposal being made; and
  - (ii) the Independent Expert opining that the Option Scheme is in the best interests of the Target Optionholders.

#### 7.4 Maintenance of intentions

A Target Director may make any public statement which qualifies their stated intention:

- (a) referred to in clause 7.3(a), where:
  - (i) the Target Board determines, after the Bidder's rights under clause 9.7 have been exhausted, that a Competing Proposal constitutes a Superior Proposal;
  - (ii) the Independent Expert does not opine in its final report to the Target for inclusion in the Explanatory Memorandums that the Share Scheme is in the best interests of Target Shareholders or where the Independent Expert modifies its report to this effect; or
  - (iii) clause 7.2(a)(iii) applies; or
- (b) referred to in clause 7.3(b), where:
  - (i) the Target Board determines, after the Bidder's rights under clause 9.7 have been exhausted, that a Competing Proposal constitutes a Superior Proposal;
  - (ii) the Independent Expert does not opine in its final report to the Target for inclusion in the Explanatory Memorandums that the Option Scheme is in the best interests of Target Optionholders or where the Independent Expert modifies its report to this effect; or
  - (iii) clause 7.2(b)(iii) applies.

#### 7.5 Target procurement

The Target must use its best endeavours to procure that each Target Director acts in accordance with their obligations under clauses 7.1, 7.2, 7.3 and 7.4.



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### 8. Announcements

#### 8.1 Announcement of transaction

Immediately after the execution of this agreement, the Target must issue the Target Announcement to ASX.

#### 8.2 Public announcements

Subject to clause 8.3, neither the Target nor the Bidder may make any public announcement or disclosure in relation to the Schemes or the Transaction (excluding any staff, supplier or customer announcements or presentations) or termination of this agreement without prior consultation with the other party.

#### 8.3 Exception

The Target or the Bidder may make any announcement or disclosure in relation to the Schemes or the Transaction without consulting with the other party if immediate disclosure is required by law.

### 9. Exclusivity

#### 9.1 No shop

During the Exclusivity Period, the Target must not, and must ensure that its Representatives do not, except with the prior written consent of the Bidder solicit or invite any Competing Proposal or initiate discussions with any third party which may reasonably be expected to lead to a Competing Proposal.

#### 9.2 No talk and no due diligence

Subject to clause 9.3, during the Exclusivity Period, the Target must not, and must ensure that its Representatives do not, except with the prior written consent of the Bidder:

- (a) participate in any negotiations in relation to a Competing Proposal or which may reasonably be expected to lead to a Competing Proposal;
- (b) provide any information to a third party for the purposes of enabling that party to make a Competing Proposal; or
- (c) communicate any intention to do any of the things listed in clauses 9.2(a) or 9.2(b).

#### 9.3 Exceptions

- (a) Clause 9.2 does not apply if the Target Board, acting in good faith, after having obtained written advice from its legal and financial advisers, determines that the Competing Proposal may reasonably be expected to lead to a Superior Proposal and that failing to respond to the Competing Proposal in a manner described in clause 9.2 would be likely to constitute a breach of the Target Board's fiduciary or statutory duties.
- (b) For the avoidance of doubt, clause 9.2 does not apply to the normal provision of information to a Regulatory Authority, auditors, advisers, financiers, customers, joint venturers and suppliers in the ordinary course of business or making presentations to brokers, portfolio investors, analysts and other parties in the ordinary course of business.

#### 9.4 No commitments

During the Exclusivity Period, the Target must not, and must ensure that its Representatives do not, except with the prior written consent of the Bidder, enter into any deed, arrangement or understanding in relation to a Competing Proposal which would have the effect of requiring the Target to abandon, or otherwise fail to proceed with, the possible transactions the subject of this agreement unless the Target Board, acting in good faith and in order to satisfy its fiduciary or statutory duties, determines that the Competing Proposal is a Superior Proposal.

#### 9.5 Notice of Competing Proposal

During the Exclusivity Period, the Target must promptly notify the Bidder if it or any of its Representatives receive any inquiry or proposal from any person (Rival Bidder) which may reasonably be expected to lead to a Competing Proposal but no other information is required to be communicated at this stage.

#### 9.6 Target's response to a Competing Proposal

Without prejudice to the Bidder's rights under this clause, if at any time during the Exclusivity Period any Target Director wishes to approve or publicly recommend entry into any agreement, commitment, arrangement or understanding relating to a Competing Proposal, the Target must ensure that they do not do so:

- (a) unless the Competing Proposal is bona fide and is made in writing; and
- (b) until each of the following events has occurred:

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- (i) the Target Board has determined in good faith after consultation with the Target's legal and financial advisers that:
  - A. failing to respond to the Competing Proposal would be likely to constitute a breach of its fiduciary or statutory duties; and
  - B. the Competing Proposal:
    - 1) is capable of being valued and completed; and
    - 2) would, if completed substantially in accordance with its terms, be more favourable to Target Shareholders than the Share Scheme,after taking into account all aspects of the Competing Proposal (including its terms and conditions and the identity of the Rival Bidder);
- (ii) the Target has given the Bidder notice in writing of its intention to enter into an agreement, commitment, arrangement or understanding in relation to that Competing Proposal, subject to the Bidder's rights under clause 9.7, as well as, notwithstanding any other provision of this agreement, full details of all material terms of the Competing Proposal (including the identity of the Rival Bidder and details of the proposed consideration, conditions and break fee (if any)), together with any material confidential information concerning the Target Group's operations provided to the Rival Bidder or any person associated with the Competing Proposal not previously provided to the Bidder;
- (iii) the Bidder's rights under clause 9.7 have been exhausted; and
- (iv) the Target Board has made the determination contemplated by clause 9.6(b)(i)B in respect of that Competing Proposal after the Bidder's rights under clause 9.7 have been exhausted and after evaluation of any Counterproposal.

#### 9.7 Bidder's right of last offer

If the Target gives notice to the Bidder under clause 9.6(b)(ii):

- (a) the Bidder will have the right, but not the obligation, at any time during the period of 3 Business Days following receipt of such notice, to make an offer to the Target that delivers a benefit to Target Shareholders that is at least equal to that of the Competing Proposal (**Counterproposal**);
- (b) if the Bidder makes a Counterproposal, the Target and the Target Board must consider it in good faith; and
- (c) if the Target Board, acting reasonably, considers that the Counterproposal would provide a benefit to Target Shareholders that is at least equal to that of the Competing Proposal, then the Target and the Bidder must use reasonable endeavours to agree to amendments to the Transaction Documents that are reasonably necessary to reflect the Counterproposal and to enter into one or more amended agreements to give effect to those amendments and to implement the Proposal, in each case as soon as reasonable practicable.

For the purposes of this clause 9.7, each successive material modification of a Rival Bidder's Competing Proposal will constitute a new Competing Proposal.

#### 9.8 Exception to clauses 9.6 and 9.7

Clauses 9.6 and 9.7 do not apply if the Target Board, acting in good faith, after having obtained written advice from its legal and financial advisers, determines that complying with the relevant clause would be likely to constitute a breach of the Target Board's fiduciary or statutory duties.

## 10. Break Fee

### 10.1 Background

This clause 10 has been agreed to in circumstances where:

- (a) the Bidder and the Target believe the implementation of the Schemes will provide benefits to the Target, the Target Shareholders, the Target Optionholders, the Bidder and the holders of Bidder Shares;
- (b) the Target and the Bidder each acknowledges that the Bidder Group and the Target Group has incurred, or will incur significant costs, including:
  - (i) external advisory costs and fees in planning and implementing the Schemes;
  - (ii) internal costs of a similar kind (including directors and management time costs, risk management costs and capital costs);
  - (iii) out of pocket expenses incurred by employees, advisers and agents of the Bidder Group in planning and implementing the Schemes; and
  - (iv) opportunity costs in pursuing the Schemes or in not pursuing alternative acquisitions or strategic initiatives,

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directly or indirectly as a result of pursuing the Schemes, and will incur further costs if the Schemes are not successful; and

(c) the Bidder and the Target have each requested that provision be made for the payments outlined in this clause, without which the Bidder and the Target would not have entered into this agreement.

The parties acknowledge and agree that the costs actually incurred by the Bidder Group or the Target Group as referred to in clause 10.1(b) will be of such a nature that they cannot be accurately ascertained, but that the Break Fee is a genuine and reasonable pre-estimate of the cost and loss that would actually be suffered by the Bidder or the Target if the Schemes are not implemented.

#### 10.2 Payment of Break Fee by Target

Subject to clauses 10.4, 10.5 and 10.6 and provided the Bidder is not in material breach of a material obligation under this agreement, the Target must pay the Bidder the Break Fee if any of the following events occur:

- (a) at any time before the Scheme Meetings, any Target Director:
- (i) fails to recommend as described in clause 7.1;
  - (ii) makes any public statement or publicly takes any action that contradicts their recommendation; or
  - (iii) withdraws their recommendation,
- other than in circumstances where:
- (iv) the Independent Expert opines in its final report for inclusion in the Explanatory Memorandums that the Share Scheme is not in the best interests of Target Shareholders or modifies its report to so opine (other than where its conclusion is due to the existence of a Competing Proposal); or
  - (v) the Target validly terminates this agreement under clause 14.1(e) (in respect of a Condition in clause 3.1(a), 3.1(b), 3.1(c), 3.1(d), 3.1(h), 3.1(j) or 3.1(p)) or 14.3(b);
- (b) as a result of a material failure by the Target to comply with any material obligation under this agreement (after the Bidder had given the Target written notice of the failure and a reasonable time to remedy the failure):
- (i) the Court fails to approve the Schemes for the purpose of section 411(4)(b) of the Corporations Act; or
  - (ii) the Effective Date of the Schemes has not occurred prior to the End Date;
- (c) at any time prior to the Schemes becoming Effective a Competing Proposal is announced and, within 12 months of such announcement, that Competing Proposal or a transaction substantially similar to that Competing Proposal:
- (i) results in a person obtaining Control of, or merging with, the Target;
  - (ii) is completed; or
  - (iii) in the case of a Competing Proposal that involves a takeover bid made under Chapter 6 of the Corporations Act, becomes free from any defeating conditions as that term is defined in the Corporations Act.

#### 10.3 Payment of Break Fee by Bidder

Subject to clauses 10.4, 10.5 and 10.6 and provided the Target is not in breach of a material obligation under this agreement, the Bidder must pay the Target a Break Fee if as a result of a material failure by the Bidder to comply with any material obligation under this agreement (after the Target had given the Bidder written notice of the failure and a reasonable time to remedy the failure):

- (a) the Court fails to approve the Schemes for the purpose of section 411(4)(b) of the Corporations Act; or
- (b) the Effective Date of the Schemes has not occurred prior to the End Date.

#### 10.4 Timing of payment

The Target or Bidder (as the case requires) must pay the Break Fee without set-off or withholding within 15 Business Days of receipt of a written demand for payment from the other, which demand must set out the circumstances which give rise to the payment.

#### 10.5 Notification

Each of the Target and the Bidder must notify the other in writing as soon as practicable after it becomes aware of the existence or occurrence of any event or circumstance specified in clause 10.2 and such notice must include full particulars of the relevant event or circumstance.

#### 10.6 Compliance with law

If it is finally determined by the Takeovers Panel or a court that all or any part of a Break Fee (**Impugned Amount**):

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- (a) is unenforceable or would, if paid, be unlawful for any reason; or
- (b) constitutes or would, if performed, constitute:
  - (i) a breach of the fiduciary or statutory duties of the Target Board; or
  - (ii) unacceptable circumstances within the meaning of the Corporations Act or a breach an order of the Takeovers Panel,then:
- (c) the requirement to pay that Break Fee does not apply to the extent of the Impugned Amount (but the Target or the Bidder must comply with its obligations under this agreement with respect to payment of the balance of that Break Fee); and
- (d) if the Bidder or the Target has received the Impugned Amount, it must refund it within 5 Business Days of the final determination being made.

#### 10.7 Exclusive remedy

The Bidder and the Target each agrees that if an amount is paid by the other under this clause 10 in respect of an act or event that payment constitutes its sole and exclusive remedy for any liability arising under or in connection with this agreement in respect of that act or event.

#### 10.8 No application to court

No party must make, nor may it cause or permit to be made, any application to a court, arbitral tribunal or the Takeovers Panel for or in relation to a determination referred to in clause 10.6.

#### 10.9 Submissions

If a Third Party makes any application to a court, arbitral tribunal or the Takeovers Panel for or in relation to a determination referred to in clause 10.6, then the parties must make submissions in the course of those proceedings supporting to the fullest extent reasonably practicable the position that no such determination should be made.

#### 10.10 Other claims

Despite anything else contained in this agreement:

- (a) no Break Fee is payable by either party to the other party if the Schemes become Effective, even if an event or circumstance specified in clause 10.2 or 10.3 exists or occurs; and
- (b) the Target or the Bidder can only ever be liable to pay the Break Fee once.

### 11. Liability of directors and employees

#### 11.1 No action by Target against Bidder officers and Representatives

The Target waives and must procure that each other member of the Target Group waives all rights and claims that they may have against the current or former officers, employees or Representatives of any member of the Bidder Group in relation to any matter arising directly or indirectly in connection with a Transaction Document, except to the extent that such rights or claims arise out of the fraud, wilful misconduct or wilful default of such person. The parties acknowledge and agree that:

- (a) the Bidder has sought and obtained this waiver as agent for and on behalf of the current and former officers, employees and Representatives of each member of the Bidder Group and holds the benefit of this clause 11.1 as trustee for them; and
- (b) the provisions of this clause 11.1 may be enforced by the Bidder on behalf of and for the benefit of the current and former officers, employees and Representatives of any member of the Bidder Group and those persons may plead this clause 11.1 in answer to any claim made by any member of the Target Group against them.

#### 11.2 No action by Bidder against Target officers and Representatives

The Bidder waives and must procure that each other member of the Bidder Group waives all rights and claims that they may have against the current or former officers, employees or Representatives of any member of the Target Group in relation to any matter arising directly or indirectly in connection with a Transaction Document except to the extent that such rights or claims arise out of the fraud, wilful misconduct or wilful default of such person. The parties acknowledge and agree that:

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- (a) the Target has sought and obtained this waiver as agent for and on behalf of the current and former officers, employees and Representatives of each member of the Target Group and holds the benefit of this clause 11.2 as trustee for them; and
- (b) the provisions of this clause 11.2 may be enforced by the Target on behalf of and for the benefit of the current and former officers, employees and Representatives of any member of the Target Group and those persons may plead this clause 11.2 in answer to any claim made by any member of the Bidder Group against them.

## 12. Warranties and indemnities

### 12.1 Target warranties

The Target warrants to the Bidder that, notwithstanding anything contained in any confidentiality agreement between the Target and a member of the Bidder Group, each Target Warranty is true and correct.

### 12.2 Limitation of liability

The Target is not liable in respect of a Warranty Claim in relation to a Target Warranty if the fact, matter, circumstance or act giving rise to the Warranty Claim:

- (a) was required to be done by the Target under the Transaction Documents;
- (b) was approved by the Bidder in writing (prior to the fact, matter, circumstance or act occurring);
- (c) was fairly disclosed in the Disclosure Letter or in any announcement made by the Target to ASX prior to the parties entering into this agreement; or
- (d) has been fairly disclosed in writing by the Target to the Bidder prior to the parties entering into this agreement.

### 12.3 Bidder warranties

The Bidder warrants to the Target that, notwithstanding anything contained in any confidentiality agreement between the Target and a member of the Bidder Group, each Bidder Warranty is true and correct.

### 12.4 Limitation of liability

The Bidder is not liable in respect of a Warranty Claim in relation to a Bidder Warranty if the fact, matter, circumstance or act giving rise to the Warranty Claim:

- (a) was required to be done by the Bidder under the Transaction Documents;
- (b) was approved by the Target in writing (prior to the fact, matter, circumstance or act occurring);
- (c) was fairly disclosed in the Bidder Disclosure Letter or in any announcement made by the Bidder to ASX prior to the parties entering into this agreement; or
- (d) has been fairly disclosed in writing by the Bidder to the Target prior to the parties entering into this agreement.

### 12.5 Timing of warranties

Each Bidder Warranty and each Target Warranty is given:

- (a) as at the date of execution of this agreement; and
- (b) at 8.00 am on the Second Court Date,

unless the warranty is expressed to be given only at a particular time in which case it is given as at that time.

### 12.6 Notifications

If a party becomes aware of any fact, matter or circumstance which results in or is reasonably likely to result in a breach of any warranty given by it in this agreement, that party must promptly provide the other party notice describing that fact, matter or circumstance in reasonable detail (provided that nothing in this clause 12.6 obliges a party to make enquiries as to whether any such fact, matter or circumstance has arisen).

### 12.7 Warranties separate and survival

Each Target Warranty and each Bidder Warranty:

- (a) is to be treated as a separate warranty and is not limited by reference to any other warranty or any other provision of this agreement;
- (b) will remain in full force and effect after termination of this agreement and a Warranty Claim is not limited to breaches identified prior to termination.

### 13. No reliance on due diligence information

#### 13.1 Bidder acknowledgement

The Bidder acknowledges and agrees, both on its own behalf and on behalf of the Bidder Indemnified Parties that:

- (a) both prior to and after entry into this agreement, it and its Representatives have undertaken and will undertake their own due diligence investigations into the Target Group and in the course of those investigations and the negotiations and discussions in relation thereto, Target and its Representatives have provided and will provide information in various forms in connection with the Scheme or relating to the Target Group (the **Target Due Diligence Information**);
- (b) none of the Target and its Representatives, to the maximum extent permitted by law:
  - (i) makes any representation or warranty as to the accuracy, completeness or relevance of any of the Target Due Diligence Information, that any of the Target Due Diligence Information has been audited, verified or prepared with reasonable care or that the Target Due Diligence Information is the totality of the information that a person would require in order to consider or evaluate the Scheme;
  - (ii) accepts any responsibility to the Bidder or any other Bidder Indemnified Party or any other person for any false, inaccurate or misleading Target Due Diligence Information or any conclusion drawn or opinion formed by the Bidder or any of its Representatives as a result of examining the Target Due Diligence Information;
  - (iii) accepts any responsibility to inform the Bidder or its Representatives of any matter arising or coming to the notice of the Target which may affect or qualify the Target Due Diligence Information;
  - (iv) is liable for any loss or any kind (including without limitation any consequential or economic loss) arising from any inaccuracy, incompleteness or similar defect in the Target Due Diligence Information or any default, negligence or lack of care in relation to the preparation or provision of the Target Due Diligence Information;
- (c) it has made and relied on its own independent assessment of the Target Due Diligence Information and it has entered into this agreement utilising the Target Due Diligence Information solely at its own risk.

#### 13.2 Target acknowledgement

The Target acknowledges and agrees, both on its own behalf and on behalf of the Target Indemnified Parties that:

- (a) both prior to and after entry into this agreement, it and its Representatives have undertaken and will undertake their own due diligence investigations into the Bidder Group and in the course of those investigations and the negotiations and discussions in relation thereto, Bidder and its Representatives have provided and will provide information in various forms in connection with the Scheme or relating to the Bidder Group (the Bidder Due Diligence Information);
- (b) none of the Bidder and its Representatives, to the maximum extent permitted by law:
  - (i) makes any representation or warranty as to the accuracy, completeness or relevance of any of the Bidder Due Diligence Information, that any of the Bidder Due Diligence Information has been audited, verified or prepared with reasonable care or that the Bidder Due Diligence Information is the totality of the information that a person would require in order to consider or evaluate the Scheme;
  - (ii) accepts any responsibility to the Target or any other Target Indemnified Party or any other person for any false, inaccurate or misleading Bidder Due Diligence Information or any conclusion drawn or opinion formed by the Target or any of its Representatives as a result of examining the Bidder Due Diligence Information;
  - (iii) accepts any responsibility to inform the Target or its Representatives of any matter arising or coming to the notice of the Bidder which may affect or qualify the Bidder Due Diligence Information;
  - (iv) is liable for any loss or any kind (including without limitation any consequential or economic loss) arising from any inaccuracy, incompleteness or similar defect in the Bidder Due Diligence Information or any default, negligence or lack of care in relation to the preparation or provision of the Bidder Due Diligence Information;
- (c) it has made and relied on its own independent assessment of the Bidder Due Diligence Information and it has entered into this agreement utilising the Bidder Due Diligence Information solely at its own risk.

### 14. Termination

#### 14.1 Termination by either party

Either party may terminate this agreement by written notice to the other:

- (a) if the Share Scheme has not become Effective by the End Date;



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- (b) at any time before 8.00 am on the Second Court Date if:
  - (i) the other party has materially breached any provision of this agreement (including any warranty);
  - (ii) the party wishing to terminate has given written notice to the other setting out the relevant circumstances of the breach and stating an intention to terminate the agreement; and
  - (iii) the relevant circumstances continue to exist for 5 Business Days (or any shorter period ending at 8.00 am on the Second Court Date) from the time the notice in clause 14.1(b)(ii) is given;
- (c) at any time before 8.00 am on the Second Court Date, if the Independent Expert concludes (whether in its original or any subsequent opinion) that the Share Scheme is not in the best interests of the Scheme Shareholders or (except where the Bidder has notified the Target that it does not wish the Option Scheme to proceed) the Option Scheme is not in the best interests of the Scheme Optionholders;
- (d) if the Share Scheme is not approved by the majorities required under section 411(4)(a)(ii) of the Corporations Act; or
- (e) if it is permitted to in accordance with clause 3.10.

#### 14.2 Termination by Bidder

The Bidder may terminate this agreement by notice in writing to the Target at any time before 8.00 am on the Second Court Date if a Target Director, for any reason:

- (a) fails to recommend as described in clause 7.1;
- (b) makes any public statement or publicly takes any action that contradicts their recommendation;
- (c) qualifies their support for the Schemes, or withdraws their recommendation; or
- (d) recommends against the Schemes.

#### 14.3 Termination by Target

The Target may terminate this agreement by notice in writing to the Bidder:

- (a) at any time before 8.00 am on the Second Court Date if a majority of the Target Directors have changed, withdrawn or modified their recommendation (as described in clause 7.1) in a circumstances permitted by clause 7.2(a)(i), 7.2(a)(ii) or 7.2(a)(iii); or
- (b) at any time after 8.00 am on the Second Court Date and prior to the Implementation Date if the Bidder suffers an Insolvency Event.

#### 14.4 Written agreement

The parties may terminate this agreement by another written agreement between them.

#### 14.5 Notice of breach

Each party must give notice to the other as soon as practicable after it becomes aware of a breach by it of this agreement.

#### 14.6 Effect of termination

If this agreement is terminated then:

- (a) the provisions of this agreement shall cease to have effect except for the provisions of clauses, 1, 8.2, 8.3, 10, 11, 12, this clause 14 and clauses 15 to 21 which will survive termination; and
- (b) each party retains the rights it has against the others in respect of any breach of this agreement occurring before termination.

### 15. Confidentiality

#### 15.1 Confidentiality agreement

The Bidder acknowledges and agrees that, subject to clause 15.3, any confidentiality agreement between the Target and a member of the Bidder Group in effect as at the date of this agreement remains in full force and effect in accordance with its terms after the date of this agreement.

#### 15.2 Bidder information

Subject to clause 15.3, the Target must, and must procure that its Representatives, use reasonable endeavours to keep confidential any confidential information relating to the Bidder Group which is provided to the Target or the Target's Representatives after the execution of this agreement.

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#### 15.3 Permitted disclosure

The parties agree that any confidential information disclosed to the Bidder under a confidentiality agreement between the Target and a member of the Bidder Group and confidential information relating to the Bidder (as described in clause 15.2) may be disclosed by the Bidder and the Target respectively where:

- (a) disclosure is reasonably required to enable a party to perform its obligations under this agreement or for the purpose of implementing the Schemes or the Transaction (including preparing the Explanatory Memorandums);
- (b) disclosure is required to be made by law or the rules of a recognised stock or securities exchange and the party whose obligation it is to keep matters confidential or procure that those matters are kept confidential:
  - (i) has not through any voluntary act or omission (other than the execution of this agreement) caused the disclosure obligation to arise; and
  - (ii) has, where practicable to do so, before disclosure is made notified each other party of the requirement to disclose and, where the relevant law or rules permit and, where practicable to do so, given each other party a reasonable opportunity to comment on the requirement for and proposed contents of the proposed disclosure;
- (c) disclosure is made by way of a written announcement the terms of which have been agreed in writing by the parties prior to the making of the announcement;
- (d) disclosure is made to any professional adviser of a party who has been retained to advise in relation to the transactions contemplated by the Transaction Documents or to the auditor of a party;
- (e) the prior written approval of each party other than the party whose obligation it is to keep those matters confidential or procure that those matters are kept confidential has been obtained; or
- (f) the information has come into the public domain otherwise than as a result of a breach by any party of this agreement.

## 16. Payments

### 16.1 Direction

Any reference in this agreement to a payment to any party includes payment to another person at the direction of that party.

### 16.2 Method of payment

Payment of any amount due under this agreement by any party must be made by the paying party to the recipient party by:

- (a) electronic funds transfer to an account with an Australian bank specified by the recipient party to the paying party at least 3 Business Days before the due date for payment and confirmed by the paying party to the recipient party by notice; or
- (b) otherwise, unendorsed bank cheque drawn on an Australian bank or other immediately available funds.

### 16.3 Payment of Share Scheme Consideration

The Bidder must provide or procure the provision of the Share Scheme Consideration in accordance with clause 5.3 of the Share Scheme.

### 16.4 Payment of Option Scheme Consideration

The Bidder must provide or procure the provision of the Option Scheme Consideration in accordance with clause 5.3 of the Option Scheme.

### 16.5 No deduction

Any payment to be made under this agreement must be made free and clear of any deduction or withholding, except where that deduction or withholding is required or compelled by law.

### 16.6 Gross up for withholdings

Any person who is required or compelled by law to make any deduction or withholding from any amount payable by one party to another under this agreement must, to the extent permitted by law, pay to the payee an additional amount sufficient to ensure that the amount received by the payee equals the full amount that would have been received by the payee, if that deduction or withholding had not been required or compelled.

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#### 16.7 Default interest

If any party (the **Payor**) fails to make a payment to any other party (the **Payee**) under this agreement on or before the due date for payment, then, without limiting any other remedy of the Payee, the Payor must pay to the Payee upon demand interest on the due amount calculated at the rate which is 2% above the Standard Rate, with interest to accrue from the due date to the day immediately before the actual date of payment, calculated daily on the basis of a 365 day year and capitalised monthly.

#### 17. GST

##### 17.1 Interpretation

The parties agree that:

- (a) except where the context suggests otherwise, terms used in this clause 17 have the meanings given to those terms by the GST Act (as amended from time to time);
- (b) any part of a supply that is treated as a separate supply for GST purposes (including attributing GST payable to tax periods) will be treated as a separate supply for the purposes of this clause 17; and
- (c) any consideration that is specified to be inclusive of GST must not be taken into account in calculating the GST payable in relation to a supply for the purpose of this clause 17.

##### 17.2 Reimbursements and similar payments

Any payment or reimbursement required to be made under this agreement or any other Transaction Document that is calculated by reference to a cost, expense, or other amount paid or incurred will be limited to the total cost, expense or amount less the amount of any input tax credit to which an entity is entitled for the acquisition to which the cost, expense or amount relates.

##### 17.3 GST payable

If GST is payable in relation to a supply made under or in connection with this agreement or any other Transaction Document then any party (**Recipient**) that is required to provide consideration to another party (**Supplier**) for that supply must pay an additional amount to the Supplier equal to the amount of that GST at the same time as other consideration is to be provided for that supply or, if later, within 5 Business Days of the Supplier providing a valid tax invoice to the Recipient.

##### 17.4 Variation to GST payable

If the GST payable in relation to a supply made under or in connection with this agreement or any other Transaction Document varies from the additional amount paid by the Recipient under clause 17.3 then the Supplier will provide a corresponding refund or credit to, or will be entitled to receive the amount of that variation from, the Recipient. Any ruling, advice, document or other information received by the Recipient from the Australian Taxation Office in relation to any supply made under this agreement or any other Transaction Document will be conclusive as to the GST payable in relation to that supply. Any payment, credit or refund under this clause 17 is deemed to be a payment, credit or refund of the additional amount payable under clause 17.3.

#### 18. Notices

##### 18.1 How notice to be given

Each communication (including each notice, consent, approval, request and demand) under or in connection with this agreement:

- (a) may be given by personal service, post, or facsimile;
- (b) must be in writing;
- (c) must be addressed as follows (or as otherwise notified by that party to each other party from time to time):
  - (i) if to the Target:
    - Address: 15 Outram Street, West Perth, Western Australia 6005, Australia
    - Fax number: +61 8 9481 1378
    - For the attention of: Company Secretary
  - (ii) if to the Bidder:
    - Address: Suite 801, Level 8, 14 Martin Place, Sydney, New South Wales 2000, Australia
    - Fax number: +61 2 8256 4810
    - For the attention of: Company Secretary
- (d) must be signed by the party making it or (on that party's behalf) by the solicitor for, or any attorney, director, secretary or authorised agent of, that party; and

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- (e) must be delivered by hand or posted by prepaid post to the address, sent by fax to the number, of the addressee, in accordance with clause 18.1(c).

#### 18.2 When notice taken to be received

Each communication (including each notice, consent, approval, request and demand) under or in connection with this agreement is taken to be received by the addressee:

- (a) (in the case of prepaid post sent to an address in the same country) on the third day after the date of posting;
- (b) (in the case of prepaid post sent to an address in another country) on the fifth day after the date of posting by airmail;
- (c) (in the case of fax) at the time in the place to which it is sent equivalent to the time shown on the transmission confirmation report produced by the fax machine from which it was sent; and
- (d) (in the case of delivery by hand) on delivery,

but if the communication would otherwise be taken to be received on a day that is not a working day or after 5.00 pm, it is taken to be received at 9.00 am on the next working day ("working day" meaning a day that is not a Saturday, Sunday or public holiday and on which banks are open for business generally, in the place to which the communication is posted, sent or delivered).

## 19. Entire agreement

The Transaction Documents constitute the entire agreement between the parties in relation to their subject matter and supersede all previous agreements and understandings between the parties in relation to their subject matter.

## 20. General

### 20.1 Amendments

This agreement may only be varied by a document signed by or on behalf of each party.

### 20.2 Assignment

A party cannot assign or otherwise transfer any of its rights under this agreement without the prior consent of each other party.

### 20.3 Consents

Unless this agreement expressly provides otherwise, a consent under this agreement may be given or withheld in the absolute discretion of the party entitled to give the consent and to be effective must be given in writing.

### 20.4 Counterparts

This agreement may be executed in any number of counterparts and by the parties on separate counterparts. Each counterpart constitutes an original of this agreement, and all together constitute one agreement.

### 20.5 Further acts and documents

Each party must promptly do all further acts and execute and deliver all further documents (in form and content reasonably satisfactory to that party) required by law or reasonably requested by another party to give effect to this agreement.

### 20.6 No merger

A party's rights and obligations do not merge on completion of any transaction under this agreement.

### 20.7 Severance

If any provision or part of a provision of this agreement is held or found to be void, invalid or otherwise unenforceable (whether in respect of a particular party or generally), it will be deemed to be severed to the extent that it is void or to the extent of violability, invalidity or unenforceability, but the remainder of that provision will remain in full force and effect.

### 20.8 Stamp duties

The Bidder:

- (a) must pay all stamp duties and any related fines and penalties in respect of this agreement, the performance of this agreement and each transaction effected by or contemplated by or made under this agreement;

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- (b) must pay to the Target on demand the amount of any Indemnified Loss suffered or incurred by the Target arising out of or in connection with any failure to comply with clause 20.8(a); and
- (c) is authorised to apply for and retain the proceeds of any refund due in respect of stamp duty paid under this clause.

#### **20.9 Waivers**

Without limiting any other provision of this agreement, the parties agree that:

- (a) failure to exercise or enforce, or a delay in exercising or enforcing, or the partial exercise or enforcement of, a right, power or remedy provided by law or under this agreement by a party does not preclude, or operate as a waiver of, the exercise or enforcement, or further exercise or enforcement, of that or any other right, power or remedy provided by law or under this agreement;
- (b) a waiver given by a party under this agreement is only effective and binding on that party if it is given or confirmed in writing by that party; and
- (c) no waiver of a breach of a term of this agreement operates as a waiver of another breach of that term or of a breach of any other term of this agreement.

## **21. Governing law and jurisdiction**

### **21.1 Governing law**

This agreement is governed by the law applying in Western Australia, Australia.

### **21.2 Jurisdiction**

Each party irrevocably:

- (a) submits to the non exclusive jurisdiction of the courts of Western Australia, Commonwealth courts having jurisdiction in that state and the courts competent to determine appeals from those courts, with respect to any proceedings that may be brought at any time relating to this agreement; and
- (b) waives any objection it may now or in the future have to the venue of any proceedings, and any claim it may now or in the future have that any proceedings have been brought in an inconvenient forum, if that venue falls within clause 21.2(a).

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#### Schedule 1: Timetable

Event	Date
Target lodges draft Explanatory Memorandums with ASIC	30 November 2010
First Court Date	No later than 24 December 2010
Dispatch of Explanatory Memorandums completed	No later than 31 December 2010
Share Scheme Meeting	No later than 31 January 2011
Option Scheme Meeting	No later than 31 January 2011
Second Court Date	No later than 4 February 2011 (or as soon as possible after all of the Regulatory Conditions have been satisfied, if later)
Effective Date	On or within 1 Business Day after the Second Court Date
Record Date	5 Business Days after the Effective Date
Implementation Date	5 Business Days after the Record Date



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#### Schedule 2: Target Prescribed Occurrences

1. The Target converting all or any of its shares into a larger or smaller number of shares.
2. Any member of the Target Group (other than a direct or indirect wholly-owned subsidiary of the Target) resolving to reduce its capital in any way or re-classifying, combining, splitting, redeeming or re-purchasing directly or indirectly any of its shares.
3. Any member of the Target Group (other than a direct or indirect wholly-owned subsidiary of the Target):
  - (a) entering into a buy-back agreement; or
  - (b) resolving to approve the terms of a buy-back agreement under the Corporations Act.
4. Any member of the Target Group issuing shares, or granting an option over its shares or agreeing to make such an issue or grant such an option (other than in respect of exercise of a Target Option on issue, or Target Performance Right in existence, as at the date of this agreement).
5. Any member of the Target Group issuing, or agreeing to issue, convertible notes or any other security convertible into shares.
6. Any member of the Target Group (other than a direct or indirect wholly-owned subsidiary of the Target) agreeing to pay, declaring or paying a dividend or any other form of distribution of profits or return of capital to its members.
7. Any member of the Target Group disposing, or agreeing to dispose, of:
  - (a) the whole, or a substantial part, of its business or property; or
  - (b) any legal, beneficial or economic interest or right in, or in connection with, any exploration or mining tenement.
8. Any member of the Target Group creating or agreeing to create any mortgage, charge, lien or other encumbrance over, or declare itself the trustee of, the whole, or a substantial part, of its business or property otherwise than in the ordinary course of business.
9. An application being made to court or a resolution being passed or an order is made for the winding up or dissolution of any member of the Target Group.
10. A receiver, receiver and manager, liquidator, provisional liquidator, administrator, trustee or similar officer being appointed in respect of any member of the Target Group or any of its assets.
11. Any member of the Target Group proposing or taking any steps to implement a scheme of arrangement or other compromise or arrangement with its creditors or any class of them (other than the Option Scheme).
12. The Target making or proposing to make any change to its constitution.
13. Any member of the Target Group, other than in the ordinary course of business:
  - (a) increasing the remuneration of, or paying any bonus, or otherwise varying the employment arrangements with, any of its directors or executives;
  - (b) accelerating the rights of any of its directors or executives to benefits of any kind; or
  - (c) paying or agreeing to pay a director or executive a termination payment (including a "golden parachute").
14. Any member of the Target Group incurring any financial indebtedness, including by entering into any gold hedging arrangements additional to those in place as at the date of this agreement.
15. Any member of the Target Group entering into any Guarantee or indemnity on behalf of any person or providing security for the obligations of any person except in the ordinary course of business.
16. Any member of the Target Group paying any retirement allowance or superannuation benefit to any director or employee, except for any payment required by law or any payment made in the ordinary course of business.
17. Any member of the Target Group authorising, or agreeing conditionally or otherwise to do, any of the things referred to in this Schedule 2.

#### Schedule 3: Target Warranties

1. The Target is a company properly incorporated and validly existing under the laws of the country or jurisdiction of its incorporation, has the legal right and full corporate power and capacity to execute, deliver and perform its obligations under this agreement and has obtained all necessary authorisations and consents and taken all other actions necessary to enable it to do so.
2. Each Transaction Document constitutes (or will when executed constitute) valid legal and binding obligations of the Target and is enforceable against the Target in accordance with their respective terms.
3. The execution, delivery and performance of each Transaction Document by the Target does not and will not result in a breach of or constitute a default under:
  - (a) any agreement to which the Target is party;
  - (b) any provision of the constitution of the Target; or
  - (c) any law or regulation or any order, judgment or determination of any court or Regulatory Authority by which the Target is bound.
4. None of the following events has occurred in relation to the Target:
  - (a) a receiver, receiver and manager, liquidator, provisional liquidator, administrator or trustee is appointed in respect of the Target or any of its assets or anyone else is appointed who (whether or not as agent for the Target) is in possession, or has control, of any of the Target's assets for the purpose of enforcing a charge;
  - (b) an event occurs that gives any person the right to seek an appointment referred to in paragraph (a);
  - (c) an application is made to court (unless it is frivolous or struck out or withdrawn within 3 Business Days) or a resolution is passed or an order is made for the winding up or dissolution of the Target;
  - (d) the Target proposes or takes any steps to implement a scheme of arrangement or other compromise or arrangement with its creditors or any class of them;
  - (e) the Target stops paying its debts when they become due or is declared or taken under any applicable law to be insolvent or the Target Board resolves that the Target is, or is likely to become at some future time, insolvent;
  - (f) any person in whose favour the Target has granted any Encumbrance becomes entitled to enforce any security under that Encumbrance or any floating charge under that Encumbrance crystallises; or
  - (g) any event under any law which is analogous to, or which has a substantially similar effect to, any of the events referred to in paragraphs (a) to (f).
5. The Target is not in breach of its continuous disclosure obligations under the Corporations Act or the Listing Rules and, as at the date of this agreement, the Target is not relying on the exception to Listing Rule 3.1 in Listing Rule 3.1A to withhold any information from ASX (other than the fact of its discussions with the Bidder in relation to the Transaction) that has not been disclosed in the Disclosure Letter.
6. All information contained in the Disclosure Letter is true and correct in all material respects and not misleading or deceptive in any material respect (whether by omission or otherwise).
7. As at the date of this agreement:
  - (a) there are 103,520,259 Target Shares on issue and those shares have been validly issued and are fully paid up;
  - (b) there are 7,191,000 Target Options on issue;
  - (c) there are 500,000 Target Performance Rights on issue;
  - (d) other than pursuant to the Target Options and Target Performance Rights, no person has any right to require the issue of any shares or other securities in any member of the Target Group (or may, by virtue of an option vesting or otherwise, ever have that right) and no member of the Target Group has made any offer that may result in any person having such a right;
  - (e) all of the shares in the Subsidiaries of the Target are legally and beneficially owned by the Target and those shares have been validly issued and are fully paid up;
  - (f) there is no Encumbrance, option, right of pre-emption, right of first or last refusal or other third party right over any of the Target Shares (in each case, created by the Target) or any of the shares in the Subsidiaries of the Target;

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- (g) no member of the Target Group has in place any plans or schemes relating to the provision of shares, options or other equity entitlements to officers or employees of that member; and
  - (h) no member of the Target Group has given any commitment to any officer or employee of that member in relation to a change of ownership of the Target.
8. As at the time the Explanatory Memorandums or supplementary disclosure is dispatched to Target Shareholders and Target Optionholders (as applicable), the information contained in the Explanatory Memorandums or supplementary disclosure (other than the Bidder Information) is true and correct in all material respects, complies with all applicable laws, does not contain any statement which is materially misleading or deceptive and does not contain any material omission.
9. Other than in relation to the estimated costs as set out in the Disclosure Letter, the Target has no arrangement with any corporate or financial adviser under which the Target has agreed to pay a fee to that adviser if the Schemes do not become Effective, or if the Schemes do become Effective.
10. As at the date of this agreement, each Target Director in office as at the date of this agreement has informed the Target that they:
- (a) will take such action as necessary (including resigning from office and approving all necessary resolutions) to enable the Target to comply with its obligations under clause 5.10;
  - (b) will only act contrary to the advice referred to in paragraph (a) if they consider it reasonably necessary having regard to their fiduciary or statutory obligations at the time of acting (or failing to act);
  - (c) support the Schemes and the Transaction and will act in accordance with clauses 7.1 and 7.2; and
  - (d) intend to vote in favour of the Schemes any Target Shares and Target Options in which they have a Relevant Interest and in respect of which they have power to vote, subject to the qualifications set out in clauses 7.2(a)(iii), 7.3(a)(i) and 7.3(a)(ii) and will act in accordance with clauses 7.3 and 7.4.
11. Prior to entering into this agreement the Target and the Target Board received external legal advice on this agreement including on the operation of clauses 9 and 10.
12. The Target and the Target Board consider clauses 9 and 10 to be fair and reasonable, and that it is appropriate to agree to the terms in clauses 9 and 10 in order to secure the benefits to the Target, Target Shareholders and Target Optionholders resulting from the Schemes.
13. As at the date of this agreement:
- (a) neither the Target nor any of its Representatives is in discussions or negotiations with any party which may reasonably be expected to lead to a Competing Proposal; and
  - (b) the Target has, and its Representatives have, ceased all prior discussions or negotiations with any party which may reasonably be expected to lead to a Competing Proposal.
14. The Target Group is the sole beneficial owner of the Tenements.
15. The Tenements are:
- (a) in good standing in terms of the Mining Act 1971 (SA) and the Mining Act 1978 (WA) (as applicable) and all other relevant legislation; and
  - (b) not liable to cancellation, suspension or forfeiture for any reason and are not subject to any outstanding claims for compensation.
16. The Target Group currently holds, and complies with the material terms and conditions of, all licences, authorisations and access rights or arrangements required to conduct its Business in South Australia and Western Australia.

#### Schedule 4: Bidder Prescribed Occurrences

1. The Bidder converting all or any of its shares into a larger or smaller number of shares.
2. Any member of the Bidder Group (other than a direct or indirect wholly-owned subsidiary of the Bidder) resolving to reduce its capital in any way or re-classifying, combining, splitting, redeeming or re-purchasing directly or indirectly any of its shares.
3. Any member of the Bidder Group (other than a direct or indirect wholly-owned subsidiary of the Bidder):
  - (a) entering into a buy-back agreement; or
  - (b) resolving to approve the terms of a buy-back agreement under the Corporations Act.
4. Any member of the Bidder Group issuing shares, or granting an option over its shares or agreeing to make such an issue or grant such an option, other than pursuant to the Schemes.
5. Any member of the Bidder Group issuing, or agreeing to issue, convertible notes or any other security convertible into shares.
6. Any member of the Bidder Group (other than a direct or indirect wholly-owned subsidiary of the Bidder) agreeing to pay, declaring or paying a dividend or any other form of distribution of profits or return of capital to its members.
7. Any member of the Bidder Group disposing, or agreeing to dispose, of:
  - (a) the whole, or a substantial part, of its business or property; or
  - (b) any legal, beneficial or economic interest or right in, or in connection with, any exploration or mining tenement.
8. Any member of the Bidder Group creating or agreeing to create any mortgage, charge, lien or other encumbrance over, or declare itself the trustee of, the whole, or a substantial part, of its business or property otherwise than in the ordinary course of business.
9. An application being made to court or a resolution being passed or an order is made for the winding up or dissolution of any member of the Bidder Group.
10. A receiver, receiver and manager, liquidator, provisional liquidator, administrator, trustee or similar officer being appointed in respect of any member of the Bidder Group or any of its assets.
11. Any member of the Bidder Group proposing or taking any steps to implement a scheme of arrangement or other compromise or arrangement with its creditors or any class of them.
12. The Bidder making or proposing to make any change to its constitution.
13. Any member of the Bidder Group authorising, or agreeing conditionally or otherwise to do, any of the things referred to in this Schedule 4.

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#### Schedule 5: Bidder Warranties

1. The Bidder is a company properly incorporated and validly existing under the laws of the country or jurisdiction of its incorporation, has the legal right and full corporate power and capacity to execute, deliver and perform its obligations under this agreement and has obtained all necessary authorisations and consents and taken all other actions necessary to enable it to do so.
2. Each Transaction Document constitutes (or will when executed constitute) valid legal and binding obligations of the Bidder and is enforceable against the Bidder in accordance with their respective terms.
3. The execution, delivery and performance of each Transaction Document by the Bidder does not and will not result in a breach of or constitute a default under:
  - (a) any agreement to which the Bidder is party;
  - (b) any provision of the articles of association of the Bidder; or
  - (c) any law or regulation or any order, judgment or determination of any court or Regulatory Authority by which the Bidder is bound.
4. None of the following events has occurred in relation to the Bidder:
  - (a) a receiver, receiver and manager, liquidator, provisional liquidator, administrator or trustee is appointed in respect of the Bidder or any of its assets or anyone else is appointed who (whether or not as agent for the Bidder) is in possession, or has control, of any of the Bidder's assets for the purpose of enforcing a charge;
  - (b) an event occurs that gives any person the right to seek an appointment referred to in paragraph (a);
  - (c) an application is made to court (unless it is frivolous or struck out or withdrawn within 3 Business Days) or a resolution is passed or an order is made for the winding up or dissolution of the Bidder;
  - (d) the Bidder proposes or takes any steps to implement a scheme of arrangement or other compromise or arrangement with its creditors or any class of them;
  - (e) the Bidder stops paying its debts when they become due or is declared or taken under any applicable law to be insolvent or the Bidder Board resolves that the Bidder is, or is likely to become at some future time, insolvent;
  - (f) any person in whose favour the Bidder has granted any Encumbrance becomes entitled to enforce any security under that Encumbrance or any floating charge under that Encumbrance crystallises; or
  - (g) any event under any law which is analogous to, or which has a substantially similar effect to, any of the events referred to in paragraphs (a) to (f).
5. All information contained in the Bidder Disclosure Letter is true and correct in all material respects and not misleading or deceptive in any material respect (whether by omission or otherwise).
6. As at the date of this agreement:
  - (a) there are 101,087,786 Bidder Shares on issue and those shares have been validly issued and are fully paid up;
  - (b) there are 1,685,116 unlisted options to acquire Bidder Shares on issue; and
  - (c) other than pursuant to the 1,685,116 unlisted options to acquire Bidder Shares, no person has any right to require the issue of any shares or other securities in any member of the Bidder Group (or may, by virtue of an option vesting or otherwise, ever have that right) and no member of the Bidder Group has made any offer that may result in any person having such a right.
7. The Bidder Information provided to the Target for inclusion in the Explanatory Memorandums:
  - (a) at the time it was provided, was provided in good faith and on the understanding that each of the Target Indemnified Parties will rely on that information to prepare the Explanatory Memorandums or supplementary disclosure to Target Shareholders and Target Optionholders (as applicable) and to propose and implement the Schemes; and
  - (b) at the time the Target commenced dispatch of the Explanatory Memorandums or supplementary disclosure to Target Shareholders and Target Optionholders (as applicable), is true and correct in all material respects, complies with all applicable laws, does not contain any statement which is materially misleading or deceptive and does not contain any material omission.

## Appendix 3

### Scheme Implementation Agreement

8. The Bidder is not in breach of its continuous disclosure obligations under the Corporations Act or the Listing Rules and, as at the date of this agreement, the Bidder is not relying on the exception to Listing Rule 3.1 in Listing Rule 3.1A to withhold any information from ASX (other than the fact of its discussions with the Target in relation to the Transaction) that has not been disclosed in the Bidder Disclosure Letter.
9. The Bidder Group is the sole beneficial owner of the Bidder Tenements.
10. The Bidder Tenements are:
  - (a) in good standing in terms of relevant legislation in the Kingdom of Thailand; and
  - (b) not liable to cancellation, suspension or forfeiture for any reason and are not subject to any outstanding claims for compensation.
11. The Bidder Group currently holds, and complies with the material terms and conditions of, all licences, authorisations and access rights or arrangements required to conduct its operations in the Kingdom of Thailand.
12. The ownership of Akara Mining Limited is in accordance with applicable legislation including the Thai Foreign Business Act.



## Appendix 3

### Scheme Implementation Agreement

#### Schedule 6: Option Scheme Consideration

The Option Scheme Consideration will be calculated as follows:

1. Option Scheme Consideration will be in the form of New Bidder Shares with the number offered set by reference to the Share Scheme Consideration of 0.31 New Bidder Shares per Target Share.
2. The number of New Bidder Shares to be provided for each Scheme Option will be calculated according to the following formula (regardless of whether the Scheme Option has a strike price above, below or equal to the Share Scheme Consideration):

$$N = A \div B$$

where:

N = New Bidder Shares per Scheme Option;

A = the Australian dollar value of the Scheme Option according to the Black Scholes option pricing formula.

For the Black Scholes formula:

- (i) the valuation date must be the date of this agreement;
- (ii) the annualised volatility assumption will be set at 50%; and
- (iii) the spot price of Target Shares will be the implied Australian dollar value of the Share Scheme Consideration on the date of this agreement, where the value of Bidder Shares used to determine the implied value of the Share Scheme Consideration is to be the volume weighted average price of Bidder Shares on ASX for the 5 full trading days preceding the date of this agreement; and

B = the volume weighted average price of Bidder Shares on ASX for the 5 full trading days preceding the date of this agreement.

## Appendix 3

### Scheme Implementation Agreement

**Executed** as an agreement.

**Executed** by Dominion Mining Ltd ABN 37 000 660 864  
in accordance with section 127 of the Corporations Act 2001 (Cth):

---

Signature of director

---

Signature of company secretary/director

---

Full name of director

---

Full name of company secretary/director

**Executed** by Kingsgate Consolidated Limited ABN 42 000 837 472  
in accordance with section 127 of the Corporations Act 2001 (Cth):

---

Signature of director

---

Signature of company secretary/director

---

Full name of director

---

Full name of company secretary/director

**Appendix 3**  
**Scheme Implementation Agreement**

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# Appendix 4

## Share Scheme of Arrangement

## Appendix 4

### Share Scheme of Arrangement

#### Scheme of arrangement made under section 411 of the Corporations Act

**Parties**      **Dominion Mining Ltd ABN 37 000 660 864** of 15 Outram Street, West Perth, Western Australia 6005, Australia (**Target**)

**Each person registered as a holder of fully paid ordinary shares in the capital of the Target at the Record Date**

#### Background

- A. The Target and the Bidder have entered into the Implementation Agreement, pursuant to which, amongst other things, the Target has agreed to propose this scheme to Target Shareholders and each of the Target and the Bidder have agreed to take certain steps to give effect to this scheme.
- B. If this scheme becomes Effective, the Bidder will provide or procure the provision of the Share Scheme Consideration to the Scheme Shareholders in accordance with the provisions of this scheme, and the Bidder will acquire all Scheme Shares.

#### Operative provisions

##### 1. Definitions and interpretation

###### 1.1 Definitions

In this scheme:

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

**ASX** means, as the context requires, ASX Limited ABN 98 008 624 691 or the securities market conducted by ASX Limited.

**Bidder** means Kingsgate Consolidated Limited ABN 42 000 837 472 of Suite 801, Level 8, 14 Martin Place, Sydney, New South Wales 2000, Australia.

**Bidder Share Register** means the register of members of the Bidder maintained by or on behalf of the Bidder in accordance with section 168(1) of the Corporations Act.

**Bidder Share Registry** means Security Transfer Registrars Pty Ltd, 770 Canning Highway, Applecross, Western Australia 6153, Australia.

**Bidder Shares** means fully paid ordinary shares in the capital of the Bidder.

**Business Day** means a business day as defined in the Listing Rules.

**CHESS** means the Clearing House Electronic Subregister System for the electronic transfer of Target Shares and other financial products operated by ASX Settlement Pty Limited ABN 49 008 504 532.

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

**Court** means the Federal Court of Australia.

**Effective** means the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to this scheme.

**Effective Date** means the date on which this scheme becomes Effective.

**Encumbrance** means a mortgage, charge, pledge, lien, encumbrance, security interest, title retention, preferential right, trust arrangement, contractual right of set off, or any other security agreement or arrangement in favour of any person, whether registered or unregistered.

**End Date** means the date 6 months after the date of the Implementation Agreement.

**Implementation Agreement** means the scheme implementation agreement dated 20 October 2010 between the Target and the Bidder.

**Implementation Date** means the date which is 5 Business Days after the Record Date or such other date as the Target and the Bidder agree in writing.



## Appendix 4

### Share Scheme of Arrangement

**Ineligible Foreign Shareholder** means a Scheme Shareholder whose address shown in the Target Share Register on the Record Date is a place outside Australia and its external territories unless the Bidder determines that it is lawful and not unduly onerous or impracticable to provide that Scheme Shareholder with New Bidder Shares when this scheme becomes Effective.

**Listing Rules** means the official listing rules of ASX.

**Marketable Parcel** means a marketable parcel as defined by the market rules of ASX.

**New Bidder Share** means a fully paid ordinary shares in the capital of the Bidder to be provided to Scheme Shareholders under this scheme.

**Record Date** means 7.00 pm on the date which is 5 Business Days after the Effective Date or such other time and date (after the Effective Date) as the Bidder and the Target agree in writing.

**Registered Address** means, in relation to a Scheme Shareholder, the address of the Scheme Shareholder as recorded in the Target Share Register.

**Sale Agent** means a person appointed by the Bidder to sell or procure the sale or sales of the New Bidder Shares that are attributable to Ineligible Foreign Shareholders under this scheme.

**Scheme Share** means a Target Share on issue on the Record Date.

**Scheme Shareholder** means each person who holds Scheme Shares.

**Second Court Date** means the first day of hearing of an application made to the Court for an order pursuant to section 411(4)(b) of the Corporations Act approving this scheme or, if the hearing of such application is adjourned for any reason, means the first day of the adjourned hearing.

**Share Deed Poll** means the deed poll dated 15 December 2010 executed by the Bidder in favour of the Scheme Shareholders.

**Share Scheme Consideration** means 0.31 New Bidder Shares for each Scheme Share.

**Share Scheme Meeting** means the meeting to be convened by the Court in relation to this scheme pursuant to section 411(1) of the Corporations Act.

**Target Director** means a director of the Target.

**Target ESOP** means the Target Employee Share Option Plan.

**Target Options** means an option to acquire one unissued Target Share issued under the Target ESOP or the Target Long Term Incentive Plan.

**Target Shareholder** means a person who is registered in the Target Share Register as a holder of Target Shares.

**Target Shares** means fully paid ordinary shares in the capital of the Target.

**Target Share Register** means the register of members of the Target maintained by or on behalf of the Target in accordance with section 168(1) of the Corporations Act.

**Target Share Registry** means Registries Limited of Level 7, 207 Kent Street, Sydney, New South Wales 2000, Australia.

**Tax** means any tax, levy, excise, duty, charge, surcharge, contribution, withholding tax, impost or withholding obligation of whatever nature, whether direct or indirect, by whatever method collected or recovered, together with any fees, penalties, fines, interest or statutory charges.

#### 1.2 Business Days

If the day on which any act to be done under this scheme is a day other than a Business Day, that act must be done on or by the next Business Day except where this scheme expressly specifies otherwise.

#### 1.3 Listing rules are law

A listing rule or business rule of a financial market or securities exchange will be regarded as a law for the purposes of this scheme.



## Appendix 4

### Share Scheme of Arrangement

#### 1.4 General rules of interpretation

In this scheme headings are for convenience only and do not affect interpretation and, unless the contrary intention appears:

- (a) a word importing the singular includes the plural and vice versa, and a word of any gender includes the corresponding words of any other gender;
- (b) the word **including** or any other form of that word is not a word of limitation;
- (c) if a word or phrase is given a defined meaning, any other part of speech or grammatical form of that word or phrase has a corresponding meaning;
- (d) a reference to a **person** includes an individual, the estate of an individual, a corporation, an authority, an association or parties in a joint venture, a partnership and a trust;
- (e) a reference to a party includes that party's executors, administrators, successors and permitted assigns, including persons taking by way of novation and, in the case of a trustee, includes any substituted or additional trustee;
- (f) a reference to a document (including this scheme) is to that document as varied, novated, ratified or replaced from time to time;
- (g) a reference to a party, clause, schedule, exhibit, attachment or annexure is a reference to a party, clause, schedule, exhibit, attachment or annexure to or of this scheme, and a reference to this scheme includes all schedules, exhibits, attachments and annexures to it;
- (h) a reference to an agency or body if that agency or body ceases to exist or is reconstituted, renamed or replaced or has its powers or function removed (**obsolete body**), means the agency or body which performs most closely the functions of the obsolete body;
- (i) a reference to a statute includes any regulations or other instruments made under it (**delegated legislation**) and a reference to a statute or delegated legislation or a provision of either includes consolidations, amendments, re enactments and replacements;
- (j) a reference to **\$** or **dollar** is to Australian currency;
- (k) a reference to time is to Sydney, Australia time; and
- (l) this scheme must not be construed adversely to a party just because that party prepared it or caused it to be prepared.

## 2. Preliminary matters

### 2.1 Target

- (a) The Target is a public company limited by shares, incorporated in Australia and registered in the State of New South Wales.
- (b) The Target is admitted to the official list of ASX and Target Shares are officially quoted on ASX. As at 15 December 2010, the Target had the following securities on issue:
  - (i) 103,520,259 Target Shares;
  - (ii) 7,191,000 Target Options; and
  - (iii) 500,000 Target performance rights.

### 2.2 Bidder

- (a) The Bidder is a public company limited by shares, incorporated in Australia and registered in the State of New South Wales.
- (b) The Bidder is admitted to the official list of ASX and Bidder Shares are officially quoted on ASX.

### 2.3 Implementation Agreement

The Bidder and the Target have agreed, by executing the Implementation Agreement, to implement this scheme.

### 2.4 Share Deed Poll

The Bidder has agreed, by executing the Share Deed Poll, to perform its obligations under this scheme, including the obligation to provide or procure the provision of the Share Scheme Consideration to the Scheme Shareholders.

## Appendix 4

### Share Scheme of Arrangement

### 3. Conditions precedent

#### 3.1 Conditions

(a) This scheme is conditional on:

- (i) all the conditions precedent in clause 3.1 of the Implementation Agreement (other than the conditions in clauses 3.1(m) and 3.1(n)) having been satisfied or waived in accordance with the terms of the Implementation Agreement by 8.00 am on the Second Court Date;
- (ii) the Implementation Agreement not having been terminated in accordance with its terms before 8.00 am on the Second Court Date;
- (iii) approval of this scheme by the Court under section 411(4)(b) of the Corporations Act, including with such other conditions imposed by the Court under section 411(6) of the Corporations Act, as are acceptable to the Target and the Bidder, having been satisfied;
- (iv) the orders of the Court made under section 411(4)(b) (and if applicable, section 411(6)) of the Corporations Act approving this scheme coming into effect, under section 411(10) of the Corporations Act; and
- (v) the condition in clause 3.1(n) of the Implementation Agreement having been satisfied or waived in accordance with the terms of the Implementation Agreement.

(b) The satisfaction of the conditions referred to in clause 3.1(a) is a condition precedent to the operation of clauses 4.3 and 5.

(c) This scheme will lapse and be of no further force or effect if the Effective Date does not occur on or before the End Date.

#### 3.2 Certificate in relation to conditions

The Target and the Bidder must provide to the Court on the Second Court Date a certificate, or such other evidence as the Court requests, confirming whether or not as at 8.00 am on the Second Court Date all the conditions precedent in clause 3.1 of the Implementation Agreement (other than the conditions in clauses 3.1(m) and 3.1(n)) have been satisfied or waived.

#### 3.3 Conclusive evidence

The giving of a certificate by the Target and the Bidder under clause 3.2 will be conclusive evidence of the matters referred to in the certificate.

### 4. Implementation

#### 4.1 Lodgement of Court orders

The Target must lodge with ASIC an office copy of any Court orders under section 411(10) of the Corporations Act approving this scheme by 5.00 pm on the first Business Day following the date on which the Court approves this scheme or by 5.00 pm on the first Business Day following the date on which the Court orders are entered, whichever is later (or such other date as the Target and Bidder agree).

#### 4.2 Consequences of this scheme becoming Effective

If this scheme becomes Effective:

- (a) it will override the constitution of the Target, to the extent of any inconsistency;
- (b) the Bidder must (pursuant to its obligations under the Share Deed Poll) provide or procure the provision of the Share Scheme Consideration in the manner contemplated by clause 5.3;
- (c) subject to the provision of the Share Scheme Consideration under clause 4.2(b), all the Scheme Shares (together with all rights and entitlements attaching to the Scheme Shares) will be transferred to the Bidder; and
- (d) the Target will enter the name of the Bidder in the Target Share Register in respect of all the Scheme Shares.

#### 4.3 Transfer of Scheme Shares

On the Implementation Date:

- (a) subject to the provision of the Share Scheme Consideration in the manner contemplated by clause 5.3 and the Bidder providing the Target with written confirmation of that provision, all of the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares at the Implementation Date, will be transferred to the Bidder, without the need for any further act by any Scheme Shareholder (other than acts performed by the Target or its officers as agent and attorney of the Scheme Shareholders under clause 8.4 or otherwise) by:
  - (i) the Target delivering to the Bidder a duly completed and executed share transfer form to transfer all the Scheme Shares to the Bidder; and

## Appendix 4

### Share Scheme of Arrangement

- (ii) the Bidder duly executing such transfer form and delivering it to the Target for registration; and
- (b) immediately after receipt of the transfer form in accordance with clause 4.3(a)(ii), the Target must enter the name of the Bidder in the Target Share Register in respect of the Scheme Shares.

## 5. Share Scheme Consideration

### 5.1 Amount of Share Scheme Consideration

Each Scheme Shareholder is entitled to receive the Share Scheme Consideration in respect of each Scheme Share held by that Scheme Shareholder.

### 5.2 Fractional entitlement

If the number of Scheme Shares held by a Scheme Shareholder is such that an entitlement of that Scheme Shareholder to New Bidder Shares is not a whole number then any fractional entitlement will:

- (a) where the entitlement is to half a New Bidder Share or more, be rounded up to the nearest whole number of New Bidder Shares; and
- (b) where the entitlement is to less than half a New Bidder Share, be rounded down to the nearest whole number of New Bidder Shares.

### 5.3 Provision of Share Scheme Consideration

Subject to clauses 5.3(c), 5.4, 5.5, 5.6 and 5.7, the obligation of the Bidder to provide the Share Scheme Consideration to Scheme Shareholders will be satisfied by the Bidder:

- (a) in the case of Share Scheme Consideration that is required to be provided to Scheme Shareholders, by the Bidder procuring that:
  - (i) the name and address of each such Scheme Shareholder is entered into the Bidder Share Register on the Implementation Date in respect of the New Bidder Shares to which it is entitled under this clause 5; and
  - (ii) a share certificate or holding statement (or equivalent document) is sent to the Registered Address of each Scheme Shareholder representing or stating, as applicable, the number of New Bidder Shares to be provided to the Scheme Shareholder pursuant to this scheme.
- (b) in the case of Share Scheme Consideration that is required to be provided to the Sale Agent as a result of the operation of clause 5.4, by the Bidder procuring that:
  - (i) the name and registered address of the Sale Agent, as nominee, is entered into the Bidder Register on the Implementation Date in respect of the New Bidder Shares required to be provided to it under this clause 5;
  - (ii) a share certificate or holding statement (or equivalent document) in the name of the Sale Agent is sent to the Sale Agent representing or stating, as applicable, the number of New Bidder Shares so provided to it; and
  - (iii) the Sale Agent, as nominee, sells or procures the sale or sales of those New Bidder Shares, and pays or procures the payment of the proceeds in accordance with clause 5.7; and
- (c) in the case of joint holders of Scheme Shares:
  - (i) the New Bidder Shares to be provided under this scheme will be provided to and registered in the names of the joint holders (or the Sale Agent, as applicable);
  - (ii) any cheque required to be sent under clause 5.7 will be made payable to the joint holders and sent to the holder whose name appears first in the Target Share Register on the Record Date; and
  - (iii) any other document required to be sent under this clause 5 must be forwarded to the holder whose name appears first in the Target Share Register on the Record Date

### 5.4 Ineligible Foreign Shareholders

The Bidder has no obligation to provide, and will not provide, any New Bidder Shares to any Ineligible Foreign Shareholder under this scheme and, instead, must procure that those New Bidder Shares which, but for this clause 5.4, would be required to be provided to Ineligible Foreign Shareholders are dealt with on behalf of the Ineligible Foreign Shareholders in accordance with clause 5.7.

### 5.5 Share splitting

If the Bidder and the Target are of the opinion that a number of Scheme Shareholders and/or other persons (who, to avoid doubt, may include other Scheme Shareholders) have, before the Record Date, been party to a shareholding splitting or division

## Appendix 4

### Share Scheme of Arrangement

or an acquisition of Scheme Shares in an attempt to obtain, or which provides, an advantage by reference to the rounding provided for in the calculation of each Scheme Shareholder's entitlement to the Share Scheme Consideration, the Bidder may give notice to those Scheme Shareholders prior to the Implementation Date:

- (a) setting out the names and registered addresses of all of those Scheme Shareholders;
- (b) stating that opinion; and
- (c) attributing to one of them specifically identified in the notice the Scheme Shares held by all of them,

and, after the notice has been so given, the Scheme Shareholder specifically identified in the notice shall, for the purposes of the Share Scheme, be taken to hold all those Scheme Shares and each of the other Scheme Shareholders whose names are set out in the notice shall, for the purposes of the Share Scheme, be taken to hold no Scheme Shares.

#### 5.6 Anti-manipulation

If the Bidder and the Target are of the opinion that a Scheme Shareholder or other person has, before the Record Date:

- (a) been party to an arrangement resulting in a change in the registered address of the Scheme Shareholder to a jurisdiction so as to make that Scheme Shareholder (the relevant Scheme Shareholder) an Ineligible Foreign Shareholder or a transfer of Target Shares by the person to a person (also the relevant Scheme Shareholder) who would be an Ineligible Foreign Shareholder;
- (b) in circumstances where the Bidder and the Target are of the opinion that the arrangement or transfer was undertaken to achieve that result in order to maximise the cash consideration payable to the relevant Scheme Shareholder,

the Bidder may give notice to the relevant Scheme Shareholder prior to the Implementation Date:

- (a) setting out the name of the relevant Scheme Shareholder and the other persons involved;
- (b) stating that opinion; and
- (c) stating what, in its opinion, would have been the holdings and registered addresses at which the Scheme Shares held by the relevant Scheme Shareholder would have been held had the arrangement or transfer not been undertaken,

and after the notice has been so given, the Scheme Shares held by the relevant Scheme Shareholder shall be taken to be held in the holdings and registered addresses specified in notice.

#### 5.7 Sale Agent

- (a) New Bidder Shares that are required to be dealt with under this clause by virtue of clause 5.4 must be provided by the Bidder to the Sale Agent, as nominee, on the Implementation Date and subsequently sold in accordance with the remaining provisions of this clause 5.7.
- (b) The Bidder must procure that the Sale Agent:
  - (i) as soon as practicable after the Implementation Date, sells or procures the sale or sales of the New Bidder Shares provided to it pursuant to clause 5.7(a), in the ordinary course of trading on ASX; and
  - (ii) remits to the Bidder the proceeds of sale (or procures such remittance) (**Share Proceeds**).
- (c) Promptly after receiving the entire Share Proceeds in accordance with clause 5.7(b)(ii), the Bidder must pay, or procure the payment, to each Ineligible Foreign Shareholder the amount "A" calculated in accordance with the following formula and rounded down to the nearest cent:

$$A = (B \div C) \times D$$

where

- B = the number of New Bidder Shares that would have been provided to that Ineligible Foreign Shareholder had it not been an Ineligible Foreign Shareholder;
- C = the total number of New Bidder Shares which would otherwise have been provided to all Ineligible Foreign Shareholders collectively and which were instead issued to the Sale Agent; and
- D = the Share Proceeds.

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### Share Scheme of Arrangement

- (d) The Bidder must make payments, or must procure that payments are made, to Ineligible Foreign Shareholders under clause 5.7(c) by:
  - (i) sending (or procuring the Bidder Share Registry to send) it to the Ineligible Foreign Shareholder's Registered Address by cheque in Australian currency; or
  - (ii) if the Ineligible Foreign Shareholder has a payment direction (that is currently used for the payment of dividends) for a bank account with any Australian ADI (as defined in the Corporations Act) recorded in the Target Share Register as at the Record Date, depositing (or procuring the Bidder Share Registry to deposit) it into that account.
- (e) Payment of an amount to an Ineligible Foreign Shareholder under this clause 5.7 will be in full satisfaction of the obligations of the Bidder to the Ineligible Foreign Shareholder under this scheme in respect of that Ineligible Foreign Shareholder's Share Scheme Consideration.
- (f) If the Bidder receives professional advice that any Tax is required by law to be withheld from any such payment, the Bidder must ensure, or must procure, that the relevant amount is withheld before making the payment to the Ineligible Foreign Shareholder (and payment of the reduced amount shall be taken to be full payment of the relevant amount for the purposes of this scheme). The Bidder must ensure, or must procure, that any amount so withheld is paid to the relevant taxation authorities within the time permitted by law, and that a receipt or other appropriate evidence of such payment is promptly provided to the relevant Ineligible Foreign Shareholder.
- (g) None of the Target, the Bidder or the Sale Agent gives any assurance as to the price that will be achieved for the sale of New Bidder Shares by the Sale Agent. The sale of New Bidder Shares under this clause 5.7 will be at the risk of the Ineligible Foreign Shareholder.
- (h) Each Ineligible Foreign Shareholder appoints the Target as its agent to receive on its behalf any financial services guide or other notices (including any updates of those documents) that the Sale Agent is required to provide to Ineligible Foreign Shareholders under the Corporations Act.

#### 5.8 Status of New Bidder Shares

Subject to this scheme becoming Effective, the Bidder must:

- (a) provide the New Bidder Shares required to be provided by it under this scheme on terms such that each such New Bidder Share will rank equally in all respects with each existing Bidder Share; and
- (b) ensure that each such New Bidder Share is duly issued, fully paid and free from any Encumbrance.

#### 5.9 Unclaimed monies

- (a) The Bidder may cancel or procure cancellation of a cheque issued under clause 5.7(d)(i) if the cheque:
  - (i) is returned to the Bidder or the Sale Agent; or
  - (ii) has not been presented for payment within 6 months after the date on which the cheque was sent.
- (b) During the period of 1 year commencing on the Implementation Date, on request from a Scheme Shareholder, the Bidder must reissue, or procure the reissue of, a cheque that was previously cancelled under this clause.

### 6. Dealings in Target Shares

#### 6.1 Dealings in Target Shares by Scheme Shareholders

To establish the identity of the Scheme Shareholders, dealings in Target Shares will only be recognised if:

- (a) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Target Share Register as the holder of the relevant Target Shares on or before the Record Date; and
- (b) in all other cases, registrable transmission applications or transfers in respect of those dealings are received on or before the Record Date at the place where the Target Share Register is kept,

and the Target will not accept for registration, nor recognise for the purpose of establishing the persons who are Scheme Shareholders, any transfer or transmission application in respect of the Target Shares received after such times or received prior to such times but not in registrable form.

#### 6.2 Target Share Register

- (a) The Target must maintain the Target Share Register in accordance with the provisions of this clause 6 until the Share Scheme Consideration has been provided to the Scheme Shareholders and the Target Share Register in this form will solely determine entitlements to the Share Scheme Consideration.

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### Share Scheme of Arrangement

- (b) The Target must register registrable transmission applications or transfers of the kind referred to in clause 6.1(b) on or before the Record Date (provided that for the avoidance of doubt nothing in this clause 6.2(b) requires the Target to register a transfer that would result in a Target Shareholder holding a parcel of Target Shares that is less than a Marketable Parcel).
- (c) The Target will not accept for registration or recognise for any purpose any transmission application or transfer in respect of Target Shares received after the Record Date.
- (d) From the Record Date until the earlier of registration of the Bidder in respect of all Scheme Shares under clause 4.3(b) or the End Date, no Target Shareholder may deal with Target Shares in any way except as set out in this scheme and any attempt to do so will have no effect.

#### 6.3 Information to be made available to the Bidder

As soon as practicable after the Record Date and in any event at least 2 Business Days before the Implementation Date, the Target will ensure that details of the names, Registered Addresses and holdings of Target Shares for each Scheme Shareholder are available to the Bidder in the form the Bidder reasonably requires.

#### 6.4 Effect of share certificates and holding statements

- (a) All certificates and statements of holding for Target Shares will cease to have effect from the Record Date as documents of title in respect of those shares (other than statements of holding in favour of the Bidder and its successors in title).
- (b) As from the Record Date, each entry current at that date on the Target Share Register (other than entries in respect of the Bidder and its successors in title) will cease to have effect except as evidence of entitlement to the Share Scheme Consideration in respect of the Target Shares relating to that entry.

### 7. Quotation of Target Shares

- (a) The Target will apply to ASX to suspend trading on ASX in Target Shares with effect from the close of trading on the Effective Date.
- (b) On a date after the Implementation Date to be determined by the Bidder, the Target will apply:
  - (i) for termination of the official quotation of Target Shares on ASX; and
  - (ii) to have itself removed from the official list of ASX.

### 8. General scheme provisions

#### 8.1 Consent

If the Court proposes to approve this scheme subject to any alterations or conditions, the Target may, by its counsel or solicitors, consent on behalf of all persons concerned to those alterations or conditions to which the Bidder has consented in writing.

#### 8.2 Agreement of Scheme Shareholders

Each Scheme Shareholder:

- (a) agrees to the transfer of their Target Shares in accordance with terms of this scheme and agrees to the variation, cancellation or modification of the rights attached to their Target Shares constituted by or resulting from this scheme;
- (b) acknowledges that this scheme binds the Target and all Scheme Shareholders (including those who do not attend the Share Scheme Meeting or do not vote at that meeting or vote against this scheme at that Share Scheme Meeting);
- (c) who is issued New Bidder Shares under this scheme agrees to become a shareholder of the Bidder in respect of those New Bidder Shares and to be bound by the constitution of the Bidder; and
- (d) who is an Ineligible Foreign Shareholder agrees and acknowledges that the payment to it of an amount in accordance with clause 5.7 constitutes the satisfaction in full of its entitlement to the Share Scheme Consideration.

#### 8.3 Warranties by Scheme Shareholders

Each Scheme Shareholder is deemed to have warranted to the Target in its own right and for the benefit of the Bidder that:

- (a) all their Scheme Shares (including any rights and entitlements attaching to those Scheme Shares) which are transferred to the Bidder under this scheme will, on the date they are transferred to the Bidder, be fully paid;
- (b) all their Scheme Shares (including any rights and entitlements attaching to those Scheme Shares) which are transferred to the Bidder under this scheme will, on the date they are transferred to the Bidder, be free from all mortgages, charges, liens, encumbrances and interests of third parties of any kind, whether legal or otherwise and restrictions on transfer of any kind; and



## Appendix 4

### Share Scheme of Arrangement

- (c) they have full power and capacity to sell and to transfer their Scheme Shares (including any rights and entitlements attaching to those Scheme Shares) to the Bidder.

#### 8.4 Authority given to the Target

Upon this scheme becoming Effective, each Scheme Shareholder without the need for any further act:

- (a) irrevocably appoints the Target and all of its directors, secretaries and officers (jointly and severally) as its attorney and agent for the purpose of:
  - (i) enforcing the Share Deed Poll against the Bidder; and
  - (ii) executing any document necessary to give effect to this scheme including, a proper instrument of transfer of its Scheme Shares for the purposes of section 1071B of the Corporations Act which may be a master transfer of all the Scheme Shares,and the Target accepts such appointment; and
- (b) will be deemed to have authorised the Target to do and execute all acts, matters, things and documents on the part of each Scheme Shareholder necessary to implement this scheme, including executing, as agent and attorney of each Scheme Shareholder, a share transfer or transfers in relation to Scheme Shares as contemplated by clause 8.4(a).

#### 8.5 Appointment of sole proxy

Upon the Share Scheme Consideration being provided to the Scheme Shareholders and until the Target registers the Bidder as the holder of all Target Shares in the Target Share Register, each Scheme Shareholder:

- (a) is deemed to have irrevocably appointed the Bidder as its attorney and agent (and directed the Bidder in such capacity) to appoint any director, officer, secretary or agent nominated by the Bidder as its sole proxy and, where applicable, corporate representative to attend shareholders' meetings of the Target, exercise the votes attaching to the Scheme Shares registered in their name and sign any Target Shareholders' resolutions, whether in person, by proxy or by corporate representative;
- (b) undertakes not to otherwise attend or vote at any of those meetings or sign or vote on any resolutions (whether in person, by proxy or by corporate representative) other than as pursuant to clause 8.5(a);
- (c) must take all other actions in the capacity of a registered holder of Scheme Shares as the Bidder reasonably directs; and
- (d) acknowledges and agrees that in exercising the powers referred to in clause 8.5(a), the Bidder and any director, officer, secretary or agent nominated by the Bidder under clause 8.5(a) may act in the best interests of the Bidder as the intended registered holder of the Scheme Shares.

#### 8.6 Definition of "sending"

For the purposes of clause 5.7(d)(i), the expression "sending" means, in relation to each Scheme Shareholder:

- (a) sending by ordinary pre-paid post or courier to the Registered Address of that Scheme Shareholder as at the Record Date; or
- (b) delivery to the Registered Address of that Scheme Shareholder as at the Record Date by any other means at no cost to the recipient.

### 9. General

#### 9.1 Stamp duties

The Bidder must pursuant to their obligations under the Share Deed Poll:

- (a) pay all stamp duties and any related fines and penalties in respect of the transfer of the Scheme Shares to the Bidder and is authorised to apply for and retain the proceeds of any refund due in respect of stamp duty paid under this clause; and
- (b) indemnify each Scheme Shareholder against any liability from a failure to comply with clause 9.1(a).

#### 9.2 Notices

- (a) If a notice, transfer, transmission application, direction or other communication referred to in this scheme is sent by post to the Target, it will not be taken to be received in the ordinary course of post or on a date and time other than the date and time (if any) on which it is actually received at the place where the Target's Share Registry is kept.
- (b) The accidental omission to give notice of the Share Scheme Meeting or the non-receipt of such a notice by any Target Shareholder may not, unless so ordered by the Court, invalidate the Share Scheme Meeting or the proceedings of the Share Scheme Meeting.

## **Appendix 4**

### **Share Scheme of Arrangement**

#### **9.3 Further acts and documents**

The Target must do all further acts and execute and deliver all further documents required by law or necessary to give effect to this scheme and the transactions contemplated by it.

### **10. Governing law and jurisdiction**

#### **10.1 Governing law**

This scheme is governed by the law applying in Western Australia.

#### **10.2 Jurisdiction**

Each party irrevocably:

- (a) submits to the non-exclusive jurisdiction of the courts of Western Australia, Commonwealth courts having jurisdiction in that state and the courts competent to determine appeals from those courts, with respect to any proceedings that may be brought at any time relating to this scheme; and
- (b) waives any objection it may have now or in the future to the venue of any proceedings, and any claim it may have now or in the future that any proceedings have been brought in an inconvenient forum, if that venue falls within clause 10.2(a).

## **Appendix 4**

### **Share Scheme of Arrangement**

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# Appendix 5

## Share Scheme Deed Poll

## Appendix 5

### Share Scheme Deed Poll

#### Deed poll dated 15 December 2010

**By** **Kingsgate Consolidated Limited ABN 42 000 837 472** of Suite 801, Level 8, 14 Martin Place, Sydney, New South Wales 2000, Australia (**Bidder**)

**In favour of** **Each person registered as a holder of fully paid ordinary shares in the capital of Dominion Mining Ltd ABN 37 000 660 864** of 15 Outram Street, West Perth, Western Australia 6005, Australia (Target) on issue as at the Record Date (**Scheme Shareholders**)

#### Background

- A. On 20 October 2010, the Target and the Bidder entered into a scheme implementation agreement (**Implementation Agreement**) to provide for the implementation of the Share Scheme and the Option Scheme.
- B. The effect of the Share Scheme will be to transfer all Scheme Shares to the Bidder in exchange for the Share Scheme Consideration.
- C. The Bidder enters into this deed poll to covenant in favour of the Scheme Shareholders to provide or procure the provision of the Share Scheme Consideration in accordance with the Share Scheme.

#### It is declared as follows

##### 1. Definitions and interpretation

###### 1.1 Definitions

In this deed poll:

**Share Scheme** means the proposed scheme of arrangement under Part 5.1 of the Corporations Act between the Target and its shareholders, as contemplated by the Implementation Agreement.

###### 1.2 Terms defined in the Implementation Agreement

Capitalised words and phrases defined in the Implementation Agreement and not in this deed poll have the same meaning in this deed poll as in the Implementation Agreement unless the context requires otherwise.

###### 1.3 Interpretation

The provisions of clauses 1.4, 1.5 and 1.6 of the Implementation Agreement form part of this deed poll as if set out in full in this deed poll, except that references to "agreement" in those clauses will be taken to be references to "deed poll".

###### 1.4 Nature of this deed poll

The Bidder acknowledges that this deed poll may be relied on and enforced by any Scheme Shareholder in accordance with its terms even though the Scheme Shareholders are not a party to it.

##### 2. Condition precedent

###### 2.1 Condition

The obligations of the Bidder under clause 3 are subject to the Share Scheme becoming Effective.

###### 2.2 Termination

The obligations of the Bidder under this deed poll will automatically terminate and this deed poll will be of no further force or effect if:

- (a) the Implementation Agreement is terminated in accordance with its terms; or
- (b) the Share Scheme is not Effective by the End Date,

unless the Bidder and the Target otherwise agree.

###### 2.3 Consequences of termination

If this deed poll terminates under clause 2.2, in addition to and without prejudice to any other rights, powers or remedies available to it:

- (a) the Bidder is released from its obligations to further perform this deed poll; and
- (b) each Scheme Shareholder retains the rights they have against the Bidder in respect of any breach of this deed poll which occurs before it was terminated.



## Appendix 5

### Share Scheme Deed Poll

### 3. Provision of the Share Scheme Consideration

#### 3.1 Undertaking

Subject to clause 2, the Bidder undertakes in favour of each Scheme Shareholder to provide or procure the provision of the Share Scheme Consideration to each Scheme Shareholder in accordance with the terms of the Share Scheme and undertakes to perform all other actions attributed to it under the Share Scheme.

#### 3.2 Status of New Bidder Shares

The Bidder undertakes in favour of each Scheme Shareholder that the New Bidder Shares which are provided to Scheme Shareholders and the Sale Agent in accordance with the Share Scheme will:

- (a) rank equally in all respects with existing Bidder Shares; and
- (b) be duly issued, fully paid and free from any Encumbrance.

### 4. Warranties

The Bidder warrants to each Scheme Shareholder that:

- (a) it is a company properly incorporated and validly existing under the laws of the country or jurisdiction of its incorporation;
- (b) it has the legal right and full corporate power and capacity to execute, deliver and perform its obligations under this deed poll and to carry out the transactions contemplated by this deed poll;
- (c) it has taken all necessary corporate action to authorise its entry into this deed poll and has taken or will take all necessary corporate action to authorise the performance of this deed poll and to carry out the transactions contemplated by this deed poll;
- (d) this deed poll constitutes (or will when executed constitute) valid legal and binding obligations of it and is enforceable against it in accordance with its terms;
- (e) it is solvent and no resolutions have been passed nor has any other step been taken or legal proceedings commenced or threatened against it for its winding up or dissolution or for the appointment of a liquidator, receiver, administrator or similar officer over any or all of its assets (or any event under any law which is analogous to, or which has a substantially similar effect to, any of the events referred to in this paragraph);
- (f) the execution, delivery and performance of this deed poll by it does not and will not result in a breach of or constitute a default under:
  - (i) any agreement to which it is party;
  - (ii) any provision of the constitution or articles of association (as applicable); or
  - (iii) any law or regulation or any order, judgment or determination of any court or Regulatory Authority by which it is bound.

### 5. Continuing obligations

This deed poll is irrevocable and remains in full force and effect until the Bidder has fully performed its obligations under it or the earlier termination of this deed poll under clause 2.

### 6. General

#### 6.1 Notices

Each communication (including each notice, consent, approval, request and demand) under or in connection with this deed poll:

- (a) must be in writing;
- (b) must be addressed as follows:

if to the Bidder:

Address: Suite 801, Level 8  
14 Martin Place  
Sydney NSW 2000  
Australia

Fax number: +61 2 8256 4810

For the attention of: Company Secretary

- (c) must be signed by the party making it or (on that party's behalf) by the solicitor for, or any attorney, director, secretary or authorised agent of, that party;



## Appendix 5

### Share Scheme Deed Poll

- (d) must be delivered by hand or posted by prepaid post to the address, or sent by fax to the number, of the addressee, in accordance with clause 6.1(b); and
- (e) is taken to be received by the addressee:
  - (i) (in the case of prepaid post sent to an address in the same country) on the third day after the date of posting;
  - (ii) (in the case of prepaid post sent to an address in another country) on the fifth day after the date of posting by airmail;
  - (iii) (in the case of fax) at the time in the place to which it is sent equivalent to the time shown on the transmission confirmation report produced by the fax machine from which it was sent; and
  - (iv) (in the case of delivery by hand) on delivery,but if the communication is taken to be received on a day that is not a working day or after 5.00 pm, it is taken to be received at 9.00 am on the next working day ("working day" meaning a day that is not a Saturday, Sunday or public holiday and on which banks are open for business generally, in the place to which the communication is posted, sent or delivered).

#### 6.2 Governing law

This deed poll is governed by and must be construed according to the law applying in Western Australia.

#### 6.3 Jurisdiction

The Bidder irrevocably:

- (a) submits to the non-exclusive jurisdiction of the courts of Western Australia, Commonwealth courts having jurisdiction in that state and the courts competent to determine appeals from those courts, with respect to any proceedings that may be brought at any time relating to this deed poll; and
- (b) waives any objection it may now or in the future have to the venue of any proceedings, and any claim it may now or in the future have that any proceedings have been brought in an inconvenient forum, if that venue falls within clause 6.3(a).

#### 6.4 Amendments

This deed poll may be amended only by another deed poll entered into by the Bidder, and then only if the amendment is agreed to by the Target in writing and the Court indicates that the amendment would not preclude approval of the Share Scheme.

#### 6.5 Waiver

- (a) Failure to exercise or enforce, or a delay in exercising or enforcing, or the partial exercise or enforcement of, a right, power or remedy provided by law or under this deed poll by a party does not preclude, or operate as a waiver of, the exercise or enforcement, or further exercise or enforcement, of that or any other right, power or remedy provided by law or under this deed poll.
- (b) A waiver or consent given by a party under this deed poll is only effective and binding on that party if it is given or confirmed in writing by that party.
- (c) No waiver of a breach of a term of this deed poll operates as a waiver of another breach of that term or of a breach of any other term of this deed poll.

#### 6.6 Further acts and documents

The Bidder must do all further acts and execute and deliver all further documents required by law or necessary to give effect to this deed poll and the transactions contemplated by it.

#### 6.7 Assignment

The rights of each Scheme Shareholder under this deed poll are personal and cannot be assigned, novated or otherwise transferred without the prior written consent of the Bidder.

#### 6.8 Stamp duties

The Bidder must:

- (a) pay all stamp duties and any related fines and penalties in respect of this deed poll, the performance of this deed poll and each transaction effected by or made under this deed poll and is authorised to apply for and retain the proceeds of any refund due in respect of stamp duty paid under this clause; and
- (b) indemnify each Scheme Shareholder against any liability arising from a failure to comply with clause 6.8(a).

#### 6.9 Cumulative rights

The rights, powers and remedies of the Bidder and each Scheme Shareholder under this deed poll are cumulative and do not exclude any other rights, powers or remedies provided by the law independently of this deed poll.

## Appendix 5

### Share Scheme Deed Poll

**Executed** and delivered as a deed poll.

**Executed** by Kingsgate Consolidated Limited ABN 42 000 837 472  
in accordance with section 127 of the Corporations Act 2001 (Cth):

---

Signature of director

---

Signature of company secretary/director

---

Full name of director

---

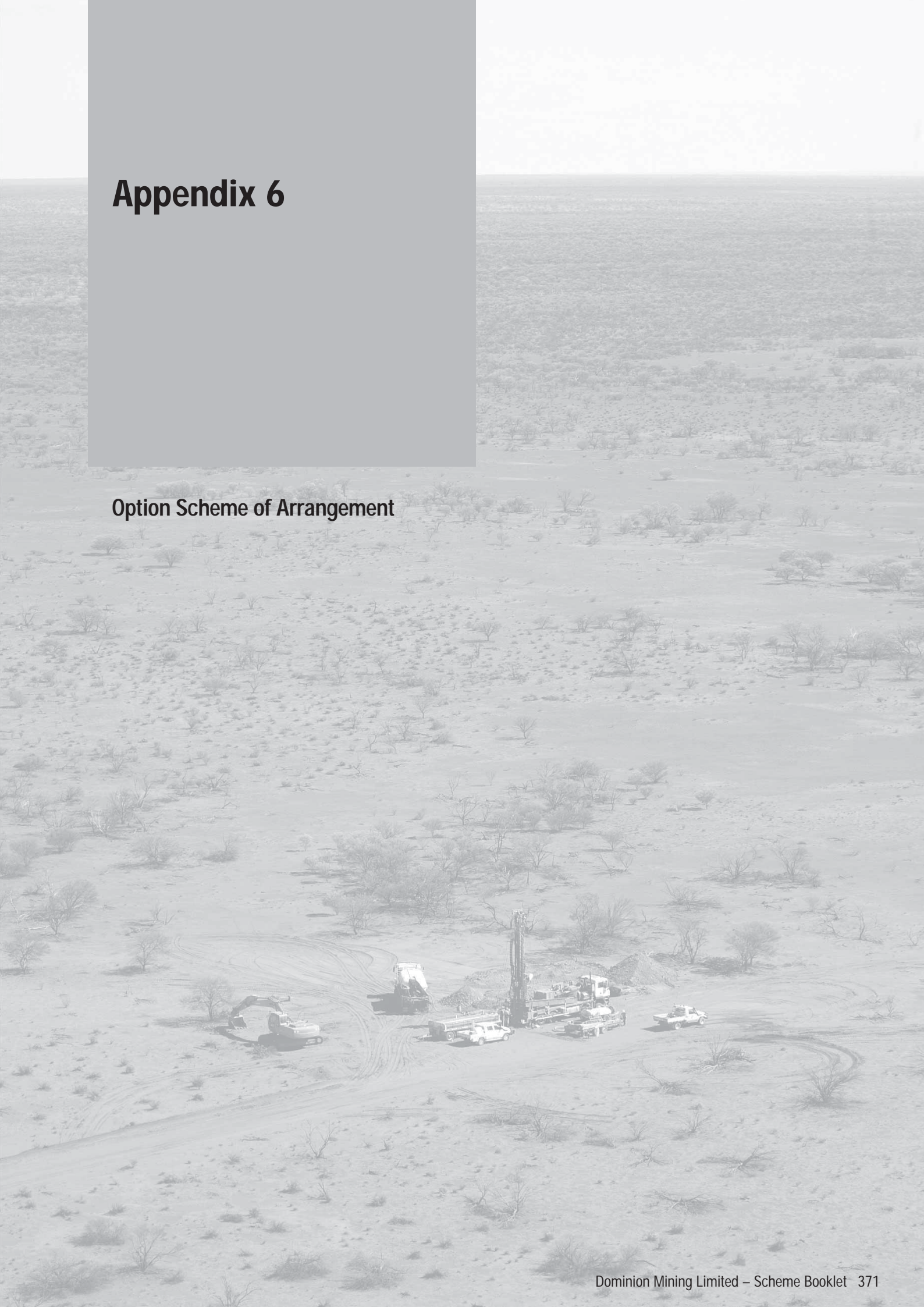
Full name of company secretary/director

**Appendix 5**  
**Share Scheme Deed Poll**

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# Appendix 6

## Option Scheme of Arrangement



## Appendix 6

### Option Scheme of Arrangement

#### Scheme of arrangement made under section 411 of the Corporations Act

**Parties**      **Dominion Mining Ltd ABN 37 000 660 864** of 15 Outram Street, West Perth, Western Australia 6005, Australia (**Target**)

**Each person registered as a holder of options to acquire fully paid ordinary shares in the capital of the Target at the Option Record Date**

#### Background

- A. The Target and the Bidder have entered into the Implementation Agreement, pursuant to which, amongst other things, the Target has agreed to propose this scheme to Target Optionholders and each of the Target and the Bidder have agreed to take certain steps to give effect to this scheme.
- B. If this scheme becomes Effective, the Bidder will provide or procure the provision of the Option Scheme Consideration to the Scheme Optionholders in accordance with the provisions of this scheme, and all of the Scheme Options will be cancelled.

#### Operative provisions

##### 1. Definitions and interpretation

###### 1.1 Definitions

In this scheme:

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

**ASX** means, as the context requires, ASX Limited ABN 98 008 624 691 or the securities market conducted by ASX Limited.

**Bidder** means Kingsgate Consolidated Limited ABN 42 000 837 472 of Suite 801, Level 8, 14 Martin Place, Sydney, New South Wales 2000, Australia.

**Bidder Share Register** means the register of members of the Bidder maintained by or on behalf of the Bidder in accordance with section 168(1) of the Corporations Act.

**Bidder Share Registry** means Security Transfer Registrars Pty Ltd, 770 Canning Highway, Applecross, Western Australia 6153, Australia.

**Bidder Shares** means fully paid ordinary shares in the capital of the Bidder.

**Business Day** means a business day as defined in the Listing Rules.

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

**Court** means the Federal Court of Australia.

**Effective** means the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to this scheme.

**Effective Date** means the date on which this scheme becomes Effective.

**End Date** means the date 6 months after the date of the Implementation Agreement.

**Encumbrance** means a mortgage, charge, pledge, lien, encumbrance, security interest, title retention, preferential right, trust arrangement, contractual right of set off, or any other security agreement or arrangement in favour of any person, whether registered or unregistered.

**Implementation Agreement** means the scheme implementation agreement dated 20 October 2010 between the Target and the Bidder.

**Implementation Date** means the date which is 5 Business Days after the Option Record Date or such other date as the Target and the Bidder agree in writing.



## Appendix 6

### Option Scheme of Arrangement

**Ineligible Foreign Optionholder** means a Scheme Optionholder whose address shown in the Target Option Register on the Option Record Date is a place outside Australia and its external territories unless the Bidder determines that it is lawful and not unduly onerous or impracticable to provide that Scheme Optionholder with New Bidder Shares when this scheme becomes Effective.

**Listing Rules** means the official listing rules of ASX.

**New Bidder Share** means a fully paid ordinary shares in the capital of the Bidder to be provided to Scheme Optionholder under this scheme.

**Option Deed Poll** means the deed poll dated 15 December 2010 executed by the Bidder in favour of the Scheme Optionholders.

**Option Record Date** means 7.00 pm on the date which is 5 Business Days after the Effective Date or such other time and date (after the Effective Date) as the Bidder and the Target agree in writing.

**Option Scheme Consideration** means the consideration payable to Scheme Optionholders as determined in accordance with Schedule 1.

**Option Scheme Meeting** means the meeting to be convened by the Court in relation to this scheme pursuant to section 411(1) of the Corporations Act.

**Registered Address** means, in relation to a Scheme Optionholder, the address of the Scheme Optionholder as recorded in the Target Option Register.

**Sale Agent** means a person appointed by the Bidder to sell or procure the sale or sales of the New Bidder Shares that are attributable to Ineligible Foreign Optionholders under this scheme.

**Scheme Option** means a Target Option on issue on the Option Record Date.

**Scheme Optionholder** means each person who holds Scheme Options.

**Scheme Share** means a Target Share on issue on the Share Record Date.

**Scheme Shareholder** means each person who holds Scheme Shares.

**Second Court Date** means the first day of hearing of an application made to the Court for an order pursuant to section 411(4)(b) of the Corporations Act approving this scheme or, if the hearing of such application is adjourned for any reason, means the first day of the adjourned hearing.

**Share Record Date** means the "Record Date" as defined in the Share Scheme.

**Share Scheme** means the scheme of arrangement under Part 5.1 of the Corporations Act between the Target and Scheme Shareholders, the form of which is set out in the Share Explanatory Memorandum (as defined in the Implementation Agreement), subject to any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act and agreed to by the Target and the Bidder.

**Share Scheme Consideration** means 0.31 New Bidder Shares for each Scheme Share.

**Target Director** means a director of the Target.

**Target Option Register** means the register of option holders of the Target maintained by or on behalf of the Target in accordance with section 168(1) of the Corporations Act.

**Target Optionholder** means a person who is registered in the Target Option Register as a holder of Target Options.

**Target Options** means an option to acquire one unissued Target Share issued under the Dominion Employee Share Option Plan or the Long Term Incentive Plan.

**Target Shares** means fully paid ordinary shares in the capital of the Target.

**Target Share Register** means the register of members of the Target maintained by or on behalf of the Target in accordance with section 168(1) of the Corporations Act.

**Target Share Registry** means Registries Limited of Level 7, 207 Kent Street, Sydney, New South Wales 2000, Australia.



## Appendix 6

### Option Scheme of Arrangement

**Tax** means any tax, levy, excise, duty, charge, surcharge, contribution, withholding tax, impost or withholding obligation of whatever nature, whether direct or indirect, by whatever method collected or recovered, together with any fees, penalties, fines, interest or statutory charges.

#### 1.2 Business Days

If the day on which any act to be done under this scheme is a day other than a Business Day, that act must be done on or by the next Business Day except where this scheme expressly specifies otherwise.

#### 1.3 Listing rules are law

A listing rule or business rule of a financial market or securities exchange will be regarded as a law for the purposes of this scheme.

#### 1.4 General rules of interpretation

In this scheme headings are for convenience only and do not affect interpretation and, unless the contrary intention appears:

- (a) a word importing the singular includes the plural and vice versa, and a word of any gender includes the corresponding words of any other gender;
- (b) the word **including** or any other form of that word is not a word of limitation;
- (c) if a word or phrase is given a defined meaning, any other part of speech or grammatical form of that word or phrase has a corresponding meaning;
- (d) a reference to a **person** includes an individual, the estate of an individual, a corporation, an authority, an association or parties in a joint venture, a partnership and a trust;
- (e) a reference to a party includes that party's executors, administrators, successors and permitted assigns, including persons taking by way of novation and, in the case of a trustee, includes any substituted or additional trustee;
- (f) a reference to a document (including this scheme) is to that document as varied, novated, ratified or replaced from time to time;
- (g) a reference to a party, clause, schedule, exhibit, attachment or annexure is a reference to a party, clause, schedule, exhibit, attachment or annexure to or of this scheme, and a reference to this scheme includes all schedules, exhibits, attachments and annexures to it;
- (h) a reference to an agency or body if that agency or body ceases to exist or is reconstituted, renamed or replaced or has its powers or function removed (**obsolete body**), means the agency or body which performs most closely the functions of the obsolete body;
- (i) a reference to a statute includes any regulations or other instruments made under it (**delegated legislation**) and a reference to a statute or delegated legislation or a provision of either includes consolidations, amendments, re enactments and replacements;
- (j) a reference to **\$** or **dollar** is to Australian currency;
- (k) a reference to time is to Sydney, Australia time; and
- (l) this scheme must not be construed adversely to a party just because that party prepared it or caused it to be prepared.

## 2. Preliminary matters

### 2.1 Target

- (a) The Target is a public company limited by shares, incorporated in Australia and registered in the State of New South Wales.
- (b) The Target is admitted to the official list of ASX and Target Shares are officially quoted on ASX. As at 15 December 2010, the Target had the following securities on issue:
  - (i) 103,520,259 Target Shares;
  - (ii) 7,191,000 Target Options; and
  - (iii) 500,000 Target performance rights.

### 2.2 Bidder

- (a) The Bidder is a public company limited by shares, incorporated in Australia and registered in the State of New South Wales.
- (b) The Bidder is admitted to the official list of ASX and Bidder Shares are officially quoted on ASX.

### 2.3 Implementation Agreement

The Bidder and the Target have agreed, by executing the Implementation Agreement, to implement this scheme.

## Appendix 6

### Option Scheme of Arrangement

#### 2.4 Option Deed Poll

The Bidder has agreed, by executing the Option Deed Poll, to perform its obligations under this scheme, including the obligation to provide or procure the provision of the Option Scheme Consideration to the Scheme Optionholders.

### 3. Conditions precedent

#### 3.1 Conditions

(a) This scheme is conditional on:

- (i) all the conditions precedent in clause 3.1 of the Implementation Agreement (other than the conditions in clauses 3.1(m) and 3.1(n)) having been satisfied or waived in accordance with the terms of the Implementation Agreement by 8.00 am on the Second Court Date;
- (ii) the Implementation Agreement not having been terminated in accordance with its terms before 8.00 am on the Second Court Date;
- (iii) approval of this scheme by the Court under section 411(4)(b) of the Corporations Act, including with such other conditions imposed by the Court under section 411(6) of the Corporations Act, as are acceptable to the Target and the Bidder, having been satisfied;
- (iv) the orders of the Court made under section 411(4)(b) (and if applicable, section 411(6)) of the Corporations Act approving this scheme coming into effect, under section 411(10) of the Corporations Act; and
- (v) the condition in clause 3.1(m) of the Implementation Agreement having been satisfied in accordance with the terms of the Implementation Agreement.

(b) The satisfaction of the conditions referred to in clause 3.1(a) is a condition precedent to the operation of clauses 4.3 and 5.

(c) This scheme will lapse and be of no further force or effect if the Effective Date does not occur on or before the End Date.

#### 3.2 Certificate in relation to conditions

The Target and the Bidder must provide to the Court on the Second Court Date a certificate, or such other evidence as the Court requests, confirming whether or not as at 8.00 am on the Second Court Date all the conditions precedent in clause 3.1 of the Implementation Agreement (other than the conditions in clauses 3.1(m) and 3.1(n)) have been satisfied or waived.

#### 3.3 Conclusive evidence

The giving of a certificate by the Target and the Bidder under clause 3.2 will be conclusive evidence of the matters referred to in the certificate.

### 4. Implementation

#### 4.1 Lodgement of Court orders

The Target must lodge with ASIC an office copy of any Court orders under section 411(10) of the Corporations Act approving this scheme by 5.00 pm on the first Business Day following the date on which the Court approves this scheme or by 5.00 pm on the first Business Day following the date on which the Court orders are entered, whichever is later (or such other date as the Target and Bidder agree).

#### 4.2 Consequences of this scheme becoming Effective

If this scheme becomes Effective:

- (a) it will override the constitution of the Target, to the extent of any inconsistency;
- (b) the Bidder must (pursuant to its obligations under the Option Deed Poll) provide or procure the provision of the Option Scheme Consideration in the manner contemplated by clause 5.3; and
- (c) subject to the provision of the Option Scheme Consideration under clause 4.2(b), all the Scheme Options (together with all rights, entitlements and obligations attaching to the Scheme Options) will be cancelled.

#### 4.3 Cancellation of Scheme Options

On the Implementation Date, subject to the provision of the Option Scheme Consideration in the manner contemplated by clause 5.3 and the Bidder providing the Target with written confirmation of that provision, all of the Scheme Options, together with all rights, entitlements and obligations attaching to them as at the Implementation Date, will be cancelled and extinguished, without the need for any further act by any Scheme Optionholder, and the Scheme Optionholder:

## Appendix 6

### Option Scheme of Arrangement

- (a) releases the Target from all obligations in relation to those Scheme Options;
- (b) release and waives any and all rights the Scheme Optionholder may have had (including to be issued Target Shares) in relation to those Scheme Options; and
- (c) authorises the Target to update the Target Option Register recording the cancellation of the Target Options that constitute the Scheme Options.

## 5. Option Scheme Consideration

### 5.1 Amount of Option Scheme Consideration

Each Scheme Optionholder is entitled to receive the Option Scheme Consideration in respect of each Scheme Option held by that Scheme Optionholder.

### 5.2 Fractional entitlement

If the number of Scheme Options held by a Scheme Optionholder is such that an entitlement of that Scheme Optionholder to New Bidder Shares is not a whole number then any fractional entitlement will:

- (a) where the entitlement is to half a New Bidder Share or more, be rounded up to the nearest whole number of New Bidder Shares; and
- (b) where the entitlement is to less than half a New Bidder Share, be rounded down to the nearest whole number of New Bidder Shares.

### 5.3 Provision of Option Scheme Consideration

Subject to clauses 5.3(c), 5.4 and 5.5, the obligation of the Bidder to provide the Option Scheme Consideration to Scheme Optionholders will be satisfied by the Bidder:

- (a) in the case of Option Scheme Consideration that is required to be provided to Scheme Optionholders, by the Bidder procuring that:
  - (i) the name and address of each such Scheme Optionholder is entered into the Bidder Share Register on the Implementation Date in respect of the New Bidder Shares to which the Scheme Optionholder is entitled under this clause 5; and
  - (ii) a share certificate or holding statement (or equivalent document) is sent to the Registered Address of each Scheme Optionholder representing or stating, as applicable, the number of New Bidder Shares to be provided to the Scheme Optionholder pursuant to this scheme;
- (b) in the case of Option Scheme Consideration that is required to be provided to the Sale Agent as a result of the operation of clause 5.4, by the Bidder procuring that:
  - (i) the name and registered address of the Sale Agent, as nominee, is entered into the Bidder Register on the Implementation Date in respect of the New Bidder Shares required to be provided to the Sale Agent under this clause 5;
  - (ii) a share certificate or holding statement (or equivalent document) in the name of the Sale Agent is sent to the Sale Agent representing or stating, as applicable, the number of New Bidder Shares so provided to the Sale Agent; and
  - (iii) the Sale Agent, as nominee, sells or procures the sale or sales of those New Bidder Shares, and pays or procures the payment of the proceeds in accordance with clause 5.5; and
- (c) in the case of joint holders of Scheme Options:
  - (i) New Bidder Shares to be provided under this scheme will be provided to and registered in the names of the joint holders (or the Sale Agent, as applicable);
  - (ii) any cheque required to be sent under clause 5.5 will be made payable to the joint holders and sent to the holder whose name appears first in the Target Option Register on the Record Date; and
  - (iii) any other document required to be sent under this clause 5 must be forwarded to the holder whose name appears first in the Target Option Register on the Record Date

## Appendix 6

### Option Scheme of Arrangement

#### 5.4 Ineligible Foreign Optionholders

The Bidder has no obligation to provide, and will not provide, any New Bidder Shares to any Ineligible Foreign Optionholders under this scheme and, instead, must procure that those New Bidder Shares which, but for this clause 5.4, would be required to be provided to Ineligible Foreign Optionholders are dealt with on behalf of the Ineligible Foreign Optionholders in accordance with clause 5.5.

#### 5.5 Sale Agent

- (a) New Bidder Shares that are required to be dealt with under this clause by virtue of clause 5.4 must be provided by the Bidder to the Sale Agent, as nominee, on the Implementation Date and subsequently sold in accordance with the remaining provisions of this clause 5.5.
- (b) The Bidder must procure that the Sale Agent:
  - (i) as soon as practicable after the Implementation Date, sells or procures the sale or sales of the New Bidder Shares provided to it pursuant to clause 5.5(a), in the ordinary course of trading on ASX; and
  - (ii) remits to the Bidder the proceeds of sale (or procures such remittance) (Option Proceeds).
- (c) Promptly after receiving the entire Option Proceeds in accordance with clause 5.5(b)(ii), the Bidder must pay, or procure the payment, to each Ineligible Foreign Optionholder the amount "A" calculated in accordance with the following formula and rounded down to the nearest cent:

$$A = (B \div C) \times D$$

where:

- B = the number of New Bidder Shares that would have been provided to that Ineligible Foreign Optionholder had it not been an Ineligible Foreign Optionholder;
  - C = the total number of New Bidder Shares which would otherwise have been provided to all Ineligible Foreign Optionholders collectively and which were instead provided to the Sale Agent; and
  - D = the Option Proceeds.
- (d) The Bidder must make payments, or must procure that payments are made, to Ineligible Foreign Optionholders under clause 5.5(c) by:
    - (i) sending (or procuring the Bidder Share Registry to send) it to the Ineligible Foreign Optionholder's Registered Address by cheque in Australian currency; or
    - (ii) if the Ineligible Foreign Optionholder has a payment direction (that is currently used for the payment of dividends) for a bank account with any Australian ADI (as defined in the Corporations Act) recorded in the Target Option Register as at the Option Record Date, depositing (or procuring the Bidder Option Registry to deposit) it into that account.
  - (e) Payment of an amount to an Ineligible Foreign Optionholder under this clause 5.5 will be in full satisfaction of the obligations of the Bidder to the Ineligible Foreign Optionholder under this scheme in respect of that Ineligible Foreign Optionholder's Option Scheme Consideration.
  - (f) If the Bidder receives professional advice that any Tax is required by law to be withheld from any such payment, the Bidder must ensure, or must procure, that the relevant amount is withheld before making the payment to the Ineligible Foreign Optionholder (and payment of the reduced amount shall be taken to be full payment of the relevant amount for the purposes of this scheme). The Bidder must ensure, or must procure, that any amount so withheld is paid to the relevant taxation authorities within the time permitted by law, and that a receipt or other appropriate evidence of such payment is promptly provided to the relevant Ineligible Foreign Optionholder.
  - (g) None of the Target, the Bidder or the Sale Agent gives any assurance as to the price that will be achieved for the sale of New Bidder Shares by the Sale Agent. The sale of New Bidder Shares under this clause 5.5 will be at the risk of the Ineligible Foreign Optionholder.
  - (h) Each Ineligible Foreign Optionholder appoints the Target as its agent to receive on its behalf any financial services guide or other notices (including any updates of those documents) that the Sale Agent is required to provide to Ineligible Foreign Optionholder under the Corporations Act.

## Appendix 6

### Option Scheme of Arrangement

#### 5.6 Status of New Bidder Shares

Subject to this scheme becoming Effective, the Bidder must:

- (a) provide the New Bidder Shares required to be provided by it under this scheme on terms such that each such New Bidder Share will rank equally in all respects with each existing Bidder Share; and
- (b) ensure that each such New Bidder Share is duly issued, fully paid and free from any Encumbrance.

#### 5.7 Unclaimed monies

- (a) The Bidder may cancel or procure cancellation of a cheque issued under clause 5.5(d)(i) if the cheque:
  - (i) is returned to the Bidder or the Sale Agent; or
  - (ii) has not been presented for payment within 6 months after the date on which the cheque was sent.
- (b) During the period of 1 year commencing on the Implementation Date, on request from a Scheme Optionholder, the Bidder must reissue, or procure the reissue of, a cheque that was previously cancelled under this clause.

### 6. Dealings in Target Options

#### 6.1 Dealings in Target Options by Scheme Optionholders

To establish the identity of the Scheme Optionholders:

- (a) the Target will not accept as valid, nor recognise for any purpose, any notice of exercise of a Target Option registered in the name of a Target Optionholder:
  - (i) (if the Share Record Date is a date before, or is the same date as, the Option Record Date) received after 5.00 pm on the day which is the Business Day immediately before the Share Record Date;
  - (ii) (if the Share Record Date is a date after the Option Record Date) received after 5.00 pm on the day which is the Business Day immediately before the Option Record Date; or
  - (iii) which is not in accordance with the terms of grant of the Target Options.
- (b) dealings in Target Options will only be recognised if registrable transmission applications or transfers in respect of those dealings are received on or before the Option Record Date at the place where the Target Option Register is kept; and the Target will not accept for registration, nor recognise for the purpose of establishing the persons who are Scheme Optionholders, any transfer or transmission application in respect of the Target Options received after such times or received prior to such times but not in registrable form.

#### 6.2 Registration as holder of Target Shares

- (a) The Target must register, on or before the Share Record Date, the Target Optionholder as the holder of a Target Share (and must issue such share) in respect of the exercise of each Target Option registered in the name of that Target Optionholder pursuant to any notice of exercise given in accordance with the terms of grant of those Target Options and which is given on or before 5.00 pm on the day contemplated by clauses 6.1(a)(i) or (ii) as applicable, and must remove those Target Options from the Target Option Register prior to the Option Record Date.
- (b) The Target Optionholder referred to in clause 6.2(a) acknowledges and agrees that, if the Share Scheme becomes Effective, that Target Optionholder will be bound by the terms of the Share Scheme in respect of each Target Share referred to in clause 6.2(a) and, accordingly, each such Target Share will be transferred to the Bidder in accordance with the Share Scheme.

#### 6.3 Target Option Register

- (a) The Target must maintain the Target Option Register in accordance with the provisions of this clause 6 until the Option Scheme Consideration has been provided to the Scheme Optionholders and the Target Option Register in this form will solely determine entitlements to the Option Scheme Consideration.
- (b) The Target must register registrable transmission applications or transfers of the kind referred to in clause 6.1 on or before the Option Record Date.
- (c) The Target will not accept for registration or recognise for any purpose any transmission application or transfer in respect of Target Options received after the Option Record Date.
- (d) From the Option Record Date until cancellation of the Scheme Options under clause 4.3 or the End Date, no Target Optionholder may deal with Target Options in any way except as set out in this scheme and any attempt to do so will have no effect.

## Appendix 6

### Option Scheme of Arrangement

#### 6.4 Information to be made available to the Bidder

As soon as practicable after the Option Record Date and in any event at least 2 Business Days before the Implementation Date, the Target will ensure that details of the names, Registered Addresses and holdings of Target Options for each Scheme Optionholder are available to the Bidder in the form the Bidder reasonably requires.

#### 6.5 Effect of certificates and holding statements

- (a) All certificates or statements of holding for Target Options will cease to have effect from the Option Record Date as documents of title in respect of those options.
- (b) As from the Option Record Date, each entry current at that date on the Target Option Register will cease to have effect except as evidence of entitlement to the Option Scheme Consideration in respect of the Target Options relating to that entry.

### 7. General scheme provisions

#### 7.1 Consent

If the Court proposes to approve this scheme subject to any alterations or conditions, the Target may, by its counsel or solicitors, consent on behalf of all persons concerned to those alterations or conditions to which the Bidder has consented in writing.

#### 7.2 Agreement of Scheme Optionholders

Each Scheme Optionholder:

- (a) agrees to the cancellation of their Target Options in accordance with terms of this scheme and agrees to the variation, cancellation or modification of the rights attached to their Target Options constituted by or resulting from this scheme; and
- (b) acknowledges that this scheme binds the Target and all Scheme Optionholders (including those who do not attend the Option Scheme Meeting or do not vote at that meeting or vote against this scheme at that Option Scheme Meeting);
- (c) who is issued New Bidder Shares under this scheme agrees to become a shareholder of the Bidder in respect of those New Bidder Shares and to be bound by the constitution of the Bidder; and
- (d) who is an Ineligible Foreign Optionholder agrees and acknowledges that the payment to it of an amount in accordance with clause 5.5 constitutes the satisfaction in full of its entitlement to the Option Scheme Consideration.

#### 7.3 Warranties by Scheme Optionholders

Each Scheme Optionholder is deemed to have warranted to the Target in its own right and for the benefit of the Bidder that:

- (a) all their Scheme Options (including any rights and entitlements attaching to those Scheme Options) which are cancelled under this scheme will, on the date they are cancelled, be free from all mortgages, charges, liens, encumbrances and interests of third parties of any kind, whether legal or otherwise and restrictions on transfer of any kind; and
- (b) subject only to the relevant option terms, they have full power and capacity to deal with their Scheme Options (including any rights and entitlements attaching to those Scheme Options).

#### 7.4 Authority given to the Target

Upon this scheme becoming Effective, each Scheme Optionholder without the need for any further act:

- (a) irrevocably appoints the Target and all of its directors, secretaries and officers (jointly and severally) as its attorney and agent for the purpose of:
  - (i) enforcing the Option Deed Poll against the Bidder or the Bidder (as applicable); and
  - (i) executing any document necessary to give effect to this scheme, and the Target accepts such appointment; and
- (b) will be deemed to have authorised the Target to do and execute all acts, matters, things and documents on the part of each Scheme Optionholder necessary to implement this scheme.

#### 7.5 Definition of "sending"

For the purposes of clause 5.5(d)(i), the expression "sending" means, in relation to each Scheme Optionholder:

- (a) sending by ordinary pre-paid post or courier to the Registered Address of that Scheme Optionholder as at the Option Record Date; or
- (b) delivery to the Registered Address of that Scheme Optionholder as at the Option Record Date by any other means at no cost to the recipient.



## Appendix 6

### Option Scheme of Arrangement

#### 8. General

##### 8.1 Stamp duties

The Bidder must pursuant to their obligations under the Option Deed Poll:

- (a) pay all stamp duties and any related fines and penalties in respect of the cancellation of the Scheme Options and is authorised to apply for and retain the proceeds of any refund due in respect of stamp duty paid under this clause; and
- (b) indemnify each Scheme Optionholder against any liability from a failure to comply with clause 8.1(a).

##### 8.2 Notices

- (a) If a notice, transfer, transmission application, direction or other communication referred to in this scheme is sent by post to the Target, it will not be taken to be received in the ordinary course of post or on a date and time other than the date and time (if any) on which it is actually received at the place where the Target's Option Registry is kept.
- (b) The accidental omission to give notice of the Option Scheme Meeting or the non-receipt of such a notice by any Target Optionholder may not, unless so ordered by the Court, invalidate the Option Scheme Meeting or the proceedings of the Option Scheme Meeting.

##### 8.3 Further acts and documents

The Target must do all further acts and execute and deliver all further documents required by law or necessary to give effect to this scheme and the transactions contemplated by it.

#### 9. Governing law and jurisdiction

##### 9.1 Governing law

This scheme is governed by the law applying in Western Australia.

##### 9.2 Jurisdiction

Each party irrevocably:

- (a) submits to the non-exclusive jurisdiction of the courts of Western Australia, Commonwealth courts having jurisdiction in that state and the courts competent to determine appeals from those courts, with respect to any proceedings that may be brought at any time relating to this scheme; and
- (b) waives any objection it may have now or in the future to the venue of any proceedings, and any claim it may have now or in the future that any proceedings have been brought in an inconvenient forum, if that venue falls within clause 9.2(a).

#### Schedule 1: Option Scheme Consideration

The Option Scheme Consideration will be calculated as follows:

1. Option Scheme Consideration will be in the form of New Bidder Shares with the number offered set by reference to the Share Scheme Consideration of 0.31 New Bidder Shares per Target Share.
2. The number of New Bidder Shares to be provided for each Scheme Option will be calculated according to the following formula (regardless of whether the Scheme Option has a strike price above, below or equal to the Share Scheme Consideration):

$$N = A \div B$$

where:

N = New Bidder Shares per Scheme Option;

A = the Australian dollar value of the Scheme Option according to the Black Scholes option pricing formula.

For the Black Scholes formula:

- (i) the valuation date must be 20 October 2010;
- (ii) the annualised volatility assumption will be set at 50%; and
- (iii) the spot price of Target Shares will be the implied Australian dollar value of the Share Scheme Consideration on 20 October 2010, where the value of Bidder Shares used to determine the implied value of the Share Scheme Consideration is to be the volume weighted average price of Bidder Shares on ASX for the 5 full trading days preceding 20 October 2010; and

B = the volume weighted average price of Bidder Shares on ASX for the 5 full trading days preceding 20 October 2010.

# Appendix 7

## Option Scheme Deed Poll

## Appendix 7

### Option Scheme Deed Poll

#### Deed poll dated 15 December 2010

**By** **Kingsgate Consolidated Limited ABN 42 000 837 472** of Suite 801, Level 8, 14 Martin Place, Sydney, New South Wales 2000, Australia (**Bidder**)

**In favour of** **Each person registered as a holder of options to acquire unissued fully paid ordinary shares in the capital of Dominion Mining Ltd ABN 37 000 660 864** of 15 Outram Street, West Perth, Western Australia 6005, Australia (**Target**) on issue as at the Record Date (**Scheme Optionholders**)

#### Background

- A. On 20 October 2010, the Target and the Bidder entered into a scheme implementation agreement (Implementation Agreement) to provide for the implementation of the Share Scheme and the Option Scheme.
- B. The effect of the Option Scheme will be to cancel all Scheme Options in exchange for the Option Scheme Consideration.
- C. The Bidder enters into this deed poll to covenant in favour of the Scheme Optionholders to provide or procure the provision of the Option Scheme Consideration in accordance with the Option Scheme.

#### It is declared as follows

##### 1. Definitions and interpretation

###### 1.1 Definitions

In this deed poll:

**Option Scheme** means the proposed scheme of arrangement under Part 5.1 of the Corporations Act between the Target and holders of options to acquire unissued fully paid ordinary shares in the capital of the Target, as contemplated by the Implementation Agreement.

###### 1.2 Terms defined in the Implementation Agreement

Capitalised words and phrases defined in the Implementation Agreement and not in this deed poll have the same meaning in this deed poll as in the Implementation Agreement unless the context requires otherwise.

###### 1.3 Interpretation

The provisions of clauses 1.4, 1.5 and 1.6 of the Implementation Agreement form part of this deed poll as if set out in full in this deed poll, except that references to “agreement” in those clauses will be taken to be references to “deed poll”.

###### 1.4 Nature of this deed poll

The Bidder acknowledges that this deed poll may be relied on and enforced by any Scheme Optionholder in accordance with its terms even though the Scheme Optionholder are not a party to it.

##### 2. Condition precedent

###### 2.1 Condition

The obligations of the Bidder under clause 3 are subject to the Option Scheme becoming Effective.

###### 2.2 Termination

The obligations of the Bidder under this deed poll will automatically terminate and this deed poll will be of no further force or effect if:

- (a) the Implementation Agreement is terminated in accordance with its terms; or
- (b) the Option Scheme is not Effective by the End Date,

unless the Bidder and the Target otherwise agree.

###### 2.3 Consequences of termination

If this deed poll terminates under clause 2.2, in addition to and without prejudice to any other rights, powers or remedies available to it:

- (a) the Bidder is released from its obligations to further perform this deed poll; and
- (b) each Scheme Optionholder retains the rights they have against the Bidder in respect of any breach of this deed poll which occurs before it was terminated.

##### 3. Provision of the Option Scheme Consideration

###### 3.1 Undertaking

Subject to clause 2, the Bidder undertakes in favour of each Scheme Optionholder to provide or procure the provision of the Option Scheme Consideration to each Scheme Optionholder in accordance with the terms of the Option Scheme and undertakes to perform all other actions attributed to it under the Option Scheme.



## Appendix 7

### Option Scheme Deed Poll

#### 3.2 Status of New Bidder Shares

The Bidder undertakes in favour of each Scheme Optionholder that the New Bidder Shares which are provided to Scheme Optionholder and the Sale Agent in accordance with the Option Scheme will:

- (a) rank equally in all respects with existing Bidder Shares; and
- (b) be duly issued, fully paid and free from any Encumbrance.

#### 4. Warranties

The Bidder warrants to each Scheme Optionholder that:

- (a) it is a company properly incorporated and validly existing under the laws of the country or jurisdiction of its incorporation;
- (b) it has the legal right and full corporate power and capacity to execute, deliver and perform its obligations under this deed poll and to carry out the transactions contemplated by this deed poll;
- (c) it has taken all necessary corporate action to authorise its entry into this deed poll and has taken or will take all necessary corporate action to authorise the performance of this deed poll and to carry out the transactions contemplated by this deed poll;
- (d) this deed poll constitutes (or will when executed constitute) valid legal and binding obligations of it and is enforceable against it in accordance with its terms;
- (e) it is solvent and no resolutions have been passed nor has any other step been taken or legal proceedings commenced or threatened against it for its winding up or dissolution or for the appointment of a liquidator, receiver, administrator or similar officer over any or all of its assets (or any event under any law which is analogous to, or which has a substantially similar effect to, any of the events referred to in this paragraph);
- (f) the execution, delivery and performance of this deed poll by it does not and will not result in a breach of or constitute a default under:
  - (i) any agreement to which it is party;
  - (ii) any provision of the constitution or articles of association (as applicable); or
  - (iii) any law or regulation or any order, judgment or determination of any court or Regulatory Authority by which it is bound.

#### 5. Continuing obligations

This deed poll is irrevocable and remains in full force and effect until the Bidder has fully performed its obligations under it or the earlier termination of this deed poll under clause 2.

#### 6. General

##### 6.1 Notices

Each communication (including each notice, consent, approval, request and demand) under or in connection with this deed poll:

- (a) must be in writing;
- (b) must be addressed as follows:
  - if to the Bidder:
    - Address: Suite 801, Level 8  
14 Martin Place  
Sydney NSW 2000  
Australia
    - Fax number: +61 2 8256 4810
    - For the attention of: Company Secretary
- (c) must be signed by the party making it or (on that party's behalf) by the solicitor for, or any attorney, director, secretary or authorised agent of, that party;
- (d) must be delivered by hand or posted by prepaid post to the address, or sent by fax to the number, of the addressee, in accordance with clause 6.1(b); and
- (e) is taken to be received by the addressee:
  - (i) (in the case of prepaid post sent to an address in the same country) on the third day after the date of posting;
  - (ii) (in the case of prepaid post sent to an address in another country) on the fifth day after the date of posting by airmail;
  - (iii) (in the case of fax) at the time in the place to which it is sent equivalent to the time shown on the transmission confirmation report produced by the fax machine from which it was sent; and
  - (iv) (in the case of delivery by hand) on delivery,

but if the communication is taken to be received on a day that is not a working day or after 5.00 pm, it is taken to be received at 9.00 am on the next working day ("working day" meaning a day that is not a Saturday, Sunday or public holiday and on which banks are open for business generally, in the place to which the communication is posted, sent or delivered).

## Appendix 7

### Option Scheme Deed Poll

#### 6.2 Governing law

This deed poll is governed by and must be construed according to the law applying in Western Australia.

#### 6.3 Jurisdiction

The Bidder irrevocably:

- (a) submits to the non-exclusive jurisdiction of the courts of Western Australia, Commonwealth courts having jurisdiction in that state and the courts competent to determine appeals from those courts, with respect to any proceedings that may be brought at any time relating to this deed poll; and
- (b) waive any objection it may now or in the future have to the venue of any proceedings, and any claim it may now or in the future have that any proceedings have been brought in an inconvenient forum, if that venue falls within clause 6.3(a).

#### 6.4 Amendments

This deed poll may be amended only by another deed poll entered into by the Bidder, and then only if the amendment is agreed to by the Target in writing and the Court indicates that the amendment would not preclude approval of the Option Scheme.

#### 6.5 Waiver

- (a) Failure to exercise or enforce, or a delay in exercising or enforcing, or the partial exercise or enforcement of, a right, power or remedy provided by law or under this deed poll by a party does not preclude, or operate as a waiver of, the exercise or enforcement, or further exercise or enforcement, of that or any other right, power or remedy provided by law or under this deed poll.
- (b) A waiver or consent given by a party under this deed poll is only effective and binding on that party if it is given or confirmed in writing by that party.
- (c) No waiver of a breach of a term of this deed poll operates as a waiver of another breach of that term or of a breach of any other term of this deed poll.

#### 6.6 Further acts and documents

The Bidder must do all further acts and execute and deliver all further documents required by law or necessary to give effect to this deed poll and the transactions contemplated by it.

#### 6.7 Assignment

The rights of each Scheme Optionholder under this deed poll are personal and cannot be assigned, novated or otherwise transferred without the prior written consent of the Bidder.

#### 6.8 Stamp duties

The Bidder must:

- (a) pay all stamp duties and any related fines and penalties in respect of this deed poll, the performance of this deed poll and each transaction effected by or made under this deed poll and is authorised to apply for and retain the proceeds of any refund due in respect of stamp duty paid under this clause; and
- (b) indemnify each Scheme Optionholder against any liability arising from a failure to comply with clause 6.8(a).

#### 6.9 Cumulative rights

The rights, powers and remedies of the Bidder and each Scheme Optionholder under this deed poll are cumulative and do not exclude any other rights, powers or remedies provided by the law independently of this deed poll.

**Executed** and delivered as a deed poll.

**Executed by Kingsgate Consolidated Limited ABN 42 000 837 472**

in accordance with section 127 of the Corporations Act 2001 (Cth):

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Signature of director

---

Signature of company secretary/director

---

Full name of director

---

Full name of company secretary/director

## Corporate directory

### Company

Dominion Mining Limited ACN 000 660 864

### Registered office

15 Outram Street  
WEST PERTH WA 6005

### Company secretary

Ross Coyle

### Share registry

Registries Limited  
Level 7, 207 Kent Street  
SYDNEY NSW 2000

### Legal adviser

Johnson Winter & Slattery

Level 1, London House  
216 St Georges Terrace  
PERTH WA 6000

Level 30  
264 George Street  
SYDNEY NSW 2000

### Financial adviser

Goldman Sachs & Partners Australia Pty Ltd

Level 42, Governor Phillip Tower  
1 Farrer Place  
SYDNEY NSW 2000

### Independent Expert

KPMG Corporate Finance (Aust) Pty Ltd

235 St Georges Terrace  
PERTH WA 6000

### Investigating Accountant

PricewaterhouseCoopers Securities Ltd

Darling Park Tower 2  
201 Sussex Street  
SYDNEY NSW 1171





## Letter from the Chairman of Dominion



16 December 2010

### Dear Dominion Shareholder

On behalf of the Board of Directors, it is my pleasure to invite you to the Share Scheme Meeting to consider and, if thought fit, approve the scheme of arrangement (**Share Scheme**) whereby Kingsgate Consolidated Limited (**Kingsgate**) proposes to acquire all outstanding shares in Dominion Mining Limited (**Dominion**).

In consideration for your Dominion shares, you will receive 0.31 ordinary Kingsgate shares for each Dominion share you hold on the Share Scheme Record Date.

The Dominion Directors have unanimously recommended that Dominion Shareholders vote in favour of the Share Scheme, in the absence of a superior proposal.

**The Share Scheme Meeting is to be held  
at 10.00am (Sydney time) on Wednesday, 2 February 2011  
at the Metcalfe Auditorium, State Library of NSW, Macquarie Street,  
Sydney, New South Wales.**

Enclosed with this letter is the Notice of Share Scheme Meeting, the explanatory statement (in the form of a Scheme Booklet) and a proxy form.

I encourage you to read the Scheme Booklet carefully as it contains important information, including the benefits and the potential disadvantages and risks of the Share Scheme, and will assist you to decide how to vote in relation to the Share Scheme.

### **Your vote is important in determining whether or not the Share Scheme proceeds.**

If you are unable to attend the Share Scheme Meeting, you can vote by completing and returning the enclosed proxy form by **10.00am (Sydney time) on Monday, 31 January 2011** in accordance with the instructions set out on the proxy form. Alternatively, you can lodge your proxy on-line at [www.registries.com.au/vote/dominionscheme](http://www.registries.com.au/vote/dominionscheme).

We look forward to seeing you at the Share Scheme Meeting.

Yours sincerely

**Peter C Joseph AM**  
Chairman  
Dominion Mining Limited

## Letter from the Chairman of Dominion



16 December 2010

### Dear Dominion Optionholder

On behalf of the Board of Directors, it is my pleasure to invite you to the Option Scheme Meeting to consider and, if thought fit, approve the scheme of arrangement (**Option Scheme**) whereby all outstanding Dominion Mining Limited options will be cancelled in return for ordinary shares in Kingsgate Consolidated Limited.

The Dominion Directors have unanimously recommended that Dominion Optionholders vote in favour of the Option Scheme, in the absence of a superior proposal.

**The Option Scheme Meeting is to be held  
at 11.15am (Sydney time) on Wednesday, 2 February 2011  
at the Metcalfe Auditorium, State Library of NSW, Macquarie Street,  
Sydney, New South Wales or as soon thereafter as the Share Scheme Meeting  
commencing at 10.00am (Sydney time) is concluded.**

Enclosed with this letter is the Notice of Option Scheme Meeting, the explanatory statement (in the form of a Scheme Booklet) and a proxy form.

I encourage you to read the Scheme Booklet carefully as it contains important information, including the benefits and the potential disadvantages and risks of the Option Scheme, and will assist you to decide how to vote in relation to the Option Scheme.

### **Your vote is important in determining whether or not the Option Scheme proceeds.**

If you are unable to attend the Option Scheme Meeting, you can vote by completing and returning the enclosed proxy form by **10.00am (Sydney time) on Monday, 31 January 2011** in accordance with the instructions set out on the proxy form.

We look forward to seeing you at the Option Scheme Meeting.

Yours sincerely

**Peter C Joseph AM**  
Chairman  
Dominion Mining Limited

# Notice of Option Scheme Meeting

## **NOTICE OF COURT ORDERED MEETING OF HOLDERS OF OPTIONS TO ACQUIRE FULLY PAID ORDINARY SHARES IN DOMINION MINING LIMITED ACN 000 660 864**

**NOTICE IS HEREBY GIVEN** that, by an order of the Federal Court of Australia (**Court**) made on 16 December 2010 pursuant to section 411(1) of the Corporations Act, a meeting of the holders of options to acquire fully paid ordinary shares (**Dominion Optionholders**) in Dominion Mining Limited ACN 000 660 864 (**Dominion**) will be held at:

Metcalfe Auditorium, State Library of NSW,  
Macquarie Street, Sydney, New South Wales

on

Wednesday, 2 February 2011  
commencing at 11.15am (Sydney time)

or as soon thereafter as the Share Scheme Meeting to be held on the same date is concluded.

The Court has also directed that Mr Peter Joseph act as Chairman of the meeting, or failing him, Mr John Gaskell, and has directed the Chairman to report the result of the meeting to the Court.



## Notice of Option Scheme Meeting

### Purpose of this meeting

The purpose of this meeting is to consider and, if thought fit, to agree to a scheme of arrangement (with or without modification) proposed to be made between Dominion and the Dominion Optionholders (**Option Scheme**).

A copy of the Option Scheme and a copy of the explanatory statement required by section 412 of the Corporations Act in relation to the Option Scheme are contained in the Scheme Booklet accompanying this notice of meeting.

### Resolution

To consider and, if thought fit, to pass the following resolution in accordance with section 411(4)(a)(i) of the Corporations Act:

*"That pursuant to and in accordance with section 411 of the Corporations Act, the option scheme of arrangement proposed to be entered into between Dominion and the Dominion Optionholders, as more particularly set out in the Scheme Booklet accompanying this notice of meeting, is agreed to (with or without modification as approved by the Court)."*

By order of the Board of  
**Dominion Mining Limited**



**Ross Coyle**  
Company Secretary

16 December 2010

# Notice of Option Scheme Meeting

## EXPLANATORY NOTES

- (1) **General:** Capitalised terms used in this notice of meeting (and not otherwise defined in it) have the meanings set out in the Glossary contained in the Scheme Booklet accompanying this notice of meeting.

This notice of meeting should be read in conjunction with the entire Scheme Booklet accompanying this notice of meeting. The Scheme Booklet contains important information to assist Dominion Optionholders in determining how to vote on the proposed resolution.

- (2) **Required majorities:** In accordance with section 411(4)(a)(i) of the Corporations Act, the resolution to approve the Option Scheme must be approved by a majority (i.e. more than 50%) in number of Dominion Optionholders voting on the resolution (whether in person or by proxy or attorney) whose Dominion Options in aggregate are at least 75% (by value) of the total of all Dominion Options voted on the resolution.

For this purpose, the value of a Dominion Optionholder's options will be equal to the value of the Option Scheme Consideration that would be payable to them under the Option Scheme in respect of their Dominion Options.

- (3) **Court approval:** The Option Scheme is conditional (among other things) on approval by order of the Court. If the resolution set out in this notice of meeting is passed (with or without modification) in accordance with the requisite majorities set out above and the conditions precedent to the Option Scheme referred to in Section 6.3 of the Scheme Booklet are satisfied or, where applicable, waived, Dominion intends to apply to the Court for the necessary orders to give effect to the Option Scheme.
- (4) **Voting entitlement:** Each person who is recorded in the Dominion Option Register as the holder of Dominion Options as at 7.00pm (Sydney time) on Monday, 31 January 2011 is entitled to attend and vote at the Option Scheme Meeting.
- (5) **How to vote:** Voting at the Option Scheme Meeting will occur by poll. Dominion Optionholders entitled to vote at the Option Scheme Meeting may vote in one of the following ways:
- by attending the Option Scheme Meeting and voting in person;
  - by appointing a proxy to attend the Option Scheme Meeting and vote on their behalf, using the proxy form accompanying the Scheme Booklet; or
  - by appointing an attorney to attend the Option Scheme Meeting and vote on their behalf.
- (6) **Attending the Option Scheme Meeting:** Dominion Optionholders or their representatives who plan to attend the Option Scheme Meeting are asked to arrive at the venue at least 30 minutes prior to the time the Option Scheme Meeting is to commence, so that their optionholding may be checked against the Dominion Option Register and their power of attorney or appointment as proxy can be verified (as the case may be) and their attendance noted.
- (7) **Voting in person:** To vote in person at the Option Scheme Meeting, Dominion Optionholders must attend the Option Scheme Meeting to be held at the Metcalfe Auditorium, State Library of NSW, Macquarie Street, Sydney, New South Wales on Wednesday, 2 February 2011. The meeting will commence at 11.15am (Sydney time) or as soon thereafter as the Share Scheme Meeting to be held on the same date is concluded.



## Notice of Option Scheme Meeting

- (8) **Voting by proxy:** A Dominion Optionholder entitled to attend and vote may appoint a proxy to attend the Option Scheme Meeting and vote in their place. A proxy need not be a Dominion Optionholder. A Dominion Optionholder who is entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes which each proxy is appointed to exercise. If proportions or numbers are not specified, each proxy may exercise half the Dominion Optionholder's votes. Fractions of votes will be disregarded. Appointing a proxy will not preclude a Dominion Optionholder from attending the Option Scheme Meeting in person and voting at the meeting instead of their proxy.

To appoint a proxy, Dominion Optionholders should complete the relevant section of the proxy form accompanying the Scheme Booklet. A proxy form can also be requested by contacting Registries Limited.

For the appointment of a proxy to be effective, the proxy form (together with any power of attorney or other authority under which the proxy form is signed or a certified copy of that power of attorney or authority) must be completed and received by no later than 10.00am (Sydney time) on Monday, 31 January 2011.

A proxy of a Dominion Optionholder should bring a copy of the proxy form (together with any power of attorney or other authority under which the proxy form is signed or a certified copy of that power of attorney or authority) to the Option Scheme Meeting to assist with admission to the Option Scheme Meeting.

- (9) **Lodgement of proxy forms:** A proxy form must be:

- posted to Registries Limited in the reply paid envelope provided or, if you are outside of Australia or do not otherwise use the reply paid envelope, to Registries Limited at:  
Share Registry – Registries Limited,  
GPO Box 3993,  
Sydney NSW 2001, Australia;
- or
- delivered in person to Registries Limited at:  
Share Registry – Registries Limited,  
Level 7, 207 Kent Street,  
Sydney NSW 2000;
- or
- successfully transmitted by facsimile to Registries Limited on +61 2 9290 9655; or
- posted, delivered or successfully transmitted by facsimile to the registered office of Dominion,  
so that it is received by no later than 10.00am (Sydney time) on Monday, 31 January 2011.

- (10) **Voting by attorney:** A Dominion Optionholder entitled to attend and vote may appoint an attorney to attend the Option Scheme Meeting and vote on their behalf. An attorney need not be a Dominion Optionholder.

The power of attorney, or a certified copy of the power of attorney, should be lodged with Registries Limited before the Option Scheme Meeting or brought to the Option Scheme Meeting.

# Notice of Share Scheme Meeting

## **NOTICE OF COURT ORDERED MEETING OF HOLDERS OF ORDINARY SHARES IN DOMINION MINING LIMITED ACN 000 660 864**

**NOTICE IS HEREBY GIVEN** that, by an order of the Federal Court of Australia (**Court**) made on 16 December 2010 pursuant to section 411(1) of the Corporations Act, a meeting of the holders of fully paid ordinary shares (**Dominion Shareholders**) in Dominion Mining Limited ACN 000 660 864 (**Dominion**) will be held at:

Metcalfe Auditorium, State Library of NSW,  
Macquarie Street, Sydney, New South Wales  
on

Wednesday, 2 February 2011  
commencing at 10.00am (Sydney time).

The Court has also directed that Mr Peter Joseph act as Chairman of the meeting, or failing him, Mr John Gaskell, and has directed the Chairman to report the result of the meeting to the Court.



## Notice of Share Scheme Meeting

### Purpose of this meeting

The purpose of this meeting is to consider and, if thought fit, to agree to a scheme of arrangement (with or without modification) proposed to be made between Dominion and the Dominion Shareholders (**Share Scheme**).

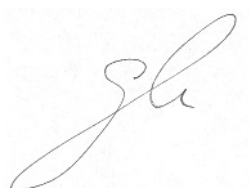
A copy of the Share Scheme and a copy of the explanatory statement required by section 412 of the Corporations Act in relation to the Share Scheme are contained in the Scheme Booklet accompanying this notice of meeting.

### Resolution

To consider and, if thought fit, to pass the following resolution in accordance with section 411(4)(a)(ii) of the Corporations Act:

*"That pursuant to and in accordance with section 411 of the Corporations Act, the share scheme of arrangement proposed to be entered into between Dominion and the Dominion Shareholders, as more particularly set out in the Scheme Booklet accompanying this notice of meeting, is agreed to (with or without modification as approved by the Court)."*

By order of the Board of  
**Dominion Mining Limited**

A handwritten signature in black ink, appearing to read 'RC', is written over a light blue rectangular background.

**Ross Coyle**  
Company Secretary

16 December 2010

# Notice of Share Scheme Meeting

## EXPLANATORY NOTES

- (1) **General:** Capitalised terms used in this notice of meeting (and not otherwise defined in it) have the meanings set out in the Glossary contained in the Scheme Booklet accompanying this notice of meeting.
- This notice of meeting should be read in conjunction with the entire Scheme Booklet accompanying this notice of meeting. The Scheme Booklet contains important information to assist Dominion Shareholders in determining how to vote on the proposed resolution.
- (2) **Required majorities:** In accordance with section 411(4)(a)(ii) of the Corporations Act, the resolution to approve the Share Scheme must be approved by:
- (a) unless the Court orders otherwise, a majority (i.e. more than 50%) in number of Dominion Shareholders voting on the resolution (whether in person or by proxy, attorney or corporate representative); and
  - (b) at least 75% of the total number of votes cast by Dominion Shareholders on the resolution (whether in person or by proxy, attorney or corporate representative).
- (3) **Court approval:** The Share Scheme is conditional (among other things) on approval by order of the Court. If the resolution set out in this notice of meeting is passed (with or without modification) in accordance with the requisite majorities set out above and the conditions precedent to the Share Scheme referred to in Section 6.3 of the Scheme Booklet are satisfied or, where applicable, waived, Dominion intends to apply to the Court for the necessary orders to give effect to the Share Scheme. The Court has a discretion to approve the Share Scheme where it is approved by at least 75% of all votes cast on the Share Scheme Resolution but not by a majority in number of Dominion Shareholders voting on the Share Scheme Resolution: refer to section 411(4)(a)(ii)(A) of the Corporations Act.
- (4) **Voting entitlement:** Each person who is recorded in the Dominion Share Register as the holder of Dominion Shares as at 7.00pm (Sydney time) on Monday, 31 January 2011 is entitled to attend and vote at the Share Scheme Meeting.
- (5) **How to vote:** Voting at the Share Scheme Meeting will occur by poll. Dominion Shareholders entitled to vote at the Share Scheme Meeting may vote in one of the following ways:
- by attending the Share Scheme Meeting and voting in person;
  - by appointing a proxy to attend the Share Scheme Meeting and vote on their behalf, using the proxy form accompanying the Scheme Booklet;
  - by appointing an attorney to attend the Share Scheme Meeting and vote on their behalf; or
  - in the case of bodies corporate, by appointing an authorised corporate representative pursuant to section 250D of the Corporations Act to attend the Share Scheme Meeting and vote on their behalf.
- (6) **Attending the Share Scheme Meeting:** Dominion Shareholders or their representatives who plan to attend the Share Scheme Meeting are asked to arrive at the venue at least 30 minutes prior to the time the Share Scheme Meeting is to commence, so that their shareholding may be checked against the Dominion Share Register, their power of attorney or appointment as proxy or corporate representative can be verified (as the case may be) and their attendance noted.
- (7) **Jointly held shares:** If Dominion Shares are jointly held, only one of the joint shareholders is entitled to vote. If more than one shareholder votes in respect of jointly held Dominion Shares, only the vote of the shareholder whose name appears first on the Dominion Share Register will be counted.
- (8) **Voting in person:** To vote in person at the Share Scheme Meeting, Dominion Shareholders must attend the Share Scheme Meeting to be held at the Metcalfe Auditorium, State Library of NSW, Macquarie Street, Sydney, New South Wales on Wednesday, 2 February 2011. The meeting will commence at 10.00am (Sydney time).
- (9) **Voting by proxy:** A Dominion Shareholder entitled to attend and vote may appoint a proxy to attend the Share Scheme Meeting and vote in their place. A proxy need not be a Dominion Shareholder. A member who is entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes which each proxy is appointed to exercise. If proportions or numbers are not specified, each proxy may exercise half the Dominion Shareholder's votes. Fractions of votes will be disregarded. Appointing a proxy will not preclude a Dominion Shareholder from attending the Share Scheme Meeting in person and voting at the meeting instead of their proxy. To appoint a proxy, Dominion Shareholders should complete the relevant section of the proxy form accompanying the Scheme Booklet. A proxy form can also be requested by contacting Registries Limited.

## Notice of Share Scheme Meeting

For the appointment of a proxy to be effective, the proxy form (together with any power of attorney or other authority under which the proxy form is signed or a certified copy of that power of attorney or authority) must be completed and received by no later than 10.00am (Sydney time) on Monday, 31 January 2011.

A proxy of a Dominion Shareholder should bring a copy of the proxy form (together with any power of attorney or other authority under which the proxy form is signed or a certified copy of that power of attorney or authority) to the Share Scheme Meeting to assist with admission to the Share Scheme Meeting.

(10) **Lodgement of proxy forms:** A proxy form must be:

- posted to Registries Limited in the reply paid envelope provided or, if you are outside of Australia or do not otherwise use the reply paid envelope, to Registries Limited at:  
Share Registry – Registries Limited,  
GPO Box 3993,  
Sydney NSW 2001, Australia;  
or
  - delivered in person to Registries Limited at:  
Share Registry – Registries Limited,  
Level 7, 207 Kent Street,  
Sydney NSW 2000;  
or
  - successfully transmitted by facsimile to Registries Limited on +61 2 9290 9655; or
  - posted, delivered or successfully transmitted by facsimile to the registered office of Dominion; or
  - submitted online at [www.registries.com.au/vote/dominionscheme](http://www.registries.com.au/vote/dominionscheme),
- so that it is received by no later than 10.00am (Sydney time) on Monday, 31 January 2011.

(11) **Voting by attorney:** A Dominion Shareholder entitled to attend and vote may appoint an attorney to attend the Share Scheme Meeting and vote on their behalf. An attorney need not be a Dominion Shareholder.  
The power of attorney, or a certified copy of the power of attorney, should be lodged with Registries Limited before the Share Scheme Meeting or brought to the Share Scheme Meeting.

(12) **Corporate representative:** To vote at the Share Scheme Meeting (other than by proxy or attorney), a Dominion Shareholder that is a corporation must appoint a person to act as its representative. The appointment must comply with the requirements of section 250D of the Corporations Act, meaning that Dominion will require a certificate of appointment of the representative (or such other document as the Chairman of the Share Scheme Meeting considers sufficient, together with any power of attorney or other authority under which the certificate or other document is signed or a certified copy of that power of attorney or authority).

A form of certificate of appointment can be obtained from Registries Limited.

The certificate of appointment (together with any power of attorney or other authority under which the certificate is signed or a certified copy of that power of attorney or authority) should be lodged with Registries Limited prior to the Share Scheme Meeting or brought to the Share Scheme Meeting.