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**SHREE MINERALS LIMITED**

**ACN 130 618 683**

**NOTICE OF GENERAL MEETING**

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**TIME:** 11.00am (AWST)

**DATE:** Thursday, 16 June 2016

**PLACE:** Unit 2  
The Pines Business Centre  
88 Forrest Street  
COTTESLOE WA 6011

*This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.*

*Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on +61 8 9385 5194.*

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## IMPORTANT INFORMATION

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### Time and place of Meeting

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Notice is given that the Meeting will be held at 11.00am (AWST) on Thursday, 16 June 2016 at:

Unit 2  
The Pines Business Centre  
88 Forrest Street  
COTTESLOE WA 6011

### Your vote is important

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The business of the Meeting affects your shareholding and your vote is important.

### Voting eligibility

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The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 4.00pm (AWST) on Tuesday, 14 June 2016.

### Voting in person

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To vote in person, attend the Meeting at the time, date and place set out above.

### Voting by proxy

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To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- each Shareholder has a right to appoint a proxy;
- the proxy need not be a Shareholder of the Company; and
- a Shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes, then in

accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Shareholders and their proxies should be aware that changes to the Corporations Act made in 2011 mean that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Further details on these changes are set out below.

#### ***Proxy vote if appointment specifies way to vote***

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, **if it does**:

- the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (ie as directed); and
- if the proxy has 2 or more appointments that specify different ways to vote on the resolution, the proxy must not vote on a show of hands; and
- if the proxy is the chair of the meeting at which the resolution is voted on, the proxy must vote on a poll, and must vote that way (ie as directed); and
- if the proxy is not the chair, the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (ie as directed).

#### ***Transfer of non-chair proxy to chair in certain circumstances***

Section 250BC of the Corporations Act provides that, if:

- an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members; and
- the appointed proxy is not the chair of the meeting; and
- at the meeting, a poll is duly demanded on the resolution; and
- either of the following applies:
  - the proxy is not recorded as attending the meeting; or
  - the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

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## BUSINESS OF THE MEETING

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### AGENDA

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#### 1. RESOLUTION 1 – SECTION 611 APPROVAL

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purposes of Section 611 (Item 7) of the Corporations Act, Listing Rule 10.11 of the Listing Rules of ASX and for all other purposes, approval is given for the Company to issue up to 142,184,223 Shares (**New Shares**) to RB Investments Pte Ltd (**RBI**) on the terms and conditions set out in the Explanatory Statement, which in addition to the 30,437,500 Shares already held, will result in RBI’s voting power increasing from 21.41% to 60.71% in the capital of the Company.”*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by RBI and any of its associates or any other person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed. However the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

**Expert’s Report:** Shareholders should carefully consider the report prepared by the Independent Expert for the purposes of the Shareholder approval required under Section 611 Item 7 of the Corporations Act. The Independent Expert’s Report comments on the fairness and reasonableness of the transactions the subject of this resolution to the non-associated Shareholders in the Company.

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**Dated: 12 May 2016**

**By order of the Board**

**SANJAY LOYALKA**  
**DIRECTOR**

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## EXPLANATORY STATEMENT

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This Explanatory Statement has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions.

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### 1. RESOLUTION 1 – SECTION 611 APPROVAL

#### 1.1 Background

The Company is a mineral exploration and mining company that has historically operated an iron ore mine located in the Nelson Bay region in Tasmania.

In June 2014, the Directors, having considered the difficult circumstances for iron ore miners throughout the world caused by the continued drop in the iron ore price, elected to put the Company's operating mine on care and maintenance and to focus the Company's attention on cost reduction initiatives including:

- reducing the amount of directors' fees drawn by the Directors of the Company;
- suspending or terminating contracts with various service providers;
- reducing its staffing, or converting full time staff to part time roles;
- reducing exploration activities; and
- reconsidering the business case around the Company's mine plan.

As set out in the Company's Appendix 5B – Mining Exploration Entity Quarterly Report, as at 31 March 2016, the Company had a current cash balance of \$1,020,671 (excluding security deposits for rehabilitation bonds).

As set out in the Company's Half Yearly Year Report & Accounts for the period ended 31 Dec 2015 (**Half Yearly**), the Company currently has a working capital deficiency (refer Note 1A in the Half Yearly) for reasons including the outstanding balance of the offtake advance received by the Company from Frost Global Pte Ltd of \$1,684,562 as per Note 10 of the Half Yearly.

In addition to this issue, the Company has seen a steady decline in its Share price over the last 12 months from around \$0.03 to the current trading price of \$0.005 per Share and has suffered a decline in the volume of trading of its Shares during that period also.

The outcome of these matters has made it difficult for the Company to raise funds to address the outstanding amounts owing to under the offtake advance or to ensure that the Company can continue to trade as a going concern until a time where iron ore prices are at a more reasonable level and the Company can re-commence its operations.

The Company has therefore approached RBI to consider making an investment in the Company to ensure the ongoing continuation of the Company as a going concern.

#### 1.2 Capital Raising

As announced on 4 May 2016, notwithstanding these matters outlined in Section 1.1 above, the Company's largest existing Shareholder, RB Investments Pte Ltd

(RBI) has indicated its preparedness to provide funding, by way of a placement, to enable the Company to meet its outstanding obligations and to enable it to continue trading as a going concern for the immediate future.

The Company has entered into a placement agreement with RBI on the following terms (**Placement Agreement**):

- (a) RBI agrees to subscribe and the Company agrees to issue the New Shares at an issue price of \$0.02 per Share, subject to the satisfaction of the completion conditions;
- (b) completion is conditional on Shareholders approving a resolution in accordance with Resolution 1 for the issue of the New Shares and the increase in voting power by RBI as a result of the issue;
- (c) RBI must pay the funds within 3 Business Days after the General Meeting, following which the Company must issue the New Shares and undertake the actions necessary under Section 708A of the Corporations Act to ensure that there are no trading restrictions on the New Shares; and
- (d) the Placement Agreement otherwise contains warranties and standard terms considered consistent with a placement or subscription arrangement.

RBI is a company associated with Director Mr Rajesh Bothra and given RBI's existing shareholding in the Company, RBI would increase its shareholding by up to 39.3% when the placement is completed.

Given the increase in the interest of RBI, Resolution 1 seeks Shareholder approval for the purpose of Item 7 of Section 611 of the Corporations Act to allow the Company to issue 142,184,223 Shares (**New Shares**) to RBI. The issue of the New Shares, when aggregated with the existing Shares held by RBI, will result in RBI's voting power in the Company increasing from 21.41% up to 60.71%.

### 1.3 Chapter 2E of the Corporations Act

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (e) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (f) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The Placement would result in the issue of Shares which constitutes giving a financial benefit and RBI is a related party of the Company by virtue of being controlled by a Director.

The Directors (other than Mr Bothra who has a material personal interest in the Resolution) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the Placement because the issue of Shares under the Placement to RBI is reasonable if the parties had been dealing at an arm's length basis, in particular given that:

- the Placement is being conducted at \$0.02, which is at a significant premium to the trading price of the Company's Shares on ASX prior to the announcement of the Placement on 4 May 2016;
- it is unlikely that the Company could raise funds from its existing Shareholders (other than RBI) at the same price, given the current trading price of the Company and the low trading volumes of the Company; and
- there is a lack of other non-related entities willing to provide the funding necessary for the Company at the current time.

## 1.2 ASX Listing Rule 10.11

ASX Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

As the Placement involves the issue of Shares to a related party of the Company, Shareholder approval pursuant to ASX Listing Rule 10.11 is required unless an exception applies. It is the view of the Directors that the exceptions set out in ASX Listing Rule 10.12 do not apply in the current circumstances.

## 1.4 Item 7 of Section 611 of the Corporations Act

### (a) Section 606 of the Corporations Act – Statutory Prohibition

Pursuant to Section 606(1) of the Corporations Act, a person must not acquire a relevant interest in issued voting shares in a listed company if the person acquiring the interest does so through a transaction in relation to securities entered into by or on behalf of the person and because of the transaction, that person's or someone else's voting power in the company increases:

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

**(Prohibition).**

### (b) Voting Power

The voting power of a person in a body corporate is determined in accordance with Section 610 of the Corporations Act. The calculation of a person's voting power in a company involves determining the voting shares in the company in which the person and the person's associates have a relevant interest.

(c) **RBI's entitlements in the Company**

RBI currently holds the following Shares in the Company:

**Current holdings of RBI:**

Shares	Options	Voting Power
30,437,500	Nil	21.41

Following the issue of the Shares to RBI, RBI's entitlements to the Shares the subject of Resolution 1 and resulting voting power in the Company, will be as follows:

**Holdings of RBI following the Issue**

Shares	Options	Voting Power
172,621,723	Nil	60.71

(d) **Associates**

For the purposes of determining voting power under the Corporations Act, a person (**second person**) is an "associate" of the other person (**first person**) if:

- (i) (pursuant to Section 12(2) of the Corporations Act) the first person is a body corporate and the second person is:
  - (A) a body corporate the first person controls;
  - (B) a body corporate that controls the first person; or
  - (C) a body corporate that is controlled by an entity that controls the person;
- (ii) the second person has entered or proposes to enter into a relevant agreement with the first person for the purpose of controlling or influencing the composition of the company's board or the conduct of the company's affairs; or
- (iii) the second person is a person with whom the first person is acting or proposes to act, in concert in relation to the company's affairs.

Associates are, therefore, determined as a matter of fact. For example where a person controls or influences the board or the conduct of a company's business affairs, or acts in concert with a person in relation to the entity's business affairs.

(e) **Relevant Interests**

Section 608(1) of the Corporations Act provides that a person has a relevant interest in securities if they:

- (i) are the holder of the securities;

- (ii) have the power to exercise, or control the exercise of, a right to vote attached to the securities; or
- (iii) have power to dispose of, or control the exercise of a power to dispose of, the securities.

It does not matter how remote the relevant interest is or how it arises. If two or more people can jointly exercise one of these powers, each of them is taken to have that power.

In addition, Section 608(3) of the Corporations Act provides that a person has a relevant interest in securities that any of the following has:

- (i) a body corporate in which the person's voting power is above 20%;
- (ii) a body corporate that the person controls.

(f) **Associates of RBI**

For the purpose of the approval the subject of Resolution 1, RBI and Mr Rajesh Bothra are deemed to be associates of one another (**RBI Associates**). No other associate of RBI currently have or will have a relevant interest in the Company.

(g) **Effect of section 608(8) on the issue of the Shares to RBI**

The effect of section 608(8) on the proposed Issue is as follows:

- (i) RBI will acquire a relevant interest in all the New Shares when Shareholder approval to Resolution 1 is granted; and
- (ii) each RBI Associate will acquire a relevant interest in all the New Shares the subject of the Placement Agreement when Shareholder approval to Resolution 1 is granted.

Note that although the Placement Agreement was executed before Shareholder approval was granted, the acquisition of the relevant interest will not occur until Shareholder approval has been given, and in the case of the New Shares the subject of Resolution 1, until those Shares are issued to RBI.

## 1.5 Reason Section 611 Approval is Required

Item 7 of Section 611 of the Corporations Act provides an exception to the Prohibition, whereby a person may acquire a relevant interest in a company's voting shares with shareholder approval.

Following the issue of the New Shares, RBI will have a relevant interest in 172,621,723 Shares in the Company, representing 60.71% voting power in the Company. This assumes that no other Shares are issued or Options are exercised.

Accordingly, Resolution 1 seeks Shareholder approval for the purpose of Section 611 Item 7 and all other purposes to enable the Company to issue the New Shares to RBI.

In addition, the RBI Associates identified in section 1.4(f) above will have a relevant interest in any securities held by RBI.

Shareholder approval is required to enable these parties to acquire a relevant interest in the securities issued to RBI as their voting power in the Company could also increase above 20%.

## 1.6 Specific Information required by Section 611 Item 7 of the Corporations Act and ASIC Regulatory Guide 74

The following information is required to be provided to Shareholders under the Corporations Act and ASIC Regulatory Guide 74 in respect of obtaining approval for Item 7 of Section 611 of the Corporations Act. Shareholders are also referred to the Independent Expert's Report prepared by RSM Corporate Australia Pty Ltd (**Independent Expert**) annexed to this Explanatory Statement.

### (a) Identity of the Acquirer and its Associates

It is proposed that RBI will be issued the New Shares in accordance with the terms of the Placement Agreement as set out in Section 1.1 of this Explanatory Memorandum.

The identity of the RBI Associates and the nature of their relevant interest is summarised in section 1.4(f) of this Explanatory Statement.

### (b) Relevant Interest and Voting Power

#### (i) Relevant Interest

The relevant interests of RBI and each RBI Associate in voting shares in the capital of the Company (both current, and following the issue of the New Securities to RBI as contemplated by this Notice) are set out in the table below:

Party	Capacity	Relevant Interest as at the date of this Notice of Meeting	Relevant Interest after the issue of the New Shares
RBI	Shareholder	21.41%	60.71%
Rajesh Bothra	Controller of Shareholder	21.41%	60.71%
<b>TOTAL</b>		21.41%	60.71%

The Placement Agreement is the only relevant agreement between the Company, RBI and the RBI Associates in relation to the Company and this does not affect or relate to the control or influence of the Company's board or the Company's affairs.

#### (ii) Voting Power

The voting power of RBI and each RBI Associate (both current, and following the issue of the New Securities to RBI as contemplated by this Notice) is set out in the table below:

Party	Voting Power as at the date of this Notice of Meeting	Voting Power after issue of the New Shares
RBI	21.41%	60.71%
Rajesh Bothra	21.41%	60.71%
<b>TOTAL</b>	<b>21.41%</b>	<b>60.71%</b>

Further details on the voting power of RBI and the RBI Associates are set out in the Independent Expert's Report prepared by RSM.

(iii) **Summary of increases**

From the above chart it can be seen that:

(A) The maximum relevant interest that RBI and the RBI Associates will hold after completion of the issue of the New Shares is 172,621,723 Shares, and the maximum voting power that RBI will hold is 60.71%. This represents a maximum increase in voting power of 39.3% (being the difference between 21.41% and 60.71%).

(iv) **Assumptions**

Note that the following assumptions have been made in calculating the above:

- (A) the Company has 142,184,223 Shares on issue as at the date of this Notice of Meeting;
- (B) the Company does not issue any additional Shares; and
- (C) RBI and the RBI Associates do not acquire any additional Shares.

(c) **Reasons for the proposed issue of securities**

As set out in Section 1.1 of this Explanatory Statement, the reason for the issue of securities to RBI is to raise \$2,843,684 to enable the Company to meet its outstanding working capital deficiency and to enable it to continue trading as a going concern and manage its affairs until such time as it can appropriately consider the recommencement of operations from its Nelson Bay iron ore mine in Tasmania.

(d) **Date of proposed issue of securities**

The New Shares the subject of Resolution 1 will be issued on a date after the Meeting to be determined by the Company and RBI.

(e) **Material terms of proposed issue of securities**

The Company is proposing to issue 142,184,223 New Shares at a price of \$0.02 per Share.

(f) **RBI's Intentions**

Mr Bothra, is already a Director of the Company and is supportive of the Board's current direction and planning for the Company. Other than as disclosed elsewhere in this Explanatory Statement, the Company understands that RBI (or any of the RBI Associates):

- (i) has no present intention of making any significant changes to the business of the Company;
- (ii) has no present intention to inject further capital into the Company;
- (iii) has no present intention regarding the future employment of the present employees of the Company;
- (iv) does not intend to redeploy any fixed assets of the Company;
- (v) does not intend to transfer any property between the Company and RBI or any of the RBI Associates; and
- (vi) has no intention to change the Company's existing policies in relation to financial matters or dividends.

These intentions are based on information concerning the Company, its business and the business environment which is known to RBI and the RBI Associates at the date of this document.

These present intentions may change as new information becomes available, as circumstances change or in the light of all material information, facts and circumstances necessary to assess the operational, commercial, taxation and financial implications of those decisions at the relevant time.

**(g) Interests and Recommendations of Directors**

- (i) Other than Mr Bothra, none of the other current Board members have a material personal interest in the outcome of Resolution 1.
- (ii) All of the Directors, other than Mr Bothra unanimously recommend that Shareholders vote in favour of Resolution 1. The Director's recommendations are based on the reasons outlined in section 1.7 below.
- (iii) The Directors are not aware of any other information other than as set out in this Notice of Meeting that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolution 1.

**(h) Capital Structure**

Below is a table showing the Company's current capital structure and the possible capital structure on completion of the issue of the New Shares.

	Shares	Options
Balance at the date of this Notice	142,184,223	Nil

	Shares	Options
Balance after Issue of the New Shares	284,368,446	Nil

Assumptions:

- no additional Shares are issued by the Company.

### 1.7 Advantages of the Issue – Resolution 1

The Directors are of the view that the following non-exhaustive list of advantages may be relevant to a Shareholder's decision on how to vote on proposed Resolution 1:

- the issue of the New Shares to RBI, would provide the Company with additional funds of \$2,843,684, enabling it to cover its outstanding working capital deficiency;
- with these additional funds the Company's cash position will increase to approximately \$3,632,216 immediately prior to making the repayment of outstanding amounts to Frost;
- RBI, as an existing Shareholder and Director of the Company, is supportive of the Company's current direction and management decisions in relation to the management of the Company in these challenging times
- RBI is a strong institutional shareholder partner who will add value to the Company's strategic goals;
- RSM has concluded that the issue of the New Shares is fair and reasonable to the non-associated shareholders.

### 1.8 Disadvantages of the Issue – Resolution 1

The Directors are of the view that the following non-exhaustive list of disadvantages may be relevant to a Shareholder's decision on how to vote on proposed Resolution 1:

- the issue of the New Shares to RBI will increase the voting power of RBI from 21.41% to 60.71%, reducing the voting power of non-associated Shareholders in aggregate from 78.59% to 39.29%;
- the increase in voting power of RBI will give it an absolute majority, enabling it to pass all resolutions (other than special resolutions) on which it is entitled to vote, without the need for additional Shareholder support;
- there is no guarantee that the Company's Shares will not fall in value as a result of the Issue.

### 1.9 Independent Expert's Report – Resolution 1

The Independent Expert's Report prepared by the Independent Expert (a copy of which is attached as Annexure 1 to this Explanatory Statement) assesses whether the transaction contemplated by Resolution 1 is fair and reasonable to the non-associated Shareholders of the Company.

The Independent Expert's Report concludes that the transaction contemplated by Resolution 1 is fair and reasonable to the non-associated Shareholders of the Company.

The Independent Expert notes that the key advantages of the proposal raised in Resolution 1 to the Company and existing Shareholders are as follows:

- (a) the Placement is fair;
- (b) the Company will have access to an additional \$2.8 million enabling it to meet its outstanding financial obligations and provide necessary working capital for the business;
- (c) the Company will have a stronger balance sheet with more cash, and can focus on the Nelson Bay River Iron Project and other potential opportunities; and
- (d) with surplus cash, the Company may be attractive as a shell company for potential reverse takeover transactions.

The key disadvantages noted by the Independent Expert are as follows:

- (a) the Non-Associated Shareholders' interest in the Company will be significantly diluted, reducing their interest from 78.3% to 39.3% post Placement.
- (b) the presence of a controlling shareholder such as RBI (60.7% post-Placement) on the share register may detract from the attractiveness of the Company as a takeover target and accordingly, Shareholders may potentially be foregoing any future control premium in any Shares they continue to hold in the Company; and
- (c) RBI's interest of 60.7% would give it the ability to pass ordinary resolutions of the Company.

Shareholders are urged to carefully read the Independent Expert's Report to understand the scope of the report, the methodology of the valuation and the sources of information and assumptions made.

#### **1.10 Technical information required by ASX Listing Rule 10.11**

Pursuant to and in accordance with ASX Listing Rule 10.13, the following information is provided in relation to the Participation:

- (b) the Shares will be issued to RBI (or its nominee);
- (c) the maximum number of Shares to be issued is 142,184,223 Shares;
- (d) the Shares will be issued no later than 1 month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules);
- (e) the issue price will be \$0.02 per Share;
- (f) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and

- (g) the funds raised will be used to meet the Company's working capital deficiency, including to make outstanding payments owing under the Company's existing off-take agreement.

Approval pursuant to ASX Listing Rule 7.1 is not required for the Participation as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of Shares to RBI (or his nominee) will not be included in the use of the Company's 15% annual placement capacity pursuant to ASX Listing Rule 7.1.

#### **1.11 Pro forma balance sheet**

A pro forma balance sheet of the Company post the completion of the issue under Resolution 1 is set out in Schedule 1.

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## GLOSSARY

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**\$** means Australian dollars.

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

**ASX** means ASX Limited (ACN 008 624 691) or the financial market operated by ASX Limited, as the context requires.

**ASX Listing Rules** means the Listing Rules of ASX.

**Board** means the current board of directors of the Company.

**Business Day** means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

**Chair** means the chair of the Meeting.

**Company** means Shree Minerals Limited (ACN 130 618 683).

**Completion** means completion under the Acquisition Agreement.

**Constitution** means the Company's constitution.

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

**Directors** means the current directors of the Company.

**Existing Option** means an Option which has been issued by the Company prior to the date of this Notice of Meeting.

**Explanatory Statement** means the explanatory statement accompanying the Notice.

General Meeting or Meeting means the meeting convened by the Notice.

**Independent Expert Report** means the Independent Experts Report prepared by RSM Corporate Australia Pty Ltd which is attached to this Notice as Annexure 1.

**Issue** means the proposed issue of New Securities to RBI as outlined in Section 1.2 of the Explanatory Statement.

**New Share** means a new Share to be issued pursuant to the approval being sought in Resolution 1.

**Notice** or **Notice of Meeting** means this notice of meeting including the Explanatory Statement and the Proxy Form.

**Placement Agreement** is defined in Section 1.2 of the Explanatory Statement.

**Prohibition** is defined in clause 1.4(a) of the Explanatory Statement.

**Proxy Form** means the proxy form accompanying the Notice.

**Resolutions** means the resolutions set out in the Notice, or any one of them, as the context requires.

**Share** means a fully paid ordinary share in the capital of the Company.

**Shareholder** means a registered holder of a Share.

**AWST** means Western Standard Time as observed in Perth, Western Australia.

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**SCHEDULE 1 – PRO FORMA BALANCE SHEET OF COMPANY**


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	31-Dec-15	Pro forma Adjustments	Pro forma Balance Sheet
	\$	\$	\$
<b>Assets</b>			
<i>Current Assets</i>			
Cash and cash equivalents	833,532	2,798,684	3,632,216
Receivables	33,316		33,316
Inventory	625,907		625,907
<b>Total Current Assets</b>	<b>1,492,755</b>	<b>2,798,684</b>	<b>4,291,439</b>
<i>Non-Current Assets</i>			
Exploration and evaluation	298,306		298,306
Mine Development	1,583,647		1,583,647
Other Assets	865,590		865,590
Plant and equipment	9,914		9,914
<b>Total Non-Current Assets</b>	<b>2,757,457</b>	<b>-</b>	<b>2,757,457</b>
<b>Total Assets</b>	<b>4,250,212</b>	<b>2,798,684</b>	<b>7,048,896</b>
<b>Liabilities</b>			
<i>Current Liabilities</i>			
Trade and other payables	2,104,823		2,104,823
Loans	8,679		8,679
Provisions	3,722		3,722
<b>Total Current Liabilities</b>	<b>2,117,224</b>	<b>-</b>	<b>2,117,224</b>
<i>Non-Current Liabilities</i>			
Rehabilitation Provision	1,499,300		1,499,300
Other Payables	380,932		380,932
Loans	0		0
<b>Total Non-Current Liabilities</b>	<b>1,880,232</b>	<b>-</b>	<b>1,880,232</b>
<b>Total Liabilities</b>	<b>3,997,456</b>	<b>-</b>	<b>3,997,456</b>
<b>Net Assets</b>	<b>252,756</b>	<b>2,798,684</b>	<b>3,051,440</b>
<b>Equity</b>			
Contributed equity	15,094,311	2,798,684	17,892,995
Reserves	284,587		284,587
Retained profits (losses)	-15,126,142		-
<b>Total Equity</b>	<b>252,756</b>	<b>2,798,684</b>	<b>3,051,440</b>

**Note :**

Share issue	2,843,684
Costs of issue	<u>45,000</u>
Nett Equity Capital raised	<u>2,798,684</u>



# SHREE MINERALS LIMITED

Financial Services Guide and Independent Expert's Report  
May 2016

We have concluded that the Placement is Fair and Reasonable to Shareholders of  
Shree Minerals Limited

# FINANCIAL SERVICE GUIDE

11 May 2016

RSM Corporate Australia Pty Ltd ABN 82 050 508 024 (“RSM Corporate Australia Pty Ltd” or “we” or “us” or “ours” as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide (“FSG”). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- who we are and how we can be contacted;
- the financial services that we will be providing you under our Australian Financial Services Licence, Licence No 255847;
- remuneration that we and/or our staff and any associates receive in connection with the financial services that we will be providing to you;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

## Financial services we will provide

For the purposes of our report and this FSG, the financial service we will be providing to you is the provision of general financial product advice in relation to securities.

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

## General Financial Product Advice

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

## Benefits that we may receive

We charge various fees for providing different financial services. However, in respect of the financial service being provided to you by us, fees will be agreed, and paid by, the person who engages us to provide the report and such fees will be agreed on either a fixed fee or time cost basis. You will not pay to us any fees for our services; the Company will pay our fees. These fees are disclosed in the Report.

Except for the fees referred to above, neither RSM Corporate Australia Pty Ltd, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

## Remuneration or other benefits received by our employees

All our employees receive a salary.

## 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

RSM Corporate Australia Pty Ltd is beneficially owned by the partners of RSM Australia, a large national firm of chartered accountants and business advisers. Our directors are partners of RSM Australia Partners.

From time to time, RSM Corporate Australia Pty Ltd, RSM Australia Partners, RSM Australia and / or RSM Australia related entities may provide professional services, including audit, tax and financial advisory services, to financial product issuers in the ordinary course of its business.

## Complaints Resolution

### *Internal complaints resolution process*

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints should be directed to The Complaints Officer, RSM Corporate Australia Pty Ltd, P O Box R1253, Perth, WA, 6844.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

### *Referral to External Dispute Resolution Scheme*

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service ("FOS"). FOS is an independent 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 or by contacting them directly via the details set out below.

Financial Ombudsman Service  
GPO Box 3  
Melbourne VIC 3001  
Toll Free: 1300 78 08 08  
Facsimile: (03) 9613 6399  
Email: info@fos.org.au

## Contact Details

You may contact us using the details set out at the top of our letterhead on page 1 of this report.

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11 May 2016

Shareholders  
Shree Minerals Limited  
Unit 2, The Pines Business Centre  
88 Forrest Street  
Cottesloe  
WA 6011

Dear Shareholders

## INDEPENDENT EXPERT'S REPORT ("REPORT")

### 1. Introduction

- 1.1 This Independent Expert's Report (the "Report" or "IER") has been prepared to accompany the Notice of General Meeting and Explanatory Statement ("Notice") to be provided to shareholders for a General Meeting of Shree Minerals Limited ("Shree" or "the Company") to be held on or around 16 June 2016, at which shareholder approval will be sought for (among other things) a share placement of 142,184,223 shares at an issue price of \$0.02 per share to raise approximately \$2.8 million ("Placement") to its largest shareholder RB Investments Pte Ltd ("RBI") who currently holds 21.41% of the Company. RBI will hold approximately 60.71% of the Company after completion of the Placement.
- 1.2 The Directors of the Company have requested that RSM Corporate Australia Pty Ltd ("RSM"), being independent and qualified for the purpose, express an opinion as to whether the Placement is fair and reasonable to shareholders not associated with the Placement ("Non-Associated Shareholders").
- 1.3 The request for approval of the Placement is included in the Notice as Resolution 1 as follows:

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, for the purposes of Section 611 (Item 7) of the Corporations Act, Listing Rule 10.11 of the Listing Rules of ASX and for all other purposes, approval is given for the Company to issue up to 142,184,223 Shares (**New Shares**) to RB Investments Pte Ltd (**RBI**) on the terms and conditions set out in the Explanatory Statement, which in addition to the 30,437,500 Shares already held, will result in RBI's voting power increasing from 21.41% to 60.71% in the capital of the Company."*
- 1.4 The ultimate decision whether to approve the Placement should be based on each Shareholder's assessment of their circumstances, including their risk profile, liquidity preference, tax position and expectations as to value and future market conditions. If in doubt as to the action they should take with regard to the Placement, or the matters dealt with in this Report, Shareholders should seek independent professional advice.
- 1.5 Our assessment of the Placement is based on economic, market and other conditions prevailing at the date of this Report.

### THE POWER OF BEING UNDERSTOOD AUDIT | TAX | CONSULTING

RSM Corporate Australia Pty Ltd is beneficially owned by the Directors of RSM Australia Pty Ltd. RSM Australia Pty Ltd is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Corporate Australia Pty Ltd ABN 82 050 508 024 Australian Financial Services Licence No. 255847

## 2. Summary and conclusion

### Opinion

- 2.1 In our opinion, and for the reasons set out in Sections 9 and 10 of this Report, the Placement is fair and reasonable to the Non-Associated Shareholders of Shree.

### Approach

- 2.2 Section 606 of the Corporations Act (“Act”) prohibits a person from acquiring a relevant interest in the issued voting shares of a public company if the acquisition results in that person’s voting interest in the company increasing by more than 3% in any six month period from a starting point that is above 20% and below 90%. The Placement will result in RBI increasing his interest in Shree from 21.4% to 60.7% of the Company.
- 2.3 Under Item 7 of Section 611 of the Act, the prohibition contained in Section 606 does not apply if the acquisition has been approved by the non-associated shareholders of the company.
- 2.4 Accordingly, the Company is seeking approval from the Non-Associated Shareholders for Resolution 1 under Item 7 of Section 611 of the Act.
- 2.5 Section 611(7) of the Act states that shareholders must be given all information that is material to the decision on how to vote at the meeting. ASIC Regulatory Guide 111 (“RG 111”) advises the requirement to commission an Independent Expert’s Report in such circumstances and provides guidance on the content.
- 2.6 ASX Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX’s opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.
- 2.7 RBI is a related party to Shree as the companies have common directors.
- 2.8 RG 111 states that a control transaction, such as the Placement, should be assessed on the basis as if it were a takeover.
- 2.9 Therefore, we have considered whether or not the Placement is “fair” to the Non-Associated Shareholders by assessing and comparing:
- The fair value of a share in Shree on a control basis pre the Placement; with
  - The fair value of a share in Shree on a non-control basis immediately post completion of the Placement,
- and, considered whether the Placement is “reasonable” to the Non-Associated Shareholders by undertaking an analysis of the other factors relating to the Placement which are likely to be relevant to the Non-Associated Shareholders in their decision of whether or not to approve the Placement.
- 2.10 Further information of the approach we have employed in assessing whether the Placement is “fair and reasonable” is set out at Section 4 of this Report.

## Fairness

- 2.11 Our assessed values of a Shree share prior to and immediately after the Placement, are summarised in the table below. The assessed value of a Shree share after the Placement has been assessed on a control basis and assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing but not anxious, seller acting at arm's length in accordance with RG 111.11.

**Table 1 Assessed values of a Shree share pre and post the Placement**

Assessment of fairness	Ref:	Value per Share	
		Low	High
		\$	\$
Fair value of a Shree share pre the Placement - Control basis		-	-
Fair value of a Shree share post the Placement - Non control basis		0.004	0.004

Source: RSM analysis

- 2.12 We have summarised the values included in the table above which reflects a comparison of the values of Shree before and after the Placement is approved under each scenario
- 2.13 As illustrated above, the value of a Shree share after the Placement on a non-controlling basis is greater than the value of a Shree share prior to the Placement on a controlling basis.
- 2.14 Therefore, in accordance with the guidance set out in ASIC RG 111, and in the absence of any other relevant information, for the purposes of Item 7 of Section 611 of the Corporations Act, we consider the Placement to be fair to the Non-Associated Shareholders of Shree.

## Reasonableness

- 2.15 RG 111 establishes that an offer is reasonable if it is fair. It might also be reasonable if, despite not being fair, there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the offer closes. As such, we have also considered the following factors in relation to the reasonableness aspects of the Placement:
- The future prospects of the Company if the Placement does not proceed; and
  - Any other commercial advantages and disadvantages to the Non-Associated Shareholders as a consequence of the Placement proceeding.
- 2.16 If the Placement is not approved, the Company intends to continue to seek additional financing to meet its funding requirements.
- 2.17 The share price of Shree is currently below the Placement price which means that incoming investors will be paying a premium to the current share price.
- 2.18 The key advantages of the Placement are:
- The Placement is fair;
  - The Company will have access to an additional \$2.8 million enabling it to meet its outstanding financial obligations and provide necessary working capital for the business;
  - Shree will have a stronger balance sheet with more cash, and can focus on the Nelson Bay River Iron Project and other potential opportunities; and
  - With surplus cash, Shree may be attractive as a shell company for potential reverse takeover transactions.

2.19 The key disadvantages of the Placement are:

- The Non-Associated Shareholders' interest in the Company will be significantly diluted, reducing their interest from 78.3% to 39.3% post Placement.
- The presence of a controlling shareholder such as RBI (60.7% post-Placement) on the share register may detract from the attractiveness of Shree as a takeover target and accordingly, shareholders may potentially be foregoing any future control premium in any shares they continue to hold in Shree
- RBI's interest of 60.7% would give it the ability to pass ordinary resolutions of the Company.

2.20 We are not aware of any alternative proposals which may provide a greater benefit to the Non-Associated Shareholders of Shree at this time.

2.21 In our opinion, the position of the Non-Associated Shareholders of Shree if the Placement is approved is more advantageous than if the Placement is not approved. Therefore, in the absence of any other relevant information and/or a superior offer, we consider that the Placement is reasonable for the Non-Associated Shareholders of Shree.

### 3. Summary of transaction

#### Overview

- 3.1 On 3 May 2016, Shree announced to the ASX that the Company had agreed to a share placement of 142,184,223 new fully paid ordinary shares (“Placement Shares”) in the capital of the Company, at a price of \$0.02 per Share, for a total subscription amount of \$2,843,684 (“Placement”).
- 3.2 The Placement will be to RBI, the Company’s largest shareholder, and is subject to shareholder approval.

#### Rationale for the Placement

- 3.3 The Company is raising additional capital to alleviate its working capital deficiency to enable it to continue trading as a going concern and manage its affairs until such time as it can appropriately consider the recommencement of operations at its Nelson Bay iron ore mine.

#### Impact of the Placement on Shree’s Capital Structure

- 3.4 The table below sets out a summary of the capital structure of Shree prior to and post the Placement.

**Table 2 Share structure of Shree pre and post the Placement**

	Prior to Proposed Transaction		Post Proposed Transaction	
<b>Shares on issue</b>				
Non-associated Shareholders	111,746,723	78.6%	111,746,723	39.3%
RBI interest	30,437,500	21.4%	30,437,500	10.7%
Placement to RBI	-	0.0%	142,184,223	50.0%
<b>Total RBI interest</b>	<b>30,437,500</b>	<b>21.4%</b>	<b>172,621,723</b>	<b>60.7%</b>
<b>Total shares on issue</b>	<b>142,184,223</b>	<b>100%</b>	<b>284,368,446</b>	<b>100%</b>

Source: Company estimates

- 3.5 There are no options over unissued ordinary shares outstanding.

## 4. Scope of the report

### Corporations Act

- 4.1 Section 606 of the Act prohibits a person from acquiring a relevant interest in the issued voting shares of a public company if the acquisition results in that person's voting interest in the company increasing by more than 3% in any six month period from a starting point that is above 20% and below 90%. The Placement will result in RBI increasing his interest in Shree from 21.4% to 60.7% of the Company.
- 4.2 Under Item 7 of Section 611 of the Act, the prohibition contained in Section 606 does not apply if the acquisition has been approved by the Non-Associated Shareholders of the company.
- 4.3 Accordingly, the Company is seeking approval from the Non-Associated Shareholders for Resolution 3 under Item 7 of Section 611 of the Act.
- 4.4 Section 611(7) of the Act states that shareholders must be given all information that is material to the decision on how to vote at the meeting. ASIC Regulatory Guide 111 ("RG 111") advises the requirement to commission an Independent Expert's Report in such circumstances and provides guidance on the content.
- 4.5 ASX Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.
- 4.6 RBI is a related party to Shree as the companies have common directors.

### Basis of Evaluation

- 4.7 In determining whether the Placement is "fair and reasonable" we have given regard to the views expressed by the ASIC in RG 111.
- 4.8 RG 111 provides ASIC's views on how an expert can help security holders make informed decisions about transactions. Specifically it gives guidance to experts on how to evaluate whether or not a proposed transaction is fair and reasonable.
- 4.9 RG 111 states that the expert's report should focus on:
- the issues facing the security holders for whom the report is being prepared; and
  - the substance of the transaction rather than the legal mechanism used to achieve it.
- 4.10 Furthermore, RG 111 states that the expert's assessment of fair and reasonable should not be applied on a composite test – that is, there should be a separate assessment of whether the transaction is "fair" and "reasonable".
- 4.11 The guidance in RG 111 states that a transaction where an entity obtains control should be assessed as if it were a takeover for the purposes of considering fairness.
- 4.12 Consistent with the guidelines in RG 111, in assessing whether the Placement is fair and reasonable to the Non-Associated Shareholders, the analysis undertaken is as follows:
- Whether the value of a Shree share prior to the Placement (on a control basis) is less than the value of an Shree share following the Placement (on a non-control basis) – fairness; and
  - A review of other significant factors which Non-Associated Shareholders might consider prior to approving the Placement – reasonableness.

4.13 The other significant factors to be considered include:

- The future prospects of the Company if the Placement does not proceed; and
- Any other commercial advantages and disadvantages to the Non-Associated Shareholders as a consequence of the Placement proceeding.

4.14 Our assessment of the Placement is based on economic, market and other conditions prevailing at the date of this report.

## 5. Profile of Shree

### Background

- 5.1 Shree is an ASX listed diversified mineral exploration and mine development company in Australia. The Company primarily focuses on developing its 100% owned Nelson Bay River iron project covering a license area of 93 square kilometres located in North West Tasmania.
- 5.2 Shree was founded in 2008 its registered office is in Cottesloe, Western Australia.
- 5.3 In June 2014, the Directors, having considered the difficult circumstances in the iron ore market driven by the continued fall in the iron ore price, elected to put the Company's operating mine on care and maintenance and to focus the Company's attention on cost reduction initiatives and cash preservation.
- 5.4 As at 31 December 2015, the Company had a working capital deficiency of \$0.6 million.

### Directors and management

- 5.5 The directors and key management of Shree are summarised in the table below.

**Table 3 Shree Directors**

Name	Title	Experience
Mr Sanjay Loyalka	CEO and Executive Chairman	<p>Mr Sanjay Loyalka has experience in various functional roles including CEO, General Management, and Corporate finance experience in mining and metals, manufacturing, and logistics based industries in a multinational environment.</p> <p>Mr Loyalka is the founder of Investment advisory firm IACG Pty Ltd in Australia which has been engaged in cross border M&amp;A, strategic consulting as well as a mineral commodity trading business.</p>
Mr Andy Lau	Independent Non-Executive Director	<p>Mr Andy Lau is a professional engineer and held senior management responsibilities for over 10 years in computer information and financing industries.</p> <p>Mr Lau holds an MBA and graduated majoring in Computer Technology. He holds certificates of MCSE, MCDBA, MCP, and CCNA. He worked for a number of large international companies in securities, venture capital, and high-tech industries.</p>
Mr Amu Shah	Non-Executive Director	<p>Mr Amu Shah is a director and shareholder in various businesses ranging from retail trade, distribution of office and stationery products, services to the mining industry, manufacturing, and property development and ownership.</p> <p>Mr Amu Shah is the Honorary Consul for Kenya in Perth. Mr Amu Shah has extensive international and local business experience.</p>
Mr Rajesh Bothra	Non-Executive Director	<p>Mr Rajesh Bothra is based in Singapore and is a share-holder and Managing Director of major electronic and consumer electronic company with revenue of US\$1 Billion.</p> <p>He has interests in real estate, hospitality, natural resources and media Industry.</p>

Source: Company

## Nelson Bay River Iron Ore Project

- 5.6 The Nelson Bay River Iron Project, owned by Shree, is on Crown Land in North West Tasmania adjacent to the Nelson Bay River, approximately 7km northeast of the coastal township of Temma.
- 5.7 A staged development of the resource is set out as follows:
- The first stage is to develop two relatively shallow opencut mines to produce direct shipping grade hematite ore. Direct shipping ore (DSO) only requires crushing and sizing to produce the DSO product. Each pit will produce a separate grade of DSO product. This will be transported to Port Latta for export.
  - The second stage involves the continuation of mining of the second opencut situated above the main magnetite orebody. The hematite oxide cap consists of the central DSO ore section mined in stage one which is surrounded by lower grade ore considered to have potential to produce a commercial beneficiated oxide product (BFO). Processing this BFO material is considered to be stage two of the project
  - The third stage of the project involves opencut mining of the deep magnetite orebody beneath the oxide cap. The magnetite ore will also require processing to produce commercial products and the processing plant will need to be modified to achieve this. Earlier studies have demonstrated that the magnetite ore can provide either a dense media magnetite (DMM) product suitable for coal washery applications or a blast furnace pellet (BFP) magnetite concentrate. These studies have also shown the preferred product to be the DMM product.
- 5.8 Production commenced in late 2013 and the Company sold approximately 131,000 tonnes of ore in FY14. However, a marked decline in iron ore prices at the end of the period rendered the project uneconomic and it was placed on care and maintenance in June 2014.
- 5.9 As at the date of this report the Nelson Bay River Iron Project had a total JORC resource of approximately 9.1 million tonnes with contained iron of approximately 3.7 million tonnes, as set out in the table below.

**Table 4 Total Fe Resource**

Resource	M tonnes	Fe %	Contained Fe
DSO	0.64	57.5%	0.37
BFO	0.73	46.8%	0.34
Skarn Dyke Magnetite	7.80	38.3%	2.99
<b>Total</b>	<b>9.17</b>		<b>3.70</b>

Source: Company

- 5.10 The Nelson Bay River Iron Project remains under care and maintenance as the Company focuses on conserving cash.
- 5.11 The Company currently estimates C1 costs (US\$ per DMT CFR North China) have been reduced from approximately US\$88 per tonne to US\$63 per tonne for Iron Ore products (fines and lump).

## Financial Information

- 5.12 The following financial information has been obtained from the audited and reviewed financial statements of Shree. The financial statements for Shree for the half year ended 31 December 2015 included the following emphasis of matter in the auditors' review report:
- (a) *“Without qualifying our conclusion, we draw attention to Note 1(A) to the financial statements. The financial statements have been prepared on a going concern basis which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. At 31 December 2015 the entity had a working capital deficiency of \$624,469, cash and cash equivalents of \$833,532 and had incurred a loss for the period amounting to \$1,281,153. The ability of the entity to continue as a going concern is subject to successful recapitalisation of the entity and/or recommencing profitable mining operations. In the event that the Board is not successful in recapitalising the entity and in raising further funds and/or recommencing profitable mining operations, the Company may not be able to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.*
  - (b) *The Company has capitalised mining development and exploration and evaluation expenditure of \$1,583,647 and \$298,306 respectively as at 31 December 2015. The recoverability of the Company's carrying value of capitalised mining development and exploration and evaluation expenditure is dependent on the successful commercial exploitation of the assets and/or sale of the assets to generate funds to at least that of their carrying values. In the event that the Company is not successful in commercial exploitation and/or sale of the assets, the realisable value of the Company's mine development and exploration and evaluation assets may be significantly less than their current carrying values.”*
- 5.13 In the half year report, it was stated the Company is making significant efforts to preserve cash, reduce costs and secure additional finance. We note the Placement will alleviate some of the concerns raised by the auditors.

## Financial Performance

- 5.14 The following table sets out a summary of the financial performance of Shree for the years ended 30 June 2014 (“FY14”) and 30 June 2015 (“FY15”) and the half year ended 31 December 2015 (“H1 FY16”).

**Table 5 Shree financial performance**

	Ref	H1 FY16 Reviewed \$	FY15 Audited \$	FY14 Audited \$
<b>Revenue from continuing operations</b>				
Sales Income	5.18	-	(121,305)	8,625,723
Interest		18,525	53,876	60,659
Other Income		-	673	-
<b>Expenses from continuing operations</b>				
Cost of sales		(224,917)	(579,111)	(8,844,243)
Impairment of inventory	5.15, 5.17	(693,599)	(749,316)	(608,726)
Finance charges		(7,205)	(370,196)	(80,879)
Employee and consulting fees		(218,666)	(452,359)	(72,713)
Regulatory costs		(23,049)	(28,244)	(26,097)
Occupancy and communication		(16,979)	(37,127)	(32,037)
Foreign exchange loss		(80,169)	(280,815)	212,014
Accounting and legal Fees		(3,631)	(229,154)	(79,832)
Impairment of exploration tenements		-	-	(900,615)
Provision for impairment of mine development	5.15	-	(7,342,313)	-
Provision for impairment of deferred mine waste	5.15	-	(214,687)	-
Provision for impairment of plant & equipment	5.15	-	(1,077,831)	-
Provision for doubtful debt	5.15	-	(238,302)	-
Other expenses		(11,463)	(106,318)	(79,667)
<b>Loss before income tax</b>		<b>(1,261,153)</b>	<b>(11,772,529)</b>	<b>(1,826,413)</b>
Income tax expense		-	1,078,596	435,272
<b>Loss for the period</b>		<b>(1,261,153)</b>	<b>(10,693,933)</b>	<b>(1,391,141)</b>
Other comprehensive income		-	-	-
<b>Comprehensive loss for the year</b>		<b>(1,261,153)</b>	<b>(10,693,933)</b>	<b>(1,391,141)</b>

Source: Company

- 5.15 The Company incurred a significant loss after tax of \$10.7 million in FY15, largely resulting from asset write-offs totalling of \$9.6 million as production at the Nelson Bay River Iron Project was suspended and the mine was placed into care and maintenance due to falling iron ore prices in the period.
- 5.16 The H1 FY16 period had reduced activity as the mine remained in care and maintenance and the Company incurred a loss after tax of \$1.3 million.
- 5.17 The largest expense in H1 FY16 was a further impairment write-off of inventory for \$0.7 million.
- 5.18 Prior to suspension of the Nelson Bay River Iron Project, the Company generated \$8.6 million in sales, however, it incurred a loss after tax for the year of \$1.4 million.

## Financial Position

- 5.19 The table below sets out a summary of the financial position of Shree as at 30 June 2014, 30 June 2015 and 31 December 2015.

**Table 6 Shree financial position**

	Ref	31-Dec-15 Reviewed \$	30-Jun-15 Audited \$	30-Jun-14 Audited \$
<b>Current Assets</b>				
Cash and cash equivalents		833,532	1,105,998	2,183,998
Receivables		33,316	245,719	560,270
Inventory	5.21	625,907	1,319,506	2,068,822
<b>Total Current Assets</b>		<b>1,492,755</b>	<b>2,671,223</b>	<b>4,813,090</b>
<b>Non-Current Assets</b>				
Exploration and evaluation	5.22	298,306	296,947	263,640
Mine Development	5.22	1,583,647	1,583,647	10,036,165
Other Assets	5.22	865,590	865,590	943,387
Plant and equipment		9,914	40,892	354,880
<b>Total Non-Current Assets</b>		<b>2,757,457</b>	<b>2,787,076</b>	<b>11,598,072</b>
<b>Total Assets</b>		<b>4,250,212</b>	<b>5,458,299</b>	<b>16,411,162</b>
<b>Current Liabilities</b>				
Trade and other payables	5.23	2,104,823	2,418,303	4,136,102
Loans		8,679	10,071	20,480
Provisions		3,722	13,174	26,107
<b>Total Current Liabilities</b>		<b>2,117,224</b>	<b>2,441,548</b>	<b>4,182,689</b>
<b>Non-Current Liabilities</b>				
Rehabilitation Provision	5.24	1,499,300	1,499,300	1,499,300
Other payables	5.25	380,932	-	-
Loans		-	3,542	23,752
<b>Total Non-Current liabilities</b>		<b>1,880,232</b>	<b>1,502,842</b>	<b>1,523,052</b>
<b>Total Liabilities</b>		<b>3,997,456</b>	<b>3,944,390</b>	<b>5,705,741</b>
<b>Net Assets</b>		<b>252,756</b>	<b>1,513,909</b>	<b>10,705,421</b>
<b>Equity</b>				
Issued capital		15,094,311	15,094,311	13,591,891
Reserves		284,587	284,587	284,587
Accumulated losses		(15,126,142)	(13,864,989)	(3,171,057)
<b>Total Equity</b>	<b>5.20</b>	<b>252,756</b>	<b>1,513,909</b>	<b>10,705,421</b>

Source: Company financial statements

- 5.20 As at 31 December 2015, Shree had net assets of \$0.25 million, \$nil debt and a cash balance of \$0.83 million.
- 5.21 The decline in net assets was largely driven by a write-down of inventory of \$0.7 million and ongoing overhead costs of the Company.
- 5.22 The mining assets related to the Nelson Bay River Iron Project. Other assets relates to the security bond placed in relation to the rehabilitation of the mine area.
- 5.23 Trade and other payables includes an amount of \$1.7 million payable to Frost Global Pte Ltd ("Frost") in relation to an advance for an offtake agreement.
- 5.24 The rehabilitation provision of \$1.5 million relates to the cost to rehabilitate the Nelson Bay River Iron Project site at the end of the project's life. A security bond of \$0.9 million is in place for a portion of this future cost.
- 5.25 Non-current other payables includes \$0.3 million in voluntary deferred employee payments which is payable to the directors.

## Capital Structure

- 5.26 Shree has 142,184,223 ordinary shares on issue. There are no options over unissued ordinary shares outstanding.
- 5.27 The top 20 shareholders of Shree are set out below.

**Table 7 Shree Top 20 shareholders**

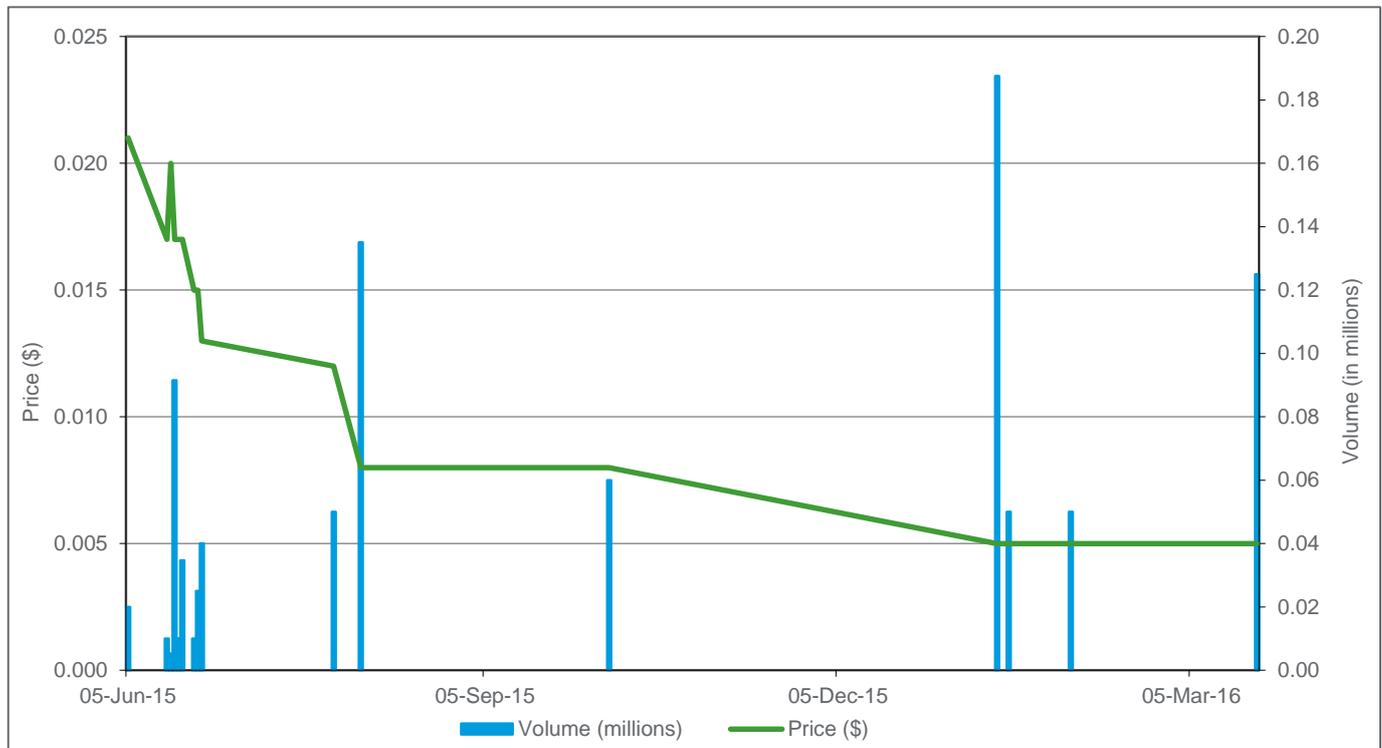
Rank	Holder Name	Units	%
1	RB INVESTMENTS PTE LTD	30,437,500	21.41
2	MR SANJAY KUMAR LOYALKA <LOYALKA FAMILY A/C>	24,500,000	17.23
3	CHINA ALLIANCE INTERNATIONAL HOLDINGS GROUP LIMITED	23,223,632	16.33
4	OCEANIA COAL RESOURCES NL	15,000,000	10.55
5	MEGAWILD ENTERPRISES PTY LTD <VEER POONAM POOJAN PROP A/C>	4,525,000	3.18
6	ULLAPOOL INVESTMENTS PTY LTD <THE ULLAPOOL A/C>	4,400,000	3.10
7	ROSECLIFF HOLDINGS PTY LTD <SAHIB INVESTMENT A/C>	4,375,000	3.08
8	EXPORT MARKETING (BVI) LTD	2,500,000	1.76
9	MR SAHIB INDERJIT SINGH	1,915,150	1.35
10	CLAREMONT HOLDINGS LIMITED	1,687,500	1.19
11	MR MICHAEL LEE ANGHIE & MRS SANDY MICHELLE ANGHIE <SPEED BOAT SUPER FUND A/C>	1,600,000	1.13
12	MR AMRIK SINGH HEER	1,500,000	1.06
13	MRS RENU KUMAR & DR ASOK KUMAR <ASOK KUMAR FAMILY S/F A/C>	1,458,334	1.03
14	IACG PTY LTD	1,309,078	0.92
15	SANJAY NAGNATH MUKHEDKAR & ASHWINI DAVRAY <MUKHEDKAR SUPER FUND A/C>	1,284,064	0.90
16	PRIMO FINANCIAL GROUP INC	1,250,000	0.88
17	DR DEEPAK NARAN <THE NARAN FAMILY NO 1 A/C>	1,000,000	0.70
18	CHETAN KARIA <CK & RC KARIA FAMILY A/C>	767,032	0.54
19	TANDON SUPERANNUATION SERVICES PTY LTD <THE TANDON PENSION FUND A/C>	583,334	0.41
20	MR SANJAY KUMAR LOYALKA	565,000	0.40
<b>Top 20 holders</b>		<b>123,880,624</b>	<b>87.13</b>
<b>Remaining shareholders</b>		<b>18,303,599</b>	<b>12.88</b>
<b>Total</b>		<b>142,184,223</b>	<b>100.00</b>

Source: Company / Computershare

## Share price performance

5.28 The figure below sets out a summary of Shree's closing share prices and traded volumes for the 12 months to 3 May 2016.

**Figure 1 Shree daily closing share price and traded volumes**



## 6. Valuation approach

### Valuation methodologies

6.1 In assessing the Fair Value of an ordinary Shree share prior to and immediately following the Placement, we have considered a range of valuation methodologies. RG 111 proposes that it is generally appropriate for an expert to consider using the following methodologies:

- the discounted cash flow (“DCF”) method and the estimated realisable value of any surplus assets;
- the application of earnings multiples to the estimated future maintainable earnings or cash flows added to the estimated realisable value of any surplus assets;
- the amount which would be available for distribution on an orderly realisation of assets;
- the quoted price for listed securities; and
- any recent genuine offers received.

6.2 We consider that the valuation methodologies proposed by RG 111 can be split into three valuation methodology categories, as follows.

#### Market based methods

6.3 Market based methods estimate the Fair Value by considering the market value of a company’s securities or the market value of comparable companies. Market based methods include;

- The quoted price for listed securities; and
- Industry specific methods.

6.4 The recent quoted price for listed securities method provides evidence of the fair market value of a company’s securities where they are publicly traded in an informed and liquid market.

6.5 Industry specific methods usually involve the use of industry rules of thumb to estimate the fair market value of a company and its securities. Generally rules of thumb provide less persuasive evidence of the fair market value of a company than other market based valuation methods because they may not account for company specific risks and factors.

#### Income based

6.6 Income based methods estimate value by calculating the present value of a company’s estimated future stream of earnings or cash flows. Income based methods include:

- Capitalisation of maintainable earnings; and
- Discounted cash flow methods.

6.7 The capitalisation of earnings methodology is generally considered a short form DCF, where an estimation of the Future Maintainable Earnings (“FME”) of the business, rather than a stream of cash flows is capitalised based on an appropriate capitalisation multiple. Multiples are derived from the analysis of transactions involving comparable companies and the trading multiples of comparable companies.

6.8 The DCF technique has a strong theoretical basis, valuing a business on the net present value of its future cash flows. It requires an analysis of future cash flows, the capital structure and costs of capital and an assessment of the residual value or the terminal value of the company’s cash flows at the end of the forecast

period. This method of valuation is appropriate when valuing companies where future cash flow projections can be made with a reasonable degree of confidence.

### **Asset based methods**

- 6.9 Asset based methodologies estimate the Fair Value of a company's securities based on the realisable value of its identifiable net assets. Asset based methods include:
- orderly realisation of assets method;
  - liquidation of assets method; and
  - net assets on a going concern basis.
- 6.10 The value achievable in an orderly realisation of assets is estimated by determining the net realisable value of the assets of a company which would be distributed to security holders after payment of all liabilities, including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner. This technique is particularly appropriate for businesses with relatively high asset values compared to earnings and cash flows.
- 6.11 The liquidation of assets method is similar to the orderly realisation of assets method except the liquidation method assumes that the assets are sold in a shorter time frame. The liquidation of assets method will result in a value that is lower than the orderly realisation of assets method, and is appropriate for companies in financial distress or where a company is not valued on a going concern basis.
- 6.12 The net assets on a going concern method estimates the market values of the net assets of a company but unlike the orderly realisation of assets method it does not take into account realisation costs. Asset based methods are appropriate when companies are not profitable, a significant proportion of the company's assets are liquid, or for asset holding companies.

### **Selection of Valuation Methodologies**

#### **Valuation of a Shree share pre the Placement (control basis)**

- 6.13 In assessing the value of a Shree share prior to the Placement we have utilised the sum of parts methodology.
- 6.14 Our valuation methodology was selected on the following basis:
- During the year ended 30 June 2015, Shree placed the Nelson Bay River Iron Project into care and maintenance as the iron ore market conditioned deteriorated. A significant portion of the mining assets were impaired. As at the date of this report the mine remains in care and maintenance. Shree does not have any other significant assets other than cash. As such, the most appropriate basis of valuation should incorporate the book value of asset and liabilities.
  - We used comparable market values of iron ore resources as the basis of valuing Shree's mining assets; and
  - We considered the DCF methodology for valuing the Nelson Bay River Iron Project, however, the project is not cash flow positive at forecast iron ore prices.
- 6.15 Shree's shares are listed on the ASX which means there is a regulated and observable market for its shares. However, consideration must be paid to adequate liquidity and activity in order to rely on the quoted market price method as, in the 12 months prior to the announcement of the Placement on 4 May 2016, Shree shares traded on only 16 trading days. Given the extreme lack of liquidity in Shree's shares, we do not consider the quoted market price to be an appropriate valuation methodology.
- 6.16 The FME methodology is not appropriate as Shree does not have a history of profits.

**Valuation of a Shree share post the Placement (non-control basis)**

- 6.17 In assessing the value of Shree post the Placement, we have used the pre Placement value and included the impact of the Placement assuming it proceeds.
- 6.18 We have then assessed the value of a Shree share post the Placement on a non-controlling basis by adjusting for a minority discount.

## 7. Valuation of Shree Prior to the Placement

7.1 As stated at paragraph 6.13 we have assessed the value of a Shree share prior to the Placement on a sum of parts basis. We have included a premium for control in the valuation.

### Sum of parts valuation

7.2 We have assessed the value of a Shree share on a control basis to be \$nil, prior to the Placement, based on the sum of parts valuation methodology, as summarised in the table below.

**Table 8 Assessed fair value of a Shree Share – sum of parts basis**

	Ref.	31-Dec-15 \$	Low \$	High \$
Value of Nelson Bay River Iron Project assets	7.5	1,891,867	210,118	260,546
Rehabilitation provision net of bond	7.14	(633,710)	(633,710)	(633,710)
Other assets a liabilities	7.15	(1,631,308)	(1,005,401)	(1,005,401)
<b>Net assets (sum of parts)</b>		<b>252,756</b>	<b>(1,428,993)</b>	<b>(1,378,565)</b>
Pre-Placement shares on issue	5.26	142,184,223	142,184,223	142,184,223
<b>Pre-Placement value per share</b>	<b>7.2</b>	<b>0.0018</b>	<b>(0.0101)</b>	<b>(0.0097)</b>

Source: RSM analysis

7.3 Our assessment has been based on the reviewed net assets of Shree as at 31 December 2015 of approximately \$0.25 million as per the Company's financial statements. We have been advised that, except for adjustments noted below and normal operating costs, there has been no significant change in the net assets of Shree since 31 December 2015.

7.4 In order to calculate a current market value of Shree's shares, we have made adjustments to the carrying values of Nelson Bay River Iron Project assets included in the Statement of Financial Position. These adjustments are set out below.

### Value of the Nelson Bay River Iron Project

7.5 As at 31 December 2015, the assets of the Nelson Bay River Iron Project had a carrying value of \$1.9 million, as set out in the table below.

**Table 9 Carrying value of Nelson Bay River Iron Project assets**

	31-Dec-15 \$
Exploration and evaluation	298,306
Mine Development	1,583,647
Plant and equipment	9,914
<b>Total</b>	<b>1,891,867</b>

Source: Company financial statements

7.6 We have assessed the fair value of the Nelson Bay River Iron Project at between \$0.2 million and \$0.3 million.

*Value of the Nelson Bay River Iron Project – multiple of contained Fe*

- 7.7 We have considered the comparable trading analysis methodology to assess the fair value of the Nelson Bay River Iron Project.
- 7.8 Comparable trading analysis estimates the value of the subject asset or project based on the current market value of publicly traded companies which hold similar assets or projects. The value of publicly traded companies is determined based on the trading of shares in the company by multiple buyers and sellers on an organised exchange, such as the ASX. On this basis, the comparable company trading values are assumed to reflect the fair market value of the underlying assets and projects on a minority interest basis.
- 7.9 We have identified five ASX listed companies that have iron ore projects at similar stages of development to the Nelson Bay River Iron Project as set out in the table below.

**Table 10 Comparable companies EV to contained Fe trading multiple**

Company	Enterprise Value (EV)	Total resource (Mt)	Grade (Fe %)	Resource multiple (EV/Contained Fe)
Centaurus Metals Limited	3.1	214.5	30.0	0.049
Mindax Limited	2.7	1,737.8	31.9	0.005
Radar Iron Limited	16.4	742.9	27.5	0.080
Red Hill Iron Limited	19.1	388.0	55.9	0.088
Winmar Resources Limited	1.0	343.2	54.7	0.005
<b>Average</b>				<b>0.045</b>

Source: S&P Capital IQ, comparable company financial statements and ASX announcements

- 7.10 The average EV to contained Fe resource multiple is 0.045 times.
- 7.11 We have therefore assessed the value of the Nelson Bay River Iron Project to be between \$0.2 million and \$0.3 million based on the Company's 3,697,040 tonne resource, as set out in the table below.

**Table 11 Comparable companies EV to contained Fe trading multiple**

	Ref	Low \$	High \$
EV to Fe multiple	7.10	0.045	0.045
Shree total Fe resource (tonnes)	5.9	3,697,040	3,697,040
<b>Total minority value</b>		<b>168,094</b>	<b>168,094</b>
Add premium for control (25% to 35%)	7.13	42,024	92,452
<b>Total controlling value</b>		<b>210,118</b>	<b>260,546</b>

Source: S&P Capital IQ, RSM analysis

### Control Premium

- 7.12 The multiples derived at paragraph 7.9 are indicative of the value of a marketable parcel of shares assuming the shareholder does not have control. As explained in Section 6 above, our assessment of the value of a Shree share must include a premium for control.
- 7.13 In selecting a control premium we have given consideration to the RSM 2013 Control Premium Study. The study performed an analysis of control premiums paid over a 7-year period to 31 December 2012 in 345 successful takeovers and schemes of arrangements of companies listed on the ASX. Our study concluded that, on average, control premiums in takeovers and schemes of arrangements involving Australian companies in the mining and metals sectors was in the range of 25% to 35%. In valuing an ordinary Shree Share prior to the Placement using the quoted price of listed securities methodology we have reflected a premium for control in the range of 25% to 35%.

### Rehabilitation provision and bond

- 7.14 As at 31 December 2015, the Company has a liability for its rehabilitation obligations at the Nelson Bay River Iron Project site, net of a security bond, totalling \$0.6 million, as set out in the table below.

**Table 12 Carrying value of rehabilitation provision**

	31-Dec-15 \$
Rehabilitation Provision	(1,499,300)
Rehabilitation bond	865,590
<b>Total</b>	<b>(633,710)</b>

Source: Company financial statements

### Other assets and liabilities

- 7.15 As at 31 December 2015, the Company had other assets and liabilities on its balance sheet totalling a net liability of \$1.0 million, as set out in the table below.

**Table 13 Carrying value of other assets and liabilities**

	31-Dec-15 \$
Cash and cash equivalents	833,532
Receivables	33,316
Inventory	625,907
Trade and other payables	(2,104,823)
Loans	(8,679)
Provisions	(3,722)
Other payables	(380,932)
<b>Total</b>	<b>(1,005,401)</b>

Source: Company financial statements

## 8. Valuation of Shree Following to the Placement

8.1 We summarise our valuation of a Shree share subsequent to the Placement on a sum of parts basis in the table below.

**Table 14 Assessed value of Shree post the Placement**

	Ref:	Low Value \$	High Value \$
Value of Shree before the Placement		(1,428,993)	(1,378,565)
Net cash received from the Placement	8.4	2,843,684	2,843,684
<b>Undiluted value of Shree</b>		<b>1,414,692</b>	<b>1,465,120</b>
Number of shares on issue pre Proposed Transaction		142,184,223	142,184,223
Shares issued in the Placement	8.4	142,184,223	142,184,223
<b>Total shares on issue after Placement</b>	8.4	<b>284,368,446</b>	<b>284,368,446</b>
Post-Placement value per share		0.0050	0.0052
Discount for minority interest	8.5	(0.0013)	(0.0010)
<b>Minority value per share</b>	<b>8.2</b>	<b>0.004</b>	<b>0.004</b>

Source: RSM analysis

8.2 We consider that the minority value of a Shree share post the Placement is approximately \$0.004 on a controlling basis.

8.3 We have adjusted the net asset value and shares on issue of Shree for the Placement Shares and minority interest.

### Placement shares

8.4 Under the terms of the Placement, the Company will issue 142,184,223 ordinary shares to RBI at \$0.02 per share to raise \$2.8 million. After the placement a total of 284,368,446 Shree shares will be on issue.

### Minority interest discount

8.5 In selecting a minority discount we have given consideration to our control premium applied in Paragraph 7.13, where we established a range for a control premium of between 25% and 35%. The resulting corresponding minority discount range based on said control premiums is between 20% and 26% and has been applied to determine the non-controlling value of a Shree share.

## 9. Is the Placement fair to Shree Shareholders?

9.1 Our assessed values of a Shree share prior to and immediately after the Placement, are summarised in the table and figure below.

**Table 15 Assessed values of a Shree share pre and post the Placement**

Assessment of fairness	Ref:	Value per Share	
		Low	High
		\$	\$
Fair value of a Shree share pre the Placement – Control basis		-	-
Fair value of a Shree share post the Placement – Non control basis		0.004	0.004

Source: RSM analysis

9.2 As illustrated above, the value of a Shree share after the Placement on a non-controlling basis is greater than the value of a Shree share prior to the Placement on a controlling basis.

9.3 Therefore, in accordance with the guidance set out in ASIC RG 111, and in the absence of any other relevant information, for the purposes of Item 7 of Section 611 of the Corporations Act and ASX Listing Rule 10.1, we consider the Placement to be fair to the Non-Associated Shareholders of Shree.

## 10. Is the Placement Reasonable?

10.1 RG111 establishes that an offer is reasonable if it is fair. If an offer is not fair it may still be reasonable after considering the specific circumstances applicable to the offer. In our assessment of the reasonableness of the Placement, we have given consideration to:

- The future prospects of Shree if the Placement does not proceed; and
- Other commercial advantages and disadvantages to the Non-Associated Shareholders as a consequence of the Placement proceeding.

### Stated Intentions of RBI in relation to the Placement

10.2 The stated intentions of RBI in relation to the Placement are not to make any significant changes to the business of the Company, subject to the Placement.

### Future prospects of Shree if the Placement does not proceed

10.3 If the Placement does not proceed then it is possible that Shree will not be able to meet its financial obligations and may be forced to sell assets or to seek alternative capital funding options. In such a circumstance, Shree will continue to focus on maximising the value from its existing assets while simultaneously seeking alternative investments to add value to shareholders.

### Trading in Shree shares following the announcement of the Placement

10.4 We note that there was a significant positive response to the announcement of the Placement on 4 May 2016 as the Shree shares increased 160% from a pre-announcement price of \$0.005 to a post-announcement closing price of \$0.013. Whilst we note that volume of trading remained relatively low, the significant increase is indicative of market acceptance of the Placement.

### Advantages and disadvantages

10.5 In assessing whether the Non-Associated Shareholders are likely to be better off if the Placement proceed than if they do not, we have also considered various advantages and disadvantages that are likely to accrue to the Non-Associated Shareholders.

### Advantages of approving the Placement

*Advantage 1 – The Placement is fair*

10.6 RG 111 states that a transaction is reasonable if it is fair.

*Advantage 2 – The Company will have the necessary funding to meet its current obligations*

10.7 The Placement to RBI will provide the Company with additional funds of \$2.8 million enabling it to meet its outstanding financial obligations and provide necessary working capital for the business.

*Advantage 3 – The Company will have additional funds for working capital and future opportunities*

10.8 After completion of the Placement, Shree will have a stronger balance sheet with more cash and can focus on the Nelson Bay River Iron Project and other potential opportunities.

*Advantage 4 – Improve attractiveness as a shell company*

- 10.9 With surplus cash, Shree may be attractive as a shell company for potential reverse takeover transactions.

**Disadvantages of approving the Placement**

*Disadvantage 1 – Dilution on Non-Associated Shareholders*

- 10.10 The Placement will result in the issue of the Placement Shares to RBI which will have a significant dilutive effect on the holdings of existing Shareholders, reducing from 79% to 39% post Placement.

*Disadvantage 2 – Loss of control premium*

- 10.11 Following the completion of the Placement, RBI will hold between 60.7% the Company. Shareholders may be foregoing any future control premium in any shares they continue to hold in Shree in that the presence of a controlling shareholder such as RBI on the share register may detract for the attractiveness of Shree as a takeover target.

*Disadvantage 3 – RBI will control Shree*

- 10.12 The Placement will result in RBI having a majority shareholding of 61%. This would give RBI the ability to pass ordinary resolution of the Company.

**Alternative Proposal**

- 10.13 We are not aware of any alternative proposal at the current time which might offer the Non-Associated Shareholders of Shree a greater benefit than the Placement.

**Conclusion on Reasonableness**

- 10.14 In our opinion, the position of the Non-Associated Shareholders if the Placement is approved is more advantageous than the position if it is not approved. Therefore, in the absence of any other relevant information and/or a superior offer, we consider that the Placement is **reasonable** for the Non-Associated Shareholders of Shree.
- 10.15 An individual shareholder's decision in relation to the Placement may be influenced by his or her individual circumstances. If in doubt, shareholders should consult an independent advisor.

Yours faithfully

**RSM CORPORATE AUSTRALIA PTY LTD**

**A GILMOUR**



Director

**G YATES**



Director



## APPENDICES

## A. DECLARATIONS AND DISCLAIMERS

### Declarations and Disclosures

RSM Corporate Australia Pty Ltd holds Australian Financial Services Licence 255847 issued by ASIC pursuant to which they are licensed to prepare reports for the purpose of advising clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate reconstructions or share issues.

### Qualifications

Our report has been prepared in accordance with professional standard APES 225 “Valuation Services” issued by the Accounting Professional & Ethical Standards Board.

RSM Corporate Australia Pty Ltd is beneficially owned by the partners of RSM Australia Pty Ltd (RSM) a large national firm of chartered accountants and business advisors.

Mr. Andrew Gilmour and Mr Glyn Yates are directors of RSM Corporate Australia Pty Ltd. Both Mr Gilmour and Mr Yates are Chartered Accountants with extensive experience in the field of corporate valuations and the provision of independent expert’s reports for transactions involving publicly listed and unlisted companies in Australia.

### Reliance on this Report

This report has been prepared solely for the purpose of assisting Shareholders of the Company in considering the Security. We do not assume any responsibility or liability to any party as a result of reliance on this report for any other purpose.

### Reliance on Information

Statements and opinions contained in this report are given in good faith. In the preparation of this report, we have relied upon information provided by the Directors and management of Shree Minerals Limited and we have no reason to believe that this information was inaccurate, misleading or incomplete. RSM Corporate Australia Pty Ltd does not imply, nor should it be construed that it has carried out any form of audit or verification on the information and records supplied to us.

The opinion of RSM Corporate Australia Pty Ltd is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

In addition, we have considered publicly available information which we believe to be reliable. We have not, however, sought to independently verify any of the publicly available information which we have utilised for the purposes of this report.

We assume no responsibility or liability for any loss suffered by any party as a result of our reliance on information supplied to us.

### Disclosure of Interest

At the date of this report, none of RSM Corporate Australia Pty Ltd, RSM, Andrew Gilmour, Glyn Yates, nor any other member, director, partner or employee of RSM Corporate Australia Pty Ltd and RSM has any interest in the outcome of the Placement, except that RSM Corporate Australia Pty Ltd are expected to receive a fee of \$20,000 based on time occupied at normal professional rates for the preparation of this report. The fees are payable regardless of whether Shree Minerals Limited receives Shareholder approval for the Security, or otherwise.

### Consents

RSM Corporate Australia Pty Ltd consents to the inclusion of this report in the form and context in which it is included with the Notice of Extraordinary General Meeting and Explanatory Memorandum to be issued to Shareholders. Other than this report, none of RSM Corporate Australia Pty Ltd or RSM Australia Pty Ltd or has been involved in the preparation of the Notice of Extraordinary General Meeting and Explanatory Memorandum. Accordingly, we take no responsibility for the content of the Notice of General Meeting and Explanatory Statement.

## B. SOURCES OF INFORMATION

In preparing this Report we have relied upon the following principal sources of information:

- Drafts and final copies of the Notice of Meeting;
- Audited financial statements for Shree for the years ended 30 June 2013, 30 June 2014 and 30 June 2015;
- Reviewed half yearly accounts for the period to 31 December 2015;
- ASX announcements of Shree;
- Subscription Agreement;
- Financial Model
- Nelson Bay Iron Project – DSO Feasibility Study
- Nelson Bay Iron Project – Pre-feasibility Study – 16 December 2011
- S&P Capital IQ database;
- Company Board minutes; and
- Discussions with Directors, Management and staff of Shree.

## C. GLOSSARY OF TERMS

Term or Abbreviation	Definition
\$	Australian Dollar
Act	Corporations Act 2001 (Cth)
APES	Accounting Professional & Ethical Standards Board
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
CAPM	Capital Asset Pricing Model
Connect 4	An entity of Thompson Reuters which is an aggregator of ASX listed company announcements and disclosures
Company	Shree
Control basis	As assessment of the fair value on an equity interest, which assumes the holder or holders have control of entity in which the equity is held
DCF	A method within the income approach whereby the present value of future expected net cash flows is calculated using a discount rate
Directors	Directors of Shree
EBIT	Earnings, Before, Interest and Tax
EBITDA	Earnings, Before, Interest, Tax, Depreciation and Amortisation
Equity	The owner's interest in property after deduction of all liabilities
EV	Enterprise Value, meaning, the total value of the equity in a business plus the value of its debt or debt-related liabilities, minus any cash or cash equivalents available to meet those liabilities
Fair Value	The amount at which an asset could be exchanged between a knowledgeable and willing but not anxious seller and a knowledgeable and willing but not anxious buyer, both acting at arm's length
FME	Future Maintainable Earnings
FOS	Financial Ombudsman Service
Frost	Frost Global Pte Ltd
FSG	Financial Services Guide
FY##	Financial year ended 30 June
IER	This Independent Expert Report
Management	Directors and key executives of the Company
Non Associated Shareholders	Shareholders who are not a party, or associated to a party, to the Placement
Non control basis	As assessment of the fair value on an equity interest, which assumes the holder or holders do not have control of entity in which the equity is held
Notice	The notice of meeting to vote on the Placement
NPBT	Net Profit Before Tax
NPAT	Net Profit After Tax
Placement	Share placement of 142,184,223 Shree shares at an issue price of \$0.02 per share to raise \$2,843,684
Placement Shares	142,184,223 new fully paid ordinary shares in Shree
RBI	RB Investments Pte Ltd
Regulations	Corporations Act Regulations 2001 (Cth)
Report	This Independent Experts Report prepared by RSM dated 9 May 2016
RG 111	ASIC Regulatory Guide 111 Contents of Expert's Reports

Term or Abbreviation	Definition
<b>RSM</b>	RSM Corporate Australia Pty Ltd
<b>S&amp;P Capital IQ</b>	An entity of Standard and Poors which is a third party provider of company and other financial information
<b>Shree</b>	Shree Minerals Limited
<b>Placement</b>	It has the meaning given to the term in paragraph 1.2 of this Report
<b>VWAP</b>	Volume weighted average share price
<b>WACC</b>	Weighted Average Cost of Capital

## D. COMPARABLE COMPANIES

**Table 16 Comparable company business description**

Company Name	Business Description
Centaurus Metals Limited	Centaurus Metals Limited, an iron ore company, engages in the exploration and pre-development activities for iron ore mineral resources primarily in Brazil. It also explores for gold. The company's principal project is the Jambreiro iron ore project located in the State of Minas Gerais, Brazil. It also holds interests in Mombuca project, a gold and iron-ore project located in Belo Horizonte. The company was formerly known as Glengarry Resources Limited and changed its name to Centaurus Metals Limited in April 2010. Centaurus Metals Limited is based in West Perth, Australia.
Mindax Limited	Mindax Limited explores for mineral properties in Western Australia. It operates through four segments: Uranium, Gold, Copper and Gold, and Iron Ore. The company's flagship project includes the Mt Forrest iron project located in the Yilgarn Province. It also has interests in a portfolio of uranium, gold, and copper projects located in the Yilgarn Avon, Meekatharra, and Mortlock regions. Mindax Limited is based in West Perth, Australia.
Radar Iron Limited	Radar Iron Ltd engages in the exploration and development of iron ore deposits in Western Australia and Para State, Brazil. It has three principal properties consisting of the Yerecoin Magnetite project that comprises five tenements covering an area of 320 square kilometers and is located to the north of Perth, Western Australia; the Uruara Hematite Project, which covers an area of 68,000 hectares located in Para State, Brazil; and the Central Yilgarn Project in Western Australia. The company was incorporated in 2010 and is based in Nedlands, Australia.
Red Hill Iron Limited	Red Hill Iron Limited engages in the iron ore exploration activities in Australia. The company primary asset is the Pannawonica channel iron project located in West Pilbara, Western Australia. It also focuses on the development of rock quarrying opportunities in the Western Pilbara region of Western Australia. The company was founded in 2005 and is based in West Perth, Australia.
Winmar Resources Limited	Winmar Resources Limited, a junior mineral resources company, invests in, explores for, and develops mineral properties in Western Australia. It holds 70% interest in the Hamersley Iron project located in the Tom Price region of the Pilbara. The company is based in Sydney, Australia.

Source: S&P Capital IQ

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## PROXY FORM

SHREE MINERALS LIMITED  
ACN 130 618 683

### GENERAL MEETING

I/We

of:

being a Shareholder entitled to attend and vote at the Meeting, hereby appoint:

Name:

OR:  the Chair of the Meeting as my/our proxy.

or failing the person so named or, if no person is named, the Chair, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws as the proxy sees fit, at the Meeting to be held at 11.00am (AWST) on Thursday, 16 June 2016 at Unit 2, The Pines Business Centre, 88 Forrest Street, Cottesloe WA 6011 and at any adjournment thereof.

#### AUTHORITY FOR CHAIR TO VOTE UNDIRECTED PROXIES ON REMUNERATION RELATED RESOLUTIONS

Where I/we have appointed the Chair as my/our proxy (or where the Chair becomes my/our proxy by default), I/we expressly authorise the Chair to exercise my/our proxy on Resolution 1 (except where I/we have indicated a different voting intention below) even though Resolution 1 is connected directly or indirectly with the remuneration of a member of the Key Management Personnel, which includes the Chair.

#### CHAIR'S VOTING INTENTION IN RELATION TO UNDIRECTED PROXIES

The Chair intends to vote undirected proxies in favour of Resolution 1. In exceptional circumstances the Chair may change his/her voting intention on any Resolution. In the event this occurs an ASX announcement will be made immediately disclosing the reasons for the change.

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#### Voting on business of the Meeting

Resolution 1 Section 611 Approval

FOR                      AGAINST                      ABSTAIN  
                                                                           

**Please note:** If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

If two proxies are being appointed, the proportion of voting rights this proxy represents is: \_\_\_\_\_ %

#### Signature of Shareholder(s):

Individual or Shareholder 1

Sole Director/Company Secretary

Shareholder 2

Director

Shareholder 3

Director/Company Secretary

Date: \_\_\_\_\_

Contact name: \_\_\_\_\_

Contact ph (daytime): \_\_\_\_\_

E-mail address: \_\_\_\_\_

Consent for contact by e-mail  
in relation to this Proxy Form: YES  NO

## Instructions for completing Proxy Form

1. **(Appointing a proxy):** A Shareholder entitled to attend and cast a vote at the Meeting is entitled to appoint a proxy to attend and vote on their behalf at the Meeting. If a Shareholder is entitled to cast 2 or more votes at the Meeting, the Shareholder may appoint a second proxy to attend and vote on their behalf at the Meeting. However, where both proxies attend the Meeting, voting may only be exercised on a poll. The appointment of a second proxy must be done on a separate copy of the Proxy Form. A Shareholder who appoints 2 proxies may specify the proportion or number of votes each proxy is appointed to exercise. If a Shareholder appoints 2 proxies and the appointments do not specify the proportion or number of the Shareholder's votes each proxy is appointed to exercise, each proxy may exercise one-half of the votes. Any fractions of votes resulting from the application of these principles will be disregarded. A duly appointed proxy need not be a Shareholder.
2. **(Direction to vote):** A Shareholder may direct a proxy how to vote by marking one of the boxes opposite each item of business. The direction may specify the proportion or number of votes that the proxy may exercise by writing the percentage or number of Shares next to the box marked for the relevant item of business. Where a box is not marked the proxy may vote as they choose subject to the relevant laws. Where more than one box is marked on an item the vote will be invalid on that item.
3. **(Signing instructions):**
  - **(Individual):** Where the holding is in one name, the Shareholder must sign.
  - **(Joint holding):** Where the holding is in more than one name, all of the Shareholders should sign.
  - **(Power of attorney):** If you have not already provided the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Form when you return it.
  - **(Companies):** Where the company has a sole director who is also the sole company secretary, that person must sign. Where the company (pursuant to Section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone. Otherwise, a director jointly with either another director or a company secretary must sign. Please sign in the appropriate place to indicate the office held. In addition, if a representative of a company is appointed pursuant to Section 250D of the Corporations Act to attend the Meeting, the documentation evidencing such appointment should be produced prior to admission to the Meeting. A form of a certificate evidencing the appointment may be obtained from the Company.
4. **(Attending the Meeting):** Completion of a Proxy Form will not prevent individual Shareholders from attending the Meeting in person if they wish. Where a Shareholder completes and lodges a valid Proxy Form and attends the Meeting in person, then the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the Meeting.
5. **(Return of Proxy Form):** To vote by proxy, please complete and sign the enclosed Proxy Form and return by:
  - (a) post or in person to Shree Minerals Limited, Unit 2, The Pines Business Centre, 88 Forrest Street, Cottesloe, WA 6011; or
  - (b) facsimile to the Company on facsimile number +61 8 9385 5194,so that it is received not less than 48 hours prior to commencement of the Meeting, therefore by 11:00am (AWST) on Tuesday, 14 June 2016.

**Proxy Forms received later than this time will be invalid.**

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