

# JUPITER MINES LIMITED

ACN 105 991 740

## NOTICE OF GENERAL MEETING AND EXPLANATORY STATEMENT

**Date:** Monday, 21 September 2009

**Time:** 11:00am

**Place:** Grant Thornton  
Marconi Room  
Level 17, 383 Kent Street  
Sydney, NSW

**This Notice of Meeting and Explanatory Statement is an important document and should be read in its entirety. Please read it carefully.**

**If Shareholders are unable to attend the General Meeting they can complete and return the enclosed Proxy Form in accordance with the instructions set out in the Proxy Form.**

# JUPITER MINES LIMITED

ACN 105 991 740

## NOTICE OF GENERAL MEETING

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Notice is given that a General Meeting of members of Jupiter Mines Limited (**Company**) will be held at 11:00am on Monday, 21 September 2009 at Grant Thornton, Level 17, 383 Kent Street, Sydney, New South Wales.

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### AGENDA

#### **Resolution 1 - Approval for the issue of ordinary shares to POSCO Australia Pty Ltd**

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

"That for the purposes of section 611, item 7 and Chapter 2E of the Corporations Act and Listing Rule 10.11 of the Listing Rules of the ASX Limited and for all other purposes, the Company approves:

- (i) the issue to POSCO Australia Pty Ltd of, and the acquisition by POSCO Australia Pty Ltd of, a relevant interest in 48,000,000 fully-paid ordinary shares in the capital of the Company ("Placement Shares");
- (ii) the acquisition by POSCO Australia Pty Ltd of a relevant interest in shares in the Company held by Pallinghurst Steel Feed (Dutch) BV;
- (iii) the acquisition by POSCO Australia Pty Ltd of a relevant interest in shares in the Company held by Red Rock Resources Plc;
- (iv) the acquisition by Pallinghurst Steel Feed (Dutch) BV of a relevant interest in the Placement Shares;
- (v) the acquisition by Red Rock Resources Plc of a relevant interest in the Placement Shares; and
- (vi) the acquisition by the Company of a relevant interest in the Placement Shares;,,

on the terms set out in the Explanatory Statement which accompanied the Notice of Meeting."

#### **Voting Exclusion Statement**

In accordance with the Listing Rules of the Australian Securities Exchange, section 611, item 7 and Chapter 2E of the Corporations Act, the Company will disregard any vote cast on Resolution 1 by:

- (a) POSCO Australia Pty Ltd;
- (b) Pallinghurst Steel Feed (Dutch) BV;
- (c) Red Rock Resources Plc;
- (d) any associates of the persons specified above; and

- (e) any associates of the Company (as defined in section 12 of the Corporations Act for the purposes of Chapter 6).

However, the Company need not disregard a vote if:

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

### **Explanatory Statement**

Shareholders are referred to the Explanatory Statement accompanying and forming part of this Notice of Meeting which contains information regarding Resolution 1. Shareholders should read this Notice of Meeting and the Explanatory Statement carefully and in their entirety.

### **Voting and Proxies**

#### **Eligibility to vote**

For the purposes of determining entitlement to vote at the General Meeting, Shares in the Company will be taken to be held by the people registered as holders at [10:00am] ([Perth time]) on [Saturday, 19 September 2009].

#### **Appointing a proxy**

If you are entitled to attend and vote at the General Meeting, you can appoint a proxy to attend and vote on your behalf. A proxy need not be a Shareholder and may be an individual or a body corporate.

If you are entitled to cast two or more votes, you may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If you do not specify a proportion or number, each proxy may exercise half of the votes. If more than one proxy is present at the General Meeting, neither may vote on a show of hands.

A proxy form accompanies this Notice of Meeting.

#### **Lodging your proxy form**

For the appointment of a proxy to be effective, you must return your completed proxy form (and, if the proxy form is signed by an attorney, the original power of attorney under which the proxy form was signed or a certified copy) to Link Market Services Limited by 11:00am on Saturday, 19 September 2009.

You can send your completed proxy form to Link Market Services Limited by returning it to:

**Registered Office** Jupiter Mines Limited  
C/- Link Market Services Limited  
Level 12, 680 George Street  
Sydney NSW 2000

**Facsimile Number:** (02) 9287 0309

**Postal Address** Jupiter Mines Limited  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235

If you appoint a proxy, you may still attend the General Meeting. However, your proxy's rights to speak and vote are suspended while you are present. Accordingly, you will be asked to revoke your proxy if you register at the General Meeting.

**Corporate Shareholders**

Corporate Shareholders who wish to appoint a representative to attend the General Meeting on their behalf must provide that person with a properly executed letter or other document confirming that they are authorised to act as the Shareholder's representative.

**How the Chairman of the General Meeting will vote undirected proxies**

The Chairman of the General Meeting will vote all undirected proxies in favour of Resolution 1.

**By order of the Board.**

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Robert J Benussi  
Company Secretary  
Jupiter Mines Limited  
10 August 2009

# JUPITER MINES LIMITED

ACN 105 991 740

## EXPLANATORY STATEMENT

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This Explanatory Statement has been prepared for the information of Shareholders of Jupiter Mines Limited (**Company**) in connection with the business to be conducted at the General Meeting of the Company to be held at 11:00am on Monday, 21 September 2009 at Grant Thornton, Level 17, 383 Kent Street, Sydney NSW.

This Explanatory Statement is important and should be read in conjunction with the accompanying Notice of Meeting. It contains an explanation of and information about the resolution to be considered at the General Meeting.

Shareholders should read this Notice of Meeting, the Explanatory Statement and the Independent Expert's Report carefully and in their entirety. If Shareholders are in doubt as to what to do in relation to the proposal set out in this Explanatory Statement, they should seek independent advice.

A list of defined terms used in this Explanatory Statement is set out in Section 7 of this Explanatory Statement.

### 1 BACKGROUND

On 30 June 2009, the Company entered into a Subscription Agreement with POSA, a wholly owned subsidiary of Korean-based POSCO and one of the largest steel producers in the world.

Under the Subscription Agreement, the Company has agreed to issue 48,000,000 fully-paid ordinary shares to POSA at an issue price of \$0.16266 per ordinary share (**Issue Price**). As at the date of this Explanatory Statement, the Issue Price was at a discount to the share market price for the Company's ordinary shares. Following that placement, which will raise approximately \$7.81 million, POSA will hold approximately 16.65% of the expanded capital in the Company.

The intended use of the funds raised by the POSA Placement is to fund exploration and development activities in respect of the Company's Central Yilgarn iron ore and manganese assets.

POSA and Pallinghurst (an existing Shareholder) and Pallinghurst and Red Rock (also an existing Shareholder) have separately disclosed to the Company that they (or their related parties) are party to one or more "relevant agreements" to pursue projects jointly, to vote on resolutions of the Company the same way and grant certain pre-emptive rights in relation to the disposal of shares in the Company.

These "relevant agreements" make:

- (a) Pallinghurst an "associate" of POSA and Red Rock;
- (b) POSA an "associate" of Pallinghurst and Red Rock; and
- (c) Red Rock an "associate" of Pallinghurst and POSA,

for the purposes of Chapter 6 of the Corporations Act. Following the issue of the

Placement Shares, these relevant agreements will also result in each of POSA, Pallinghurst and Red Rock having a "relevant interest" in their combined shareholding for the purposes of the Corporations Act. The maximum relevant interest and voting power that each of POSA, Pallinghurst and Red Rock will hold after the Placement Shares are issued to POSA in accordance with the Subscription Agreement is 63.35%. For more information, please refer to Section 7 of this Explanatory Statement.

For the reasons set out in this Explanatory Statement, the Company is seeking Shareholder approval to issue the Placement Shares to POSA under the Subscription Agreement pursuant to:

- (i) Section 611, item 7 of the Corporations Act;
- (ii) Chapter 2E of the Corporations Act; and
- (iii) Listing Rule 10.11 of the ASX Listing Rules.

## 2 SUBSCRIPTION AGREEMENT

The Company entered into a Subscription Agreement on 30 June 2009 in relation to the POSA Placement. The key terms of the Subscription Agreement are summarised as follows:

- (a) **(issue price)**: approximately \$0.16266 per fully-paid ordinary share. As at the date of this Explanatory Statement, the issue price was at a discount to the share market price for the Company's ordinary shares.
- (b) **(subscription shares)**: 48,000,000 fully-paid ordinary shares.
- (c) **(conditions precedent)**: the Subscription Agreement is conditional upon:
  - (i) approval of the POSA Placement at a General Meeting of the Company for the purposes of Listing Rule 10.11 and Chapter 2E and section 611, item 7 of the Corporations Act; and
  - (ii) POSA having obtained any approvals required under the *Foreign Acquisitions and Takeovers Act 1975* (Cth) or any other regulatory consents required in connection with the issue of the Placement Shares.
- (d) **(holding lock)**: POSA may not dispose of, or agree or offer to dispose of, any of the Placement Shares for 12 months from the date on which they were issued. A holding lock will be placed on the Placement Shares to enforce this.
- (e) **(board representation)**: POSA will be entitled to nominate one director to the Company's board immediately after completion of the POSA Placement. That nominee must be submitted for re-election at the next annual general meeting of the Company.
- (f) **(termination)**: the Subscription Agreement will terminate on the earlier of:
  - (i) the Company's Shareholders not approving the issue of the Placement Shares at a General Meeting; or
  - (ii) 30 November 2009.
- (g) **(warranties)**: the Company and POSA have provided each other with

warranties and representations that are customarily included in subscription agreements of this nature.

The Company intends to issue the Placement Shares as soon as practicable following the General Meeting and in any event, not later than one month from the date of the General Meeting.

### 3 DIRECTORS' RECOMMENDATION

The Directors unanimously recommend that the Company's Shareholders vote in favour of approving the POSA Placement.

Mr Paul Murray (the **Independent Director**) is the sole independent director of the Company, is independent of POSA, Pallinghurst and Red Rock and recommends that Shareholders vote in favour of Resolution 1 for the following reasons:

- (a) the POSA Placement is considered to be fair and reasonable by the Independent Expert;
- (b) the POSA Placement will provide the Company with an additional cash injection of approximately A\$7.81 million, facilitating further exploration and development by the Company of its existing assets;
- (c) the Company may be burdened by significant uncertainty if the POSA Placement does not proceed owing to the limited ability of junior explorers such as the Company to raise capital during this sustained period of uncertain and volatile world capital markets;
- (d) the POSA Placement will afford the Company, certainty, time and additional working capital to see out this period of instability while at the same time allowing the Company to further advance its existing interests;
- (e) if the POSA Placement does not proceed and the Company continues at its present level of exploration, the Company will be required to raise additional capital within the next 18 months or face scaling back its exploration activities in order to conserve cash reserves; and
- (f) the investment by POSA, a related party of the Korean based POSCO, one of the largest steel manufacturing and trading companies in the world, may bring strategic advantages to the Company that will return value to Shareholders in the future.

Mr Paul Murray will be voting for Resolution 1.

Mr Andrew Bell agrees with the reasons of the Independent Directors set out above and in particular, notes that the POSA Placement will avoid the Company having to return to the market in the near term to raise new finance in what Mr Bell expects to continue to be difficult market conditions for capital raisings.

Mr Priyank Thapliyal also concurs with the reasons of the Independent Director set out above. Mr Thapliyal is of the view that the proposed alignment with POSA will assist the Company's pursuit of its existing projects, provide added certainty in relation to the Company's future funding requirements and enhance its ability to seek out new opportunities in this difficult market.

Mr Geoff Wedlock and Mr Youfu Zhou also agree with the reasons of the Independent Director set out above.

The Directors note that there are a number of advantages and disadvantages to the

POSA Placement. These are summarised in section 4 below and are addressed in further detail in paragraphs 150 to 153 of the Independent Expert's Report.

The Directors note that the POSA Placement has the unanimous support of the Board along with support from major Shareholders and the Company's strategic partner, Pallinghurst.

#### 4 INDEPENDENT EXPERT'S REPORT

Lonergan Edwards & Associates was commissioned by the Company to provide an Independent Expert's Report to assess the fairness and reasonableness of the POSA Placement. A copy of the Independent Expert's Report is annexed to and forms part of this Explanatory Statement and Notice of Meeting.

There are a number of advantages and disadvantages to the POSA Placement. These advantages and disadvantages are summarised as follows:

Advantages	Disadvantages
<ul style="list-style-type: none"> <li>• provides the Company with an immediate cash injection which will facilitate further exploration and development of its mineral assets</li> <li>• facilitates the development of a new strategic relationship with POSA</li> </ul>	<ul style="list-style-type: none"> <li>• POSA, Pallinghurst and Red Rock's combined ownership interest of 63.35% may deter a third party from making a takeover bid for the Company</li> <li>• the POSA Placement will dilute the equity interest of existing shareholders</li> <li>• POSA, Pallinghurst and Red Rock's influence on the Company's board may increase</li> </ul>

The above advantages and disadvantages are further explained in paragraphs 150 to 153 of the Independent Expert's Report. **Shareholders should review the full Independent Expert's Report in detail.**

The Independent Expert's Report concludes that the proposals outlined in Resolution 1 are on balance considered to be fair and reasonable to Shareholders of the Company not associated with POSA.

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.

#### 5 APPROVAL UNDER CHAPTER 2E OF THE CORPORATIONS ACT

##### 5.1 Overview

Chapter 2E of the Corporations Act regulates the provision of financial benefits to related parties by a public company.

A "financial benefit" is defined broadly in the Corporations Act and includes a public company issuing securities. A "related party" is also defined broadly to include a party that does or may control a public company at any time in the future.

Section 208 of the Corporations Act prohibits a public company giving a financial benefit to a related party unless one of a number of exceptions applies.

Where no exception is applicable (as is the case in these circumstances), section 208 of the Corporations Act provides that for a public company to give a financial benefit to a related party of the company, the public company must:



- (a) obtain the approval of members in the way set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months after the approval is obtained.

## 5.2 Information for Shareholders required under the Corporations Act

For the purposes of section 217 to 227 of the Corporations Act, the following information (current as at the date of this Notice of Meeting and Explanatory Statement) is provided to allow Shareholders sufficient information to determine whether they should approve Resolution 1:

- (a) the proposed financial benefit is to be given to POSA;
- (b) the proposed financial benefit arises because under the terms of the Subscription Agreement, the Company has agreed to issue 48,000,000 ordinary shares to POSA at an issue price of \$0.16266 per fully-paid ordinary share; and
- (c) for an abundance of caution, the Directors have decided to treat POSA as a related party of the Company for the purposes of the Corporations Act because:
  - (i) POSA will have the right to nominate a Director for appointment to the Board if the POSA Placement is approved; and
  - (ii) POSA is party to one or more arrangements with Pallinghurst (or a related party of Pallinghurst) to pursue projects jointly and to vote on resolutions of the Company the same way (for more information on those arrangements, please refer to Section 7.4 of this Explanatory Statement); and
- (d) the Directors consider that the issue of the Placement Shares is in the best interests of the Company for the reasons summarised in Section 1 of this Explanatory Statement and recommend that Shareholders vote in favour of Resolution 1. The Directors' individual recommendations are set out in Section 3 of this Explanatory Statement;
- (e) the Directors' advise that their shareholding in the Company's shares as at 31 July 2009 is as follows:

<b>Director</b>	<b>Ordinary Shares</b>	<b>Options over Ordinary Shares</b>
Mr Geoffrey Wedlock	Nil	Nil
Mr Paul Murray	2,065,000	1,500,000
Mr Andrew Bell	Nil	Nil
Mr Priyank Thapliyal	Nil	Nil
Mr Youfu (Andrew) Zhou	Nil	Nil

- (f) as at the date of this Notice of Meeting and Explanatory Statement the Directors advise that their interests in POSA, Pallinghurst and Red Rock is as follows:

<b>Director</b>	<b>Interests</b>
Mr Geoffrey Wedlock	Nil
Mr Paul Murray	Nil
Mr Andrew Bell	Andrew Bell is the chairman of Red Rock and holds shares in Regency Mines plc which is a major shareholder in Red Rock.
Mr Priyank Thapliyal	Priyank Thapliyal is a director of Pallinghurst and holds shares in Pallinghurst Resources Limited which is the ultimate holding company of Pallinghurst
Mr Youfu (Andrew) Zhou	Nil

- (g) as required by ASIC Regulatory Guide 74, as at the date of this Notice of Meeting and Explanatory Statement the Directors advise that their respective interests in the outcome of Resolution 1 are as follows:
- (i) Mr Andrew Bell (Non Executive Director), is the chairman of Red Rock Resources plc, an associate of Pallinghurst and POSA for the purposes of Chapter 6 of the Corporations Act and therefore has an interest in Resolution 1 through that association; and
  - (ii) Mr Priyank Thapliyal (Non Executive Director), is a director of Pallinghurst and therefore has an interest in Resolution 1 through that association.
- (h) In relation to any other information that is reasonably required by members in order to decide whether or not it is in the Company's interest to pass Resolution 1 and that is known to the Company or any of its Directors, please refer to the annexure to this Explanatory Statement which contains the Independent Expert's Report on whether the transaction is fair and reasonable to non-associated Shareholders.

## **6 APPROVAL UNDER LISTING RULE 10.11**

### **6.1 Overview**

Listing Rule 10.11 requires a listed company to obtain shareholder approval by ordinary resolution prior to the issue of securities (including an option) to a related party. As noted above, POSA is considered a related party of the Company and therefore approval is being sought for the purposes of Listing Rule 10.11.

Subject to certain exceptions, Listing Rule 7.1 prevents a listed company from issuing or agreeing to issue more than 15% in new capital in a 12 month period without shareholder approval. The Placement Shares to be issued to POSA will account for approximately 16.65% of the expanded capital of the Company if Resolution 1 is approved.

As approval for the issue of the Placement Shares is being obtained pursuant to Listing Rule 10.11, the Company is not required to also obtain approval under Listing Rule 7.1 and the grant of the Placement Shares under Resolution 1 will not be included in the 15% calculation for the purposes of Listing Rule 7.1.

### **6.2 Information for Shareholders required under the Listing Rules**

The following information is provided to Shareholders and is required for the purposes of Listing Rule 10.13:

- (a) the party to whom the Placement Shares will be issued is POSA;
- (b) the maximum number of fully-paid ordinary shares to be issued in connection with the POSA Placement is 48,000,000 at an issue price of \$0.16266 per fully-paid ordinary share;
- (c) the Company intends to issue the Placement Shares as soon as practicable following the General Meeting and in any event, not later than 1 month from the date of the General Meeting;
- (d) the intended use of the funds raised by the POSA Placement is to fund exploration and development activities in respect of the Company's Central Yilgarn iron ore and manganese assets.

A statement of the relationship between POSA and the Company setting out why approval is required is set out in Section 5.2(c) of this Explanatory Statement.

For the purposes of Listing Rule 10.13, Shareholders are also directed to the voting exclusion statement set out in the Notice of Meeting.

## **7 APPROVAL UNDER SECTION 611 OF THE CORPORATIONS ACT**

### **7.1 Overview**

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:

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

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.

### **7.2 Key concepts - "associates"**

A person (**second person**) will be an "associate" of a person (**first person**) if:

- (a) the first person is a body corporate and the second person is:
  - (i) a body corporate that the first person controls;
  - (ii) a body corporate that controls the first person; or
  - (iii) a body corporate that is controlled by an entity that controls the person;
- (b) the second person has entered or has proposed to enter in 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

- (c) the second person is a person with whom the first person is acting or proposed to act, in concert in relation to the company's affairs.

### 7.3 Key concepts - "relevant interest"

A person has a relevant interest in securities if they:

- (a) are the holder of the securities;
- (b) have the power to exercise, or control the exercise of, a right to vote attached to the securities; or
- (c) have the 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.

### 7.4 Reasons for obtaining approval under section 611, item 7 of the Corporations Act

As at the date of this Notice of Meeting and Explanatory Statement, the voting power held by Pallinghurst and Red Rock as a result of their direct share holdings is:

- Pallinghurst: 27.48%
- Red Rock: 16.20%

POSA, Pallinghurst and Red Rock have disclosed that they will acquire a relevant interest in each other's shares in the Company from time to time by virtue of "relevant agreements" for the purposes of the Corporations Act. The Company understands that these include:

- (a) a co-operation agreement to jointly pursue steel feed projects between related parties of POSA and Pallinghurst as described in a joint-media release dated 21 April 2008 (a copy of which the Company released to the ASX in an announcement dated 1 July 2009);
- (b) an agreement between POSA and Pallinghurst, subject to the approval of the Company's shareholders, which includes the following key terms:
  - (i) **(term)**: the agreement commences when the Placement Shares are issued and is binding until either POSA or Pallinghurst (or a related party) cease to hold shares in the Company;
  - (ii) **(voting)**: a method for the joint exercise of voting power attaching to their respective shares in the Company. If the parties do not reach a consensus, then each can separately vote their respective shares in the Company;
  - (iii) **(tag-along rights)**: tag-along rights in relation to third party offers to purchase all or some of either party's shares or if either party wishes to dispose of all or some of their shares to a third party;
  - (iv) **(pre-emptive rights)**: each party grants to the other pre-emptive rights over their shares in favour of the other party in the event that a third party offers to purchase all or some of either party's shares or if either party wishes to dispose of all or some of their shares to a

third party;

- (v) **(Red Rock pre-emptive rights)**: Pallinghurst agrees to offer POSA a proportion of the shares Red Rock holds in the Company in the event that a relevant pre-emptive right arises in connection with the agreement between Pallinghurst and Red Rock; and
- (vi) **(disposal)**: the agreement contains provisions requiring consent of the other party for the disposal of shares. The consent requirement changes over the term of the agreement; and
- (c) the agreement between Pallinghurst and Red Rock referred to in the Company's notice of meeting and explanatory statement to Shareholders dated 2 February 2009 regarding the joint exercise of voting power and the grant of pre-emptive rights as between Pallinghurst and Red Rock which the Company understands is on similar terms to the agreement between POSA and Pallinghurst; and
- (d) arrangements in place in relation to the division of proceeds received in connection with POSA and Pallinghurst's respective investments in the Company.

POSA, Pallinghurst and Red Rock have disclosed to the Company that POSA will acquire a relevant interest in Red Rock's shares by virtue of a relevant agreement for the purposes of the Corporations Act. The Company understands that this includes an agreement, subject to approval of the Company's shareholders, regarding the granting of pre-emptive rights to POSA over Red Rock's shares in the Company, being the "Red Rock pre-emptive rights" referred to above in paragraph 7.4(b)(v).

Section 611, item 7 of the Corporations Act provides an exception to the prohibition against acquisitions of relevant interests under section 606(1) of the Corporations Act if shareholders approve the acquisition.

The following information is required to be provided to Shareholders under the Corporations Act and ASIC Regulatory Guide 74 in respect of obtaining approval under section 611, item 7 of the Corporations Act for Resolution 1. Shareholders are also referred to the Independent Expert's Report annexed to and forming part of this Explanatory Statement. Shareholders are also referred to the notice of meeting and explanatory statement to Shareholders dated 2 February 2009 which contains information previously provided to Shareholders regarding Pallinghurst and Red Rock.

## 7.5 Information for Shareholders required under the Corporations Act

### (a) Identity of the acquirer

The identity of the acquirer is POSA and its associates.

#### (i) **POSCO Australia Pty Ltd**

POSA is a wholly owned subsidiary of POSCO in the Republic of Korea. POSA's registered office is in Sydney, New South Wales. The principal activities of POSA are mining joint ventures and investment including the trading of steel products.

#### (ii) **POSCO**

POSCO is a Korean corporation that is listed on the Republic of Korea, New York and Tokyo Stock Exchanges. POSCO is one of

the largest steel producers in the world. POSCO operates two steel mills in Korea, one in Pohang and the other in Gwangyang. It is one of the main suppliers to the Korean automotive and ship building industries.

(iii) **Nominated director**

POSA will nominate Mr Sun Moon Woo as a Director of the Company. Mr Woo holds a Masters Degree in Mining Engineering and joined POSCO in 1983. Mr Woo has worked in the Raw Material Purchasing Division and Investment Division of POSCO for 26 years. Mr Woo has extensive experience in the natural resources industry and has experience in the management of iron ore and coal projects in Australia as a Managing Director of POSA.

(b) **Identity of the associates of the acquirer**

(i) **Pallinghurst**

Pallinghurst Resources Limited (**PRL**) was incorporated on 4 September 2007 in accordance with Guernsey Law, and was listed on the Bermuda Stock Exchange on 26 September 2007 and on the Johannesburg Stock Exchange on 20 August 2008.

PRL holds 100% of the interests in Pallinghurst.

Pallinghurst Advisors LLP, a UK based limited liability partnership regulated by the UK Financial Services Authority, acts as investment advisor to PRL in identifying, evaluating and recommending suitable investments, the financing and structuring thereof, and monitoring investments and providing recommendations on re-financings, add-ons and realisations. If PRL wishes to proceed with a particular investment it will normally set up a specific local investment company for the project. Pallinghurst is one of these investment companies.

**Investment Strategy**

PRL's main objective is to carry on the business of an investment holding company in investments falling within its investment scope. It seeks to develop strategic partnerships with companies and/or other entities in order to create and unlock value for investors. PRL maintains a global focus across the commodities spectrum. It seeks to develop strategic platforms in pursuit of consolidation, vertical integration, turnaround opportunities and expansion projects. The Company is one such investment that is aimed at providing raw materials to the steel making industry and fits into the platform's strategy.

PRL targets investments in businesses that hold mines, smelters, refineries and processing plants. The preference is for brown-fields opportunities, although investments in businesses with attractive development opportunities are also considered. The investments currently held by PRL are at a relatively early stage of implementation of their intended strategies, but promise significant value uplift through organic growth, synergistic acquisitions and/or vertical integration opportunities. PRL continues to seek attractive investment opportunities. PRL is chaired by Mr Brian Gilbertson, widely regarded as one of the leading figures in the natural resources industry, with a notable history and proven track-record of

value creation.

### **Senior Management**

PRL's senior management have extensive experience in creating value in the natural resources industry, with in-depth knowledge of the assets, companies, people and trends and are recognised for their strategic insight and vision. The senior executives are well regarded by international mining investors and are renowned for pioneering innovative transactions (such as the unbundling of Gencor Limited, the creation of BHP-Billiton plc, the creation of Vedanta Resources plc, and the formation of the United Company RUSAL). The strength of its contact network allows PRL to engage key industry players at the highest levels, attract first rate management and operational teams for investments and to utilise leading advisers and specialists. The management's origination capabilities provide for excellent deal flow, with a strong pipeline of opportunities currently in progress.

#### **(ii) Red Rock Resources**

Red Rock Resources Plc is an exploration and mineral property investment company focused on the discovery and development of iron ore, manganese and uranium exploration assets and gold. Its operations are located in Australia and South Eastern Africa. Red Rock listed on London's Alternative Investments Market in July 2005.

Red Rock's iron ore activities were mainly based within Western Australia's Yilgarn region, north west of Kalgoorlie. The Yilgarn hosts significant iron ore horizons including a large banded ironstone formation which runs through Red Rock's Mt Alfred property. Mt Alfred was vended into the Company earlier in the year, and Red Rock's other tenements in the Yilgarn were sold to it in 2007.

Red Rock's uranium interests are a 27% shareholding in ASX listed company Resource Star Ltd (formerly Retail Star Ltd) which has assets in Australia's Northern Territory as well as Malawi. Resource Star is run by Mr Richard Evans, who formerly worked at Western Mining and has extensive uranium experience. Red Rock maintains two directors on the board of Resource Star. In 2008, Resource Star carried out reconnaissance exploration in preparation for drilling programs on two of its properties, Machinga in Malawi and the Woolgni-Edith River project in Australia. Resource Star is currently suspended pending relisting on the ASX.

Red Rock also has manganese interests in the Pilbara region of Western Australia and in Mkushi, Zambia, and interests in gold, iron ore, and other metals.

(c) **Relevant interests and voting power**

The table set out below shows the percentage of the Company's shares that POSA, Pallinghurst and Red Rock (and their associates) will be entitled to and the voting power of them (and their associates) after the Placement Shares are issued in accordance with Resolution 1:

	number of Company shares held directly	number of Company shares held directly percentage (%)	voting power percentage (%)
<b>Prior to issue of the Placement Shares</b>			
POSA	Nil	Nil	Nil
Pallinghurst	66,054,148	27.48	43.68
Red Rock	38,948,586	16.20	43.68
<b>After issue of the Placement Shares</b>			
POSA	48,000,000	16.65	53.06
Pallinghurst	66,054,148	22.90	53.06
Red Rock	38,948,586	13.51	53.06
<b>After exercise of the manganese option by Pallinghurst and Red Rock (as approved by shareholders in March 2009)</b>			
POSA	48,000,000	12.99	63.35
Pallinghurst	92,899,165	25.15	63.35
Red Rock	93,104,165	25.21	63.35

Source: Jupiter Mines Limited

As set out previously, 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.

The maximum relevant interest and voting power that POSA, Pallinghurst and Red Rock will hold after the Placement Shares are issued to POSA in accordance with the Subscription Agreement is 53.06%.

Pursuant to the transaction set out in the explanatory memorandum which formed part of the notice of meeting of the Company held on 9 March 2009, the Company is deemed to have a relevant interest in the following shares that are subject to voluntary escrow arrangements which are being enforced by holding locks:

- (i) 47,339,148 ordinary fully paid shares issued to Pallinghurst on 30 March 2009; and
- (ii) 23,839,183 ordinary fully paid shares issued to Red Rock on 30 March 2009.

Although the Company does not have any ownership interest in the escrowed shares or an ability to control how they are voted, the Company is considered to have a relevant interest in the shares because the voluntary escrow arrangements between the Company and Pallinghurst and Red



Rock restrict the ability of those shareholders to transfer or otherwise dispose of the escrowed shares for a period of 12 months from the date the shares were issued.

The Company's entry into a voluntary escrow arrangement in relation to the Placement Shares will require shareholder approval because the Company's deemed relevant interest in the escrowed shares will increase from a starting point that is above 20% and below 90%.

Following the issue of the Placement Shares, 119,178,331 ordinary fully paid shares (being approximately 41.33% of the voting power in the Company) will be subject to voluntary escrow arrangements agreed between the Company and the relevant shareholders to apply holding locks in relation to their respective shares.

The Pallinghurst and Red Rock escrow arrangements will terminate on 30 March 2010. The POSA voluntary escrow arrangement will terminate 12 months from the date the Placement Shares are issued.

Regulatory Guide 74 requires certain information regarding the intentions of the person who is acquiring a relevant interest to be disclosed to shareholders. These disclosures are not relevant in the present circumstances, where the Company is deemed to be acquiring a relevant interest in its own shares but will not obtain any power to influence the exercise of a voting right attached to the escrowed shares.

The intentions of POSA are relevant to Shareholders and accordingly the Company refers Shareholders to the summary in Section 7.6 below.

## **7.6 Intentions of POSA, Pallinghurst and Red Rock**

Other than as disclosed elsewhere in this Explanatory Statement, the Company understands that each of POSA, Pallinghurst and Red Rock:

- (a) has no intention of making any significant changes to the business of the Company other than as set out in this Notice of Meeting. However, it is intended the Company will consider new opportunities as and when they may arise;
- (b) does not intend to redeploy any fixed assets of the Company other than as a result of the evaluation of all the non-core assets and in order to maximise shareholder value;
- (c) will strengthen the current management of the Company for the implementation of its previously announced steel feed corporation strategy;
- (d) does not intend to transfer any property between the Company or any person associated with any of them; and
- (e) has no current intention to change the Company's existing policies in relation to financial policies or dividend matters.

As previously announced, Pallinghurst has committed A\$50 million to the development of the Company's steel feed corporation strategy, subject to proposed investments meeting Pallinghurst's investment criteria. The placement to POSA forms part of that commitment.

## **7.7 Other information required to be provided to Shareholders under ASIC**

## Regulatory Guide 74

For the purposes of proper compliance with section 611, item 7 of the Corporations Act and ASIC Regulatory Guide 74, Shareholders are also referred to the following Sections of this report:

- (a) Section 1, for information on the reasons for the POSA Placement;
- (b) Section 2, for information on the terms of the Subscription Agreement;
- (c) Section 3, for information on the interests of the Directors in the outcome of Resolution 1;
- (d) Section 4, for a summary of and the annexure to this Explanatory Statement, which contains the Independent Expert's Report; and
- (e) Section 5, for information on the recommendations of the Directors in relation to Resolution 1.

## 8 GLOSSARY

In the Notice of Meeting and this Explanatory Statement the following expressions have the following meanings:

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

**associate** has the meaning given to it by Division 2 of Part 1.2 of the Corporations Act.

**ASX** means ASX Limited ACN 008 624 691 or the stock market conducted by the ASX Limited (as the context requires).

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

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

**Company** means Jupiter Mines Limited ACN 105 991 740.

**Constitution** means the constitution of the Company.

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

**Directors** means each of the Directors of the Company.

**Explanatory Statement** means this Explanatory Statement.

**General Meeting** means the meeting of the Company to be convened pursuant to the Notice of Meeting.

**Independent Expert** means Lonergan Edwards & Associates Limited.

**Independent Expert's Report** means the report prepared by the Independent Expert annexed to and forming part of this Explanatory Statement and Notice of Meeting.

**Notice of Meeting** means the notice of meeting that accompanies this Explanatory Statement.

**Pallinghurst** means Pallinghurst Steel Feed (Dutch) BV, Registration No.

34327494.

**Placement Shares** means 48,000,000 fully-paid ordinary shares in the Company to be issued to POSA under the Subscription Agreement.

**POSA** means POSCO Australia Pty Ltd ACN 002 062 160.

**POSA Placement** means the placement proposed to be completed by the Company through the issue of the Placement Shares pursuant to the Subscription Agreement.

**Red Rock** means Red Rock Resources Plc.

**Resolution 1** means the resolution by that same number titled "*Approval for the issue of ordinary shares to POSCO Australia Pty Ltd*" set out in the Notice of Meeting.

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

**Shareholder** means a registered holder of Shares in the Company.

**Subscription Agreement** means the agreement between POSA and the Company dated 30 June 2009.

The Independent Directors  
Jupiter Mines Limited  
Level 2  
72 Kings Park Road  
West Perth WA 6005

10 August 2009

**Subject: Proposed issue of shares to POSCO**

Dear Sirs

### **The Share Issue**

- 1 On 1 July 2009 Jupiter Mines Limited (Jupiter) announced that POSCO Australia Pty Ltd (POSCO) would subscribe for 48.0 million new shares in Jupiter for US\$6.25 million in cash (approximately A\$7.81 million or 16.27 Australian cents per share<sup>1</sup>) in a share placement, subject to shareholder approval (the Share Issue).
- 2 POSCO and a parent company of Pallinghurst Steel Feed (Dutch) BV (Pallinghurst), an existing shareholder of Jupiter, has previously entered into a cooperation agreement to jointly pursue steel feed projects in the natural resources sector internationally. As a result of this relationship POSCO is deemed a related party of Pallinghurst, and accordingly the Share Issue requires shareholder approval.
- 3 If the Share Issue is approved by Jupiter's non-associated shareholders<sup>2</sup>, POSCO will own approximately 16.65% of the expanded share capital of Jupiter and will be entitled to nominate one director to Jupiter's board. Further, as POSCO, Pallinghurst and Red Rock<sup>3</sup> (the Related Parties) are deemed to be Associates under the Corporations Act, their combined ownership will be approximately 63.35% of the expanded share capital of Jupiter<sup>4</sup> if the Share Issue is approved.

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<sup>1</sup> Based on an AUD:USD exchange rate of 0.80.

<sup>2</sup> Jupiter shareholders excluding Pallinghurst and Red Rock.

<sup>3</sup> Red Rock Resources plc (Red Rock).

<sup>4</sup> After exercise of the manganese option by Pallinghurst and Red Rock (as approved by non-associated shareholders in March 2009).

- 4 Jupiter also announced on 1 July 2009 that POSCO had entered into an agreement for up to 50% of Jupiter's future DSO-grade ore production at the prevailing market price.

### **Jupiter Mines Limited**

- 5 Jupiter is a public company listed on the Australian Securities Exchange (ASX) with exploration interests in Western Australia in iron ore, nickel and gold. Pallinghurst and Red Rock (the Consortium) acquired a controlling interest in Jupiter in March 2009.

### **POSCO**

- 6 POSCO is a wholly owned subsidiary of Korean based Pohang Iron and Steel Company, which is one of the largest steel manufacturing and trading companies in the world, with a market capitalisation of approximately US\$25.5 billion<sup>5</sup>.

### **Scope**

- 7 As POSCO, Pallinghurst and Red Rock (the Related Parties) are deemed to be Associates under the Corporations Act they will each acquire a further relevant interest of 16.65% in Jupiter as a result of the Share Issue. Accordingly, there is a regulatory requirement for Jupiter to commission an Independent Expert's Report (IER). Consequently, the Independent Directors of Jupiter have requested that Lonergan Edwards & Associates Limited (LEA) prepare an IER stating whether, in LEA's opinion, the Share Issue to POSCO is fair and reasonable to the non-associated shareholders of Jupiter.
- 8 LEA is independent of Jupiter, POSCO, Pallinghurst and Red Rock and has no involvement with or interest in the outcome of the Share Issue other than the preparation of this report.

### **Summary of opinion**

- 9 In our opinion the Share Issue is fair and reasonable to those Jupiter shareholders not associated with the proposed Share Issue. We therefore recommend that Jupiter shareholders vote in favour of the proposed Share Issue.
- 10 We have formed this opinion for the reasons set out below.

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<sup>5</sup> As at 6 July 2009.

### **Value of Jupiter**

- 11 Given that Jupiter is an early stage exploration company it is not possible (or appropriate) to apply the discounted cash flow (DCF) or capitalisation of future earnings methods to value its resource projects. Consequently, we have valued Jupiter shares by reference to:
- (a) the independent valuation of Jupiter's mineral resources and exploration assets undertaken by Snowden as at 30 November 2008, updated to reflect changes in commodity markets and other factors, plus the value of Jupiter's other net assets (including its 10.2% stake in Mindax); and
  - (b) the listed market price of Jupiter shares.

### ***Value based on the Snowden report***

- 12 Snowden valued Jupiter's mineral assets and the mineral assets acquired by Jupiter from Pallinghurst and Red Rock in a report dated 19 December 2008 in connection with the acquisition by Pallinghurst and Red Rock of a controlling interest in Jupiter in March 2009. This report was included in Jupiter's Explanatory Memorandum dated 9 March 2009 and can be obtained from Jupiter's website ([www.jupitermines.com](http://www.jupitermines.com)).
- 13 Very little exploration activity has been undertaken by Jupiter since the date of Snowden's assessment. Accordingly, LEA has updated Snowden's valuation to reflect:
- (a) the greater inferred resource estimate for the Mt Mason Project (which was announced to the ASX on 23 February 2009); and
  - (b) changes in commodity prices and market sentiment since the date of Snowden's assessment based on discussions with Snowden.

- 14 The value of 100% of Jupiter shares based on Snowden's original valuation as at 30 November 2008 adjusted for changes in resource estimates, commodity prices and market sentiment and Jupiter's other net assets (including its 10.2% stake in Mindax) is as follows:

	Low A\$m	High A\$m	Preferred A\$m
Value of mineral resources and exploration assets <sup>(1)</sup>	5.8	34.7	12.1
Value of Mindax shares	5.3	6.6	6.0
Other net assets	6.7	6.7	6.7
Value of Jupiter shares	17.8	48.0	24.8
Number of shares on issue <sup>(2)</sup>	321.4	321.4	321.4
Value of Jupiter shares (cents)	5.5	14.9	7.7

**Note:**

- 1 Refer paragraph 120
- 2 Shares on issue include 81.0 million shares which are to be issued to Pallinghurst and Red Rock (the Consortium) as a result of the Consortium exercising their option to vend in to Jupiter the Oakover project.

**Value based on listed market price**

- 15 The recent market prices of Jupiter shares prior to the announcement of the Share Issue are set out below:

Jupiter share prices				
Period	Low Cents	High Cents	VWAP <sup>(1)</sup> Cents	Volume traded <sup>(2)</sup> 000s
1 week to 30 June 2009	18.0	22.5	19.7	151
1 month to 30 June 2009	15.0	22.5	17.7	890
3 months to 30 June 2009	9.0	22.5	13.4	3,586

**Note:**

- 1 Volume weighted average price (VWAP).
- 2 It should be noted that Jupiter shares are relatively illiquid.

- 16 Given that Jupiter shares are relatively illiquid, in our opinion, more regard should be had to the prices in the three months to 30 June 2009. In this regard we note that Jupiter shares traded between 9.0 cents and 22.5 cents over this period, with a steady increase in price. However, as recent increases in the price of Jupiter shares may have reflected speculation of the proposed Share Issue, we have had primary regard to the volume weighted average price (VWAP) of Jupiter shares over the period.

- 17 We have therefore adopted a listed market price of 12.0 cents to 15.0 cents per Jupiter share. However, as the listed market price represents the value on a portfolio rather than controlling interest basis, it is appropriate to consider whether a premium for control should be applied.
- 18 Empirical evidence on control premiums indicates that premiums for control in successful takeovers in Australia typically range between 30% and 35% above the pre-bid market price of the target company's shares, assuming no speculation of the takeover is reflected in the pre-bid price.
- 19 However, the main reasons why control premiums are paid (access to underlying cash flows and realisation of inherent synergies) are less applicable for Jupiter given the early stage nature of its mineral and exploration interests.
- 20 Consequently, in our opinion a premium for control of zero to 10% is appropriate when valuing Jupiter.
- 21 Applying such a premium results in a controlling interest value (based on share market trading) of 12.0 cents to 16.5 cents per Jupiter share, as shown below:

	Low Cents	High Cents	Mid- point Cents
Listed market price (range)	12.0	15.0	13.5
Add premium for control (nil to 10%)	-	1.5	0.8
Controlling interest value per share	12.0	16.5	14.3

### Summary of values

- 22 In summary the assessed value of Jupiter shares under each approach is shown below:

	Low Cents	High Cents	Preferred / mid- point Cents
Value based on Snowden valuation <sup>(1)</sup>	5.5	14.9	7.7
Value based on recent market price <sup>(2)</sup>	12.0	16.5	14.3

**Note:**

- 1 Based on Snowden's valuation as at November 2008 adjusted for changes in mineral resources, commodity prices and market sentiment.
- 2 Prior to the announcement of the Share Issue.



*Assessment of fairness*

- 23 Under ASIC Regulatory Guide 111, for the proposed Share Issue to be “fair”, the issue price must be equal to or exceed the value of the shares in Jupiter on a 100% controlling interest basis.
- 24 If the Share Issue is approved by Jupiter shareholders POSCO will be issued 48.0 million new shares in Jupiter for US\$6.25 million, in cash, equivalent to 16.27 Australian cents per share.<sup>6</sup>
- 25 The issue price per share therefore:
- (a) exceeds the value of 100% of Jupiter shares of 5.5 cents to 14.9 cents per share based on Snowden’s valuation of its mineral assets as at November 2008 adjusted for changes in resource estimates, commodity prices and market sentiment
  - (b) exceeds the VWAP of Jupiter shares in the three months to 30 June 2009 of 13.4 cents and is consistent with the high end of our assessed range (12.0 cents to 16.5 cents per share) based on share market trading in Jupiter shares in the three months prior to the announcement of the Share Issue.
  - (c) significantly exceeds the effective price of 3.6 cents to 6.4 cents per share at which Pallinghurst and Red Rock (the Consortium) acquired a controlling interest in Jupiter in February 2009 (refer our IER on the issue of shares to the Consortium dated 29 January 2009)
- 26 Given the above, in our opinion, the Share Issue is fair to the non-associated shareholders in Jupiter.

*Assessment of reasonableness*

- 27 Under ASIC Regulatory Guide 111 the Share Issue is reasonable if it is fair. Consequently, in our opinion the Share Issue is fair and reasonable.
- 28 In our opinion the Share Issue is also reasonable to the non-associated shareholders in Jupiter because:

**Cash injection**

- (a) the Share Issue will provide a cash injection into Jupiter of US\$6.25 million which will facilitate further exploration and development by Jupiter of its mineral assets

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<sup>6</sup> Based on an AUD:USD exchange rate of 0.80.

## Relationship with POSCO

- (b) as a result of the Share Issue POSCO will acquire a 16.65% interest in Jupiter. POSCO is a wholly owned subsidiary of the Korean based Pohang Iron and Steel Company, and is one of the world's largest steel manufacturers. In our opinion, the relationship with POSCO is likely to lead to significant long-term benefits for Jupiter, including the ability to provide significant further capital to develop Jupiter's mineral assets.

## Disadvantages

- 29 Jupiter shareholders should note that they will have their equity interest in Jupiter diluted as a result of the Share Issue. However, given Jupiter's ongoing need for further capital for exploration and other purposes such dilution is likely to occur in any event.
- 30 POSCO, Pallinghurst and Red Rock (the Related Parties), who are deemed to be Associates under the Corporations Act, will have a combined ownership interest in Jupiter of approximately 63.35% if the Proposal is approved. This may deter a third party from making a takeover bid for Jupiter.
- 31 Further, as POSCO will be entitled to nominate a director to the Board of Jupiter the Related Parties' representation (and influence) on the Board will increase. However, we note that Pallinghurst and Red Rock currently own 57.9% of Jupiter<sup>7</sup>, and therefore already have effective control in any event.

## Conclusion

- 32 On balance we are of the opinion that the advantages of the Share Issue significantly exceed the disadvantages. We therefore recommend that Jupiter shareholders approve the Share Issue.

Yours faithfully



Craig Edwards  
Authorised Representative



Martin Holt  
Authorised Representative

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<sup>7</sup> After exercise of the manganese option by Pallinghurst and Red Rock (as approved by non-associated shareholders in March 2009).

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## I Outline of the Share Issue

### Summary of Share Issue

- 33 On 1 July 2009 Jupiter Mines Limited (Jupiter) announced that POSCO Australia Pty Ltd (POSCO) would subscribe for 48 million new shares in Jupiter for US\$6.25 million in cash (approximately A\$7.81 million or 16.27 Australian cents per share<sup>8</sup>) in a share placement, subject to shareholder approval (the Share Issue).
- 34 POSCO and a parent company of Pallinghurst Steel Feed (Dutch) BV (Pallinghurst), an existing shareholder of Jupiter, has previously entered into a cooperation agreement to jointly pursue steel feed projects in the natural resources sector internationally. As a result of this relationship POSCO is deemed a related party of Pallinghurst, and accordingly the Share Issue requires shareholder approval.
- 35 If the Share Issue is approved by Jupiter's non-associated shareholders<sup>9</sup>, POSCO will own approximately 16.65% of the expanded share capital of Jupiter and will be entitled to nominate one director to Jupiter's board. Further, as POSCO, Pallinghurst and Red Rock<sup>10</sup> (the Related Parties) are deemed to be Associates under the Corporations Act, their combined ownership will be approximately 63.35% of the expanded share capital of Jupiter<sup>11</sup> if the Share Issue is approved.
- 36 Jupiter also announced on 1 July 2009 that POSCO had entered into an agreement for up to 50% of Jupiter's future DSO-grade ore production at the prevailing market price.

### Conditions

- 37 The Share Issue is subject to the following conditions (amongst others):
- (a) approval by a simple majority of Jupiter shareholders at a General Meeting which is expected to take place in August 2009
  - (b) POSCO obtaining approvals required under the Foreign Acquisitions and Takeovers Act 1975

<sup>8</sup> Based on an AUD:USD exchange rate of 0.80.

<sup>9</sup> Jupiter shareholders excluding Pallinghurst and Red Rock.

<sup>10</sup> Red Rock Resources plc (Red Rock).

<sup>11</sup> After exercise of the manganese option by Pallinghurst and Red Rock (as approved by non-associated shareholders in March 2009).

- (c) POSCO agreeing and acknowledging that Jupiter is not prevented from:
  - (i) making further issues or placements of securities at any time
  - (ii) raising debt or equity
  - (iii) appointing other additional directors, or
  - (iv) entering into arrangements of any kind with third parties including any off-take, or farm-in arrangements
- (d) other customary conditions for this type of transaction.

38 More detail on the above conditions is set out in the Explanatory Memorandum.

## II Scope of our report

### Purpose

- 39 Section 606 of the Corporations Act 2001 (Corporations Act) generally prohibits the acquisition of a relevant interest in issued voting securities of an entity if the acquisition results in a person's voting power in a company increasing from below 20% to more than 20%, or from a starting point between 20% and 90%, without making an offer to all securityholders of the entity<sup>12</sup>. An exception to this general prohibition is set out in Section 611(7), whereby such an acquisition is allowed where the acquisition is approved by a majority of securityholders of the entity at a general meeting and no votes are cast in respect of securities held by the acquirer or any of its associates.
- 40 Regulatory Guide 111 sets out the view of the Australian Securities and Investment Commission (ASIC) on the operation of Section 611(7) of the Corporations Act. Section 611(7) of the Corporations Act allows shareholders to waive the prohibition in Section 606. ASIC Regulatory Guide 111 requires that shareholders approving a resolution pursuant to this section be provided with all material information in relation to the proposed transaction including an IER.
- 41 As POSCO, Pallinghurst and Red Rock (the Related Parties) will acquire a further relevant interest in 16.65% of Jupiter shares under the Share Issue there is a regulatory requirement for Jupiter to commission an IER. Consequently, the Independent Directors of Jupiter have requested that LEA prepare an IER stating whether, in LEA's opinion, the Share Issue to POSCO is fair and reasonable to the non-associated shareholders of Jupiter.
- 42 This report has been prepared to assist the Independent Directors of Jupiter in making their recommendation to the shareholders of Jupiter not associated with the Related Parties, and to assist these shareholders assess the merits of the proposed Share Issue.
- 43 Our report should not be used for any other purpose or by any other party. The ultimate decision whether to approve the Share Issue should be based on each shareholders' assessment of their own circumstances, including their risk profile, liquidity preference, tax position and expectations as to value and future market conditions. If in doubt about the Share Issue or matters dealt with in this report, Jupiter shareholders should seek independent professional advice.

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<sup>12</sup> Subject to the 3% every six months "creep provisions".

## **Basis of assessment**

- 44 In preparing our report, we have given due consideration to ASIC Regulatory Guide 111 – *Content of Expert Reports*.
- 45 ASIC Regulatory Guide 111 – *Content of Expert Reports* states that an issue of shares requiring approval under item 7 of section 611 of the Corporations Act<sup>13</sup> should be analysed as if it were a takeover bid under Chapter 6<sup>14</sup>. Accordingly, the expert is required to assess the transaction in terms of the convention established for takeovers pursuant to section 640 of the Corporations Act.
- 46 We have therefore assessed whether, in our opinion, the proposed Share Issue is “fair” and “reasonable” to the non-associated shareholders in Jupiter.
- 47 Pursuant to Regulatory Guide 111, for the proposed Share Issue to be “fair” the effective issue price of the shares must be equal to or greater than the value of Jupiter shares on a 100% controlling interest basis.
- 48 The Proposed Share Issue is “reasonable” if it is fair. The proposed Share Issue may also be reasonable if, despite being “not fair”, there are sufficient reasons for security holders to approve the Share Issue in the absence of a superior proposal.
- 49 Regulatory Guide 111 also states that the expert should identify the advantages and disadvantages of the proposal to the shareholders not associated with the transaction, and should provide an opinion on whether the advantages of the proposal outweigh the disadvantages<sup>15</sup>.
- 50 Consequently, we have also considered whether the advantages of the proposed Share Issue outweigh the disadvantages from the perspective of the non-associated shareholders in Jupiter.

## **Limitations and reliance on information**

- 51 Our opinion is based on economic, market and other conditions prevailing at the date of this report.
- 52 Our report is based upon financial and other information provided by Jupiter. With respect to the mineral resources and exploration assets of Jupiter we have relied upon the independent valuations of these assets undertaken by Snowden in November 2008 which have been updated to reflect changes in commodities markets and other factors since that date.

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<sup>13</sup> In particular, the acquisition of an interest of greater than 20% in the acquiring entity by the vendor, by the issue of shares by the acquirer to the vendor.

<sup>14</sup> RG111.21 provides an example of such an issue of shares that is comparable to a takeover bid, being where a company issues shares to a vendor of another entity or the vendor of a business and as a consequence, the vendor acquires over 20% of the company incorporating the merged business.

<sup>15</sup> RG 111.39.

- 53 We have considered and relied upon this information and believe that the information provided is reliable, complete, prepared on reasonable grounds, not misleading and does not reflect any material bias. We have no reason to believe that material facts have been withheld from us.
- 54 The information provided was evaluated through analysis, enquiry and review for the purpose of forming an opinion as to whether the Share Issue is fair and reasonable to Jupiter's non-associated shareholders.
- 55 However, in assignments such as this time is limited and we do not warrant that our enquiries have identified or verified all of the matters which an audit, extensive examination or "due diligence" investigation might disclose. None of these additional tasks have been undertaken by us.
- 56 We understand the accounting and other financial information that was provided to us has been prepared in accordance with or the Australian equivalent to International Financial Reporting Standards (AIFRS).
- 57 In forming our opinion, we have also assumed that:
- (a) the information set out in the Explanatory Memorandum is complete, accurate and fairly presented in all material respects
  - (b) if the Share Issue is implemented it will be implemented in accordance with the terms set out in this report.



### III Profile of Jupiter

#### Overview

- 58 Jupiter is a publicly listed mining exploration company with a market capitalisation of approximately \$46.0 million<sup>16</sup>. Jupiter's exploration strategy is to secure prospective leases in regions with a history of successful minerals exploration and production, and in close proximity to existing infrastructure.
- 59 Jupiter's goal is to attract and secure the participation and support of key strategic partners in Australia and overseas in order to progress from explorer to development status.
- 60 Jupiter has a portfolio of tenements in mineral regions of Western Australia and the Northern Territory comprising the following commodities:
- (a) iron ore
  - (b) nickel
  - (c) uranium; and
  - (d) gold
- 61 In March 2009 Jupiter announced a strategy update with an increased focus on its iron ore and newly acquired manganese assets.
- 62 Jupiter's main exploration interests include:
- (a) iron ore projects at Central Yilgarn and Brockman in Western Australia
  - (b) a manganese project in the vicinity of the Oakover River in the Marble Bar mining district.
- 63 Jupiter has further non-core exploration interests which include the following:
- (a) prospective sulphide nickel holdings at the Widgiemooltha Nickel Project near Kambalda in Western Australia
  - (b) several uranium exploration claims in the Northern Territory; and
  - (c) gold interests in Western Australia at Leonora, Kurrajong and Klondyke.

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<sup>16</sup> As at 22 June 2009.

## History

64 A summary of Jupiter's history is set out in the table below:

Calendar Year	Description
2004	<ul style="list-style-type: none"> <li>• Jupiter raised \$0.5 million in seed capital to fund the acquisition of mineral property rights, operating expenses and proposed initial public offering costs.</li> <li>• Jupiter was listed on the ASX in December 2004 and raised \$3.8 million before costs after the acquisition of Klondyke and Widgiemooltha tenements.</li> </ul>
2005	<ul style="list-style-type: none"> <li>• In January Jupiter acquired Future Resource Australia Limited and allotted 250,000 shares to the vendor as part of the consideration.</li> <li>• During the March quarter a geophysical survey was conducted at the Cassini nickel prospect to assist in refining drill target selection.</li> <li>• In May, Jupiter issued approximately 11.3 million options over ordinary fully paid shares in Jupiter.</li> <li>• Exploration of the Klondyke project in the June quarter included rock chip sampling with results indicating zones of grade gold between 0.2 – 1 g/t gold.</li> <li>• In October, Jupiter commenced a diamond drilling program at its Cassini nickel prospect.</li> <li>• In December Jupiter acquired an option over the rights to iron ore deposits at Mount Mason in the Yilgarn.</li> </ul>
2006	<ul style="list-style-type: none"> <li>• In January, Jupiter announced high grade gold assay results from a surface sampling program conducted for the Kurrajong Gold Project.</li> <li>• In April, a six month option agreement with Aries Mining Limited was entered into over two mining permits in Laos.</li> <li>• In May, Jupiter entered into an option agreement with Red Rock to acquire rights to iron ore deposits.</li> <li>• In August, a significant new iron discovery at Central Yilgarn was announced.</li> <li>• In November, a MOU with Wuhan Giant Economic Development Co Ltd (Wuhan) was entered into to market its potential iron ore production.</li> <li>• The option to acquire 100% of the Mt Mason Iron Project was exercised in December.</li> </ul>
2007	<ul style="list-style-type: none"> <li>• The reverse circulation drilling undertaken at the Klondyke Project confirmed previous exploration results in March.</li> <li>• Jupiter entered into a contract for the purchase of eight mining tenement applications in the Northern Territory.</li> <li>• Discovery of nickel soil anomalies at Widgiemooltha in September.</li> <li>• Discovery of additional high grade haematite intercepted at the Mount Mason Prospect in the Central Yilgarn Iron Project.</li> <li>• In November, Jupiter issued 750,000 ordinary shares as part consideration to purchase six tenement applications.</li> <li>• In-principle agreement reached with NuPower Resources Ltd for a farm-in and joint venture over eight NT exploration licenses which are prospective for uranium.</li> </ul>
2008	<ul style="list-style-type: none"> <li>• Commencement of a reverse circulation drill program on two nickel and gold targets at the Widgiemooltha Nickel Project in April.</li> </ul>

Calendar Year	Description
	<ul style="list-style-type: none"> <li>• 3.7 million share placement at 25 cents per share to LSG Resources for the continued development of its WA iron ore assets.</li> <li>• Drilling approval received for Mt Mason Project with drilling expected to commence early June 2008 targeting extensions to inferred resource of 2.2Mt at 60.6% Fe. Approval for Mt Ida drilling was expected to follow shortly after.</li> <li>• In September, Jupiter signed a HOA with LSG Resources to implement future off-take agreement covering 40% of DSO production from Jupiter's existing iron ore projects in WA.</li> <li>• In October, Jupiter announced further high grade iron results from the Mt Mason prospect.</li> <li>• At the end of October, Jupiter received a proposal from Pallinghurst and Red Rock seeking to vend certain assets into Jupiter.</li> </ul>
2009	<ul style="list-style-type: none"> <li>• In February, Jupiter announced an increase in the Inferred Resource for the Mt Mason project to 5.75 million tonnes.</li> <li>• The EGM approved the proposal in March from Pallinghurst and Red Rock to vend certain assets into Jupiter and become a major shareholder.</li> <li>• In March, a strategy update was announced whereby Jupiter will focus on developing its iron ore and manganese assets and divest its non-core assets.</li> <li>• In June, the remaining Oakover manganese project tenements have been granted.</li> </ul>

## Current operations

- 65 Jupiter is in the transition phase of shifting its focus to its iron ore and newly acquired manganese assets. All other assets are considered non-core and are to be divested.
- 66 Jupiter's core and non-core projects and prospects are summarised below.

## Iron ore

### *Central Yilgarn Iron Project*

- 67 The Central Yilgarn Iron Project is Jupiter's flagship project and comprises of the Mt Mason, Mt Ida, Mt Hope and Walling Rock iron ore projects.
- 68 Mt Mason is the most advanced project and is located approximately 100km north west of Menzies which has a rail line to the 530km distant port of Esperance. Since February 2009 the JORC compliant inferred resource has been upgraded to 5.75 million tonnes of hematite (from previously 2.2 million tonnes) and shows calculated weighted average grades at 59.9% Fe content. Further assaying is still in process with some promising indicative results

returned. However, there are also impurities of aluminium oxide, phosphorus and silicon dioxide.

- 69 Activities at Mt Ida include surface rock chip sampling and 11,000 meters of RC drilling, which commenced in late June 2008. The target is to find significant magnetite intersections.

#### ***Mt Alfred Iron Ore Project***

- 70 The Mt Alfred Iron Ore Project was acquired as part of the transaction whereby Pallinghurst and Red Rock became major shareholders in Jupiter. It is also located in the Central Yilgarn approximately 60km away from Jupiter's Mt Mason Iron Ore Project.
- 71 Sampling to date has comprised a total of 67 samples, with 36 obtained from an old drillhole collared on the lower ground approximately 100m in from the northern boundary of the tenement. Several samples showed values above 60% Fe content.
- 72 The Mt Alfred tenement's main prospect is hematite and magnetite iron ores. Potential saleable grades of hematite have recently been found but the extent is unknown and appears to be limited. This correlates with similar occurrences within this region where sub 5 million tonne pods are reported. The only mining in the region (Mt. Windarling) is confined to podiform styles of hematite generally less than 60m deep.

#### ***Brockman Iron Project***

- 73 Brockman is located approximately 60km west of Tom Price in the Hamersley Basin near the tenements of Rio Tinto and Fortescue Metals. Activities include surface rock chip sampling, with RC drilling still to commence.

#### ***Pardoo Iron Ore Rights***

- 74 Jupiter executed a formal agreement with Shaw River Resources to acquire the iron ore rights, known as the Pardoo Project. The tenement is located approximately 100km north west of Port Hedland in the Pilbara region of Western Australia.

#### ***Shay Gap Iron Exploration License***

- 75 Jupiter has also acquired the Shay Gap iron exploration licence. Shay Gap is located 180km east of Port Hedland.

## **Manganese**

### ***Oakover Manganese Project***

- 76 The Oakover Project comprises four leases in the vicinity of the Oakover River in the Marble Bar mining district. The leases are in proximity to the “Woodie Woodie” manganese mining area purchased by Palmary Enterprises, a private company, after a hostile takeover of Consolidated Minerals Limited in 2007.
- 77 Leases E45/2640 and E45/2641 have reported three manganese occurrences, with nine other occurrences sampled by Valiant Consolidated in 1992 that are considered exploration targets. None of the leases have banded iron formations and have little prospect for iron ore.

## **Nickel**

### ***Widgiemooltha & Dordie Rocks South Nickel Projects***

- 78 The Widgiemooltha Project tenements are located approximately 28km south of the Widgiemooltha town site. The Esperance to Kalgoorlie Highway provides access to the area.

## **Uranium**

- 79 In FY07, Jupiter entered into a contract for the purchase of ten tenements in the Northern Territory, a region in which uranium exploration is permitted. The project areas are located in the northern sector of the Northern Territory and seven exploration licences have been granted with the remaining three expected to be granted in 2009.
- 80 Jupiter had a farm in and joint venture (JV) agreement with NuPower Resources Limited (Nu-Power) for its uranium projects. However, in April 2009, Nu-Power withdrew from the farm in and proposed JV agreement.

## **Gold**

### ***Klondyke Gold Project***

- 81 The Klondyke property is located in the Pilbara Mineral Field of Western Australia 27km south east of Marble Bar within the Warrawoona Mining Centre. Marble Bar was developed as a result of the gold rushes to the Pilbara in the late 1880s.

- 82 In the past Aztec Mining, CRA and Lynas all worked the Klondyke area. Numerous drilling and exploration programs were carried out. The programs included geological mapping, bulk sampling, underground sampling, soil sampling, magnetics, aerial photography, petrology and resource modelling and calculations.
- 83 Jupiter completed its RC drilling at the Klondyke Project in January 2007. 10 RC drill holes were drilled to test mineralisation between the surface and 200m depth level. Drilling encountered mineralisation zones comprised of gold in quartz stringers and gold associated with pyrite and sheared country rock.
- 84 On 16<sup>th</sup> February 2009, four Plains and Summons have been lodged against Jupiter covering the Klondyke gold project on the basis that the claimant states that Jupiter has failed to comply with the terms of the option deed dated 29 January 2004, and thus requesting that Jupiter transfers 75 shares in each mining lease back to the plaintiffs under the terms of the option deed. Jupiter considers that the Plaintiffs have no claim and will defend the matter which has been adjointed to the 25<sup>th</sup> September 2009 in the Marble Bar Warden's Court.

#### ***Leonora Gold Projects***

- 85 Jupiter's Leonora Projects are located within an 80km radius zone of known gold resources. Jupiter's Kurrajong, Grattan Well, Desdemona, and Chandlers Reward Projects have gold mineralisation potential.
- 86 Jupiter's exploration programs included field visits, purchase and processing of the satellite data from the Southern Geosciences and Earth scan, and office studies.

#### **Mindax Limited**

- 87 Jupiter also has a 10.2% minority stake in Mindax Limited (Mindax). Mindax is a publicly listed mineral exploration company based in Perth, WA. It has a diversified portfolio of exploration tenements for uranium, gold, base metals and iron ore with tenement portfolios located in the Sandstone-Meekatharra area and in the Western Gneiss terrain of the Yilgarn Craton.
- 88 Mindax has seven projects through the ancient Yilgarn shield area of Western Australia, with its main projects centred on the Bulga Downs mining leases near Sandstone and the uranium project operated by a joint venture in the south west of Western Australia.
- 89 The Bulga Downs project is an iron ore project where mapping and rock chip sampling activities have been undertaken. The rock chip sampling results show mineralisation grades averaging 60% Fe content. The mapping and sampling coverage is around 30% of the project area.

- 90 The uranium project is a joint venture between Mindax and Quasar Resources (Yilgarn Avon JV) and is searching for uranium in south western WA. A scout drilling campaign of widely spaced holes was undertaken to determine the general geological morphology of the area. The limited drilling has identified sub-economic uranium mineralisation.

*The Bulga Downs Project*

- 91 The Bulga Downs Project lies 100km south-east of Sandstone around Mt Forrest in the Richardson Ranges<sup>17</sup>. The project includes extensive iron formation as multiple bands (30m to 200m) within a folded package varying from 500 metres to 2,000 metres over 17 km of strike. A small high-grade hematite deposit is recorded at Mt Richardson, immediately to the south of the Mindax mining leases. Systematic reconnaissance sampling by Mindax indicates extensive hematite-magnetite mineralisation with unusually low phosphorus content. Exploration priority is being given to identifying direct shipping hematite ores, with investigation of the significant potential for magnetite ore to be undertaken at some time in the future<sup>18</sup>.
- 92 Detailed mapping and rock chip sampling has occurred, with some 30% of the area covered at 1:1000 scale. The mapping indicates a wide distribution of hematite and goethite mineralisation. However, there has not been any specific drill testing of these targets (although there are a number of previously drilled holes that have tested gold targets and coincidentally passed through iron mineralisation)<sup>19</sup>.
- 93 The area is subject to a lodged but as yet undetermined aboriginal heritage claim which has precluded drilling. However, the Directors of Mindax are confident a satisfactory resolution will be reached on permitting. The Wutha group, who are partners in the project and are the registered native title applicants for the area, do not support the claim<sup>20</sup>.
- 94 Based on reconnaissance mapping and surface sampling, Mindax announced in February 2008 a conceptual exploration target of 650 million tonnes to 750 million tonnes of magnetite-hematite bearing ironstones with an average iron content of 40% and phosphorus of 0.04%. This included 90 million tonnes to 110 million tonnes of DSO grade (57% to 63% Fe) hematite material. These targets were calculated to 75 metres below surface based on mapped outcrop area and a density factor of 3.5gm / cm<sup>3</sup>.

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<sup>17</sup> Mt Forest is located 150 km from the railway at Menzies and then 500 km from the port at Esperance.

<sup>18</sup> Source: Mindax quarterly report dated 31 March 2009.

<sup>19</sup> Source: Mindax quarterly report dated 31 March 2009.

<sup>20</sup> Source: Mindax 2008 Annual Report.

- 95 While it should be noted that these targets are of a conceptual nature and are not based on drilling, the market capitalisation of Mindax appears to reflect management's continued confidence that a substantial commercial operation at Bulga Downs may be possible<sup>21</sup>.

*Yilgarn-Avon JV*

- 96 Mindax's 50% owned Yilgarn-Avon Joint Venture uranium project announced significant uranium intercepts in April 2008 which demonstrated potential for "Roll Front" style uranium deposits in Western Australia. The joint venture holds over 4,500 square kms of prospective paleochannels that will require a substantial drilling program over the next two years. Roll Front deposits account for over 50% of the world's known uranium reserves, and lend themselves to in situ leach (ISL) extraction.

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<sup>21</sup> Specifically, the Directors of Mindax have expressed confidence in achieving their target of a 100 million tonne hematite – goethite resource of direct shipping ore (refer Mindax 2008 annual report and the AGM presentation and Chairman's address dated 27 November 2008).



## Financial position

97 Jupiter's audited financial position as at 31 December 2008 and its unaudited financial position as at 22 June 2009 is set out below:

Jupiter – financial position		
	31-Dec 08	22-June-09
	\$000	\$000
<b>Current assets</b>		
Cash and cash equivalents	6,808	6,515
Trade and other receivables	99	5
Prepayments	40	46
Marketable securities <sup>(1)</sup>	-	3,000
<b>Total current assets</b>	<b>6,947</b>	<b>9,566</b>
<b>Non-current assets</b>		
Financial assets <sup>(2)</sup>	107	247
Property, plant and equipment <sup>(3)</sup>	248	242
Other non-current assets	5	-
Exploration and evaluation assets <sup>(4)</sup>	14,338	14,947
<b>Total non-current assets</b>	<b>14,698</b>	<b>15,436</b>
<b>Total assets</b>	<b>21,645</b>	<b>25,002</b>
<b>Current liabilities</b>		
Trade and other payables	329	87
Borrowings	135	3
Provisions	29	38
<b>Total current liabilities</b>	<b>493</b>	<b>128</b>
<b>Non-current liabilities</b>		
Trade and other payables	38	38
Provisions	35	35
<b>Total non-current liabilities</b>	<b>73</b>	<b>73</b>
<b>Total liabilities</b>	<b>566</b>	<b>201</b>
<b>Net assets</b>	<b>21,079</b>	<b>24,801</b>

**Note:**

1 Comprises Jupiter's 10.2% shareholding in Mindax

2 Comprises unlisted investments at cost.

3 Property, plant and equipment principally comprises leasehold improvements.

4 Comprises capitalised costs carried forward for exploration projects.

**Source:** Jupiter HY Financial Report 31 December 2008 and management accounts as at 22 June 2009.

## Share capital

- 98 Jupiter had 240,385,875 shares on issue as at 22 June 2009.
- 99 On 8 July 2009, the Consortium exercised an option to vend in the Oakover project into Jupiter for the agreed consideration of 81.0 million Jupiter shares which have not been issued at the date of this report. Prior to the exercise of the option, the Consortium needed to provide Jupiter with unencumbered title to the manganese exploration and mining rights required in connection with the Oakover project which were granted on 22 June 2009 (refer paragraph 131 and 132).
- 100 Jupiter also had 15,100,000 unlisted options on issue exercisable over unissued shares. A list of options outstanding is set out below:

<b>Jupiter – options</b>			
<b>Expiry date</b>	<b>Issue date</b>	<b>Exercise price</b>	<b>Number of options</b>
		<b>\$</b>	
<b>Directors, employees and consultant share options</b>			
24 July 2012	23 July 2007	0.25	600,000
16 August 2012	16 August 2007	0.25	600,000
16 August 2012	16 August 2007	0.30	600,000
16 August 2012	16 August 2007	0.35	800,000
3 October 2012	2 October 2007	0.25	200,000
24 December 2011	23 December 2008	0.30	200,000
21 November 2011	14 November 2006	0.20	1,000,000
21 November 2011	14 November 2006	0.25	1,000,000
21 November 2011	14 November 2006	0.35	1,000,000
1 December 2011	24 November 2006	0.20	900,000
29 December 2009	29 December 2006	0.20	1,500,000
<b>Sub-total</b>			<b>8,400,000</b>
<b>Third party options</b>			
21 December 2009	27 December 2006	0.20	500,000
22 October 2009	27 December 2006	0.20	1,000,000
31 December 2010	23 December 2008	0.35	1,750,000
30 November 2010	11 December 2007	0.35	1,500,000
31 December 2010	19 June 2008	0.35	1,950,000
<b>Sub-total</b>			<b>6,700,000</b>
<b>Grand total</b>			<b>15,100,000</b>

## Significant shareholdings

101 The following table sets out the largest 20 shareholders and their percentage shareholding recorded in the share register as at 22 June 2009:

Top 20 shareholders		
	Jupiter shares	% interest
Pallinghurst Steel Feed (Dutch) BV	66,054,148	27.48
Red Rock Resources plc	38,948,586	16.20
LSG Coal Pty Ltd	20,800,000	8.65
Mrs Shirley Watson	5,000,000	2.08
Cong Ming Limited	4,845,731	2.02
HSBC Custody Nominees (Australia) Limited	2,533,305	1.05
Fanchel Pty Ltd	2,005,765	0.83
Mr Garry Ernest Mullan	1,950,000	0.81
Paul Raymond Murray	1,885,625	0.78
Ms Monika Rosina Sommersperger-Mullan	1,706,250	0.71
Xiang Rong (Australia) Construction Group Pty Ltd	1,574,586	0.66
Kings Park Superannuation Fund Pty Ltd	1,365,000	0.57
Public Trustee	1,355,000	0.56
Mr Jamal Sabsabi	1,300,000	0.54
Mr Simon William Tritton	1,250,000	0.52
Phillip Securities (Hong Kong) Ltd	1,247,620	0.52
Shenyin Wanguo Securities (HK) Limited	1,209,000	0.50
Gascorp Australia Pty Ltd	1,200,000	0.50
Ademsa Pty Ltd	1,200,000	0.50
Dr Michael Wunsh	1,124,474	0.47
Ms Kwai Sau Hau	1,120,000	0.47
Total	159,675,090	66.42
Total shares outstanding	240,385,875	100.00

Source: Jupiter Mines Limited

## Share price performance

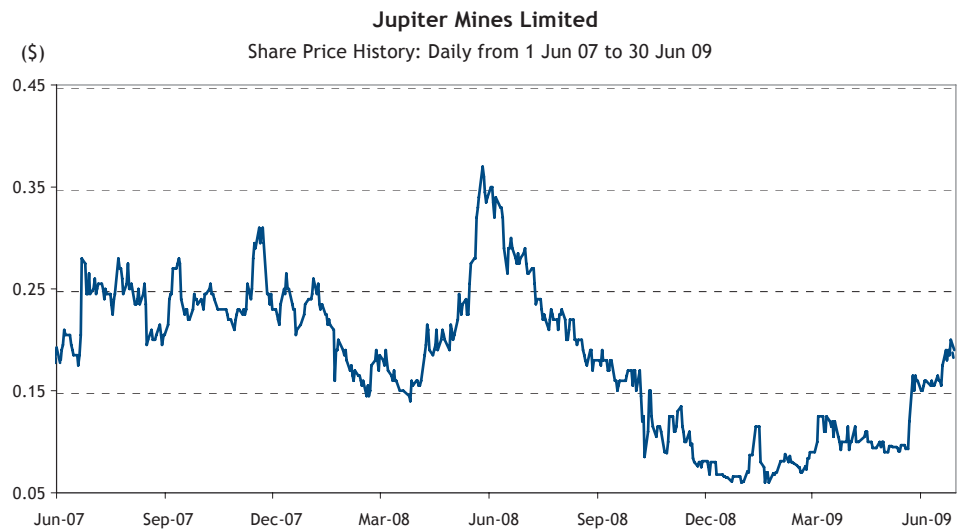
102 The price of Jupiter shares from 1 July 2007 to 30 June 2009 is summarised in the table below:

	High	Low	Close	Monthly volume <sup>(1)</sup>
	\$	\$	\$	000
<b>Quarter ended</b>				
September 2007	0.30	0.19	0.24	18,305
December 2007	0.34	0.21	0.24	31,316
March 2008	0.30	0.14	0.16	12,710
June 2008	0.39	0.16	0.29	22,262
<b>Month</b>				
July 2008	0.29	0.21	0.23	4,873
August 2008	0.23	0.17	0.18	2,564
September 2008	0.19	0.14	0.16	2,099
October 2008	0.17	0.09	0.13	2,696
November 2008	0.14	0.08	0.08	2,066
December 2008	0.08	0.06	0.06	874
January 2009	0.12	0.06	0.07	808
February 2009	0.10	0.07	0.09	1,325
March 2009	0.13	0.09	0.12	2,841
April 2009	0.12	0.09	0.10	1,675
May 2009	0.17	0.09	0.16	4,881
June 2009	0.23	0.15	0.19	3,550

**Note:**

1 Monthly volumes for the quarter ended represents average monthly volumes.

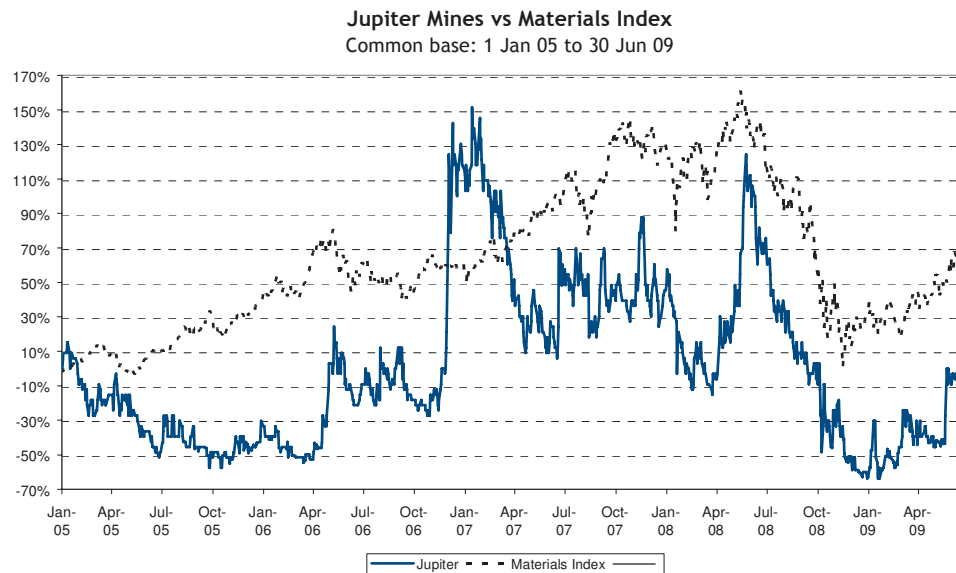
- 103 The following graph illustrates the movement in Jupiter's share price from 1 June 2007 to 30 June 2009:



- 104 In respect of the movement in the Jupiter share price from June 2007 until June 2009 we note the following:
- (a) **November 2007** – formation of a JV with NuPower for Jupiter's uranium tenements in the Northern Territory
  - (b) **December 2007** – substantial change in management and directors due to several resignations and appointments
  - (c) **December 2007 / January 2008** – significant falls in world equity markets
  - (d) **April 2008** – heads of agreement with Shaw River Resources to acquire iron ore rights at Pardoo
  - (e) **May 2008** – Jupiter secures strategic alliance with Haoning Group via a \$3.7 million share placement to LSG Resources, a subsidiary of Haoning Group
  - (f) **May 2008 / June 2008** – on-market purchase of substantial shareholdings by Pallinghurst and Red Rock

- (g) **September / November 2008** – the subsequent fall in Jupiter share price from 36 cents in May 2008 to less than 10 cents in November 2008, principally attributable to the worsening credit crisis and heightened fears of a worldwide recession which coincided with large falls in commodity prices
- (h) **February 2009** – Jupiter announced an increase in its Mt Mason inferred resource to 5.57 million tonnes (from previously 2.2 million tonnes)
- (i) **March 2009** – Pallinghurst and Red Rock become major shareholders in Jupiter
- (j) **June 2009** – The Oakover manganese project leases were granted to the vendors, thereby satisfying the condition to vend the project into Jupiter for the consideration of Jupiter shares.

105 The following graph illustrates the movement in Jupiter’s share price relative to the movement of the ASX S&P Materials Index from 1 January 2005 to 30 June 2009:



## IV Valuation of Jupiter shares prior to the Share Issue

### Methodology

- 106 ASIC Regulatory Guide 111 “Content of Expert Reports” outlines the appropriate methodologies that a valuer should consider when valuing assets or securities for the purposes of, amongst other things, share buy-backs, selective capital reductions, schemes of arrangement, takeovers and prospectuses. These include:
- (a) the discounted cash flow (DCF) methodology
  - (b) the application of earnings multiples appropriate to the businesses or industries in which the company or its profit centres are engaged, to the estimated future maintainable earnings or cash flows of the company, added to the estimated realisable value of any surplus assets
  - (c) the amount that would be available for distribution to shareholders in an orderly realisation of assets
  - (d) the quoted price of listed securities, when there is a liquid and active market and allowing for the fact that the quoted market price may not reflect their value on a 100% controlling interest basis
  - (e) any recent genuine offers received by the target for any business units or assets as a basis for valuation of those business units or assets.
- 107 Given that Jupiter is an early stage exploration company it is not possible (or appropriate) to apply the DCF or capitalisation of future earnings methods to value its resource projects. Consequently, we have valued Jupiter shares by reference to:
- (a) the independent valuation of Jupiter’s mineral resources and exploration assets undertaken by Snowden as at 30 November 2008, updated to reflect changes in commodity markets and other factors, plus the value of Jupiter’s other net assets (including its 10.2% stake in Mindax); and
  - (b) the listed market price of Jupiter shares.

## Value based on Snowden valuation

### Snowden values as at November 2008

108 Snowden valued Jupiter's mineral assets and the mineral assets acquired by Jupiter from Pallinghurst and Red Rock in a report dated 19 December 2008 in connection with the acquisition by Pallinghurst and Red Rock of a controlling interest in Jupiter in March 2009. This report was included in Jupiter's Explanatory Memorandum dated 9 March 2009 and can be obtained from Jupiter's website ([www.jupitermine.com](http://www.jupitermine.com)). A summary of the values assessed by Snowden in that report are set out below:

Snowden's assessed values of Jupiter's mineral resources and exploration assets as at 30 November 2008								
Project	Commodity	Interest %	Inferred		Contained metal	Low \$000	High \$000	Preferred value \$000
			resource Mt	Grade %				
<b>Mineral resources<sup>(1)</sup></b>								
Mt Mason project	Iron ore	100.0	2.2	60.6	1.33 Mt	200	6,500	1,300
Klondyke	Gold	75.0	4.2 <sup>(1)</sup>	1.9	203 koz	760	3,810	760
Value of mineral resources						960	10,310	2,060
<b>Exploration potential</b>								
Central Yilgarn (CYIP)	Iron ore	100.0				476	1,515	736
Widgemoor	Nickel	100.0				273	689	378
Leonora	Gold	100.0				381	1,522	667
Pilbara	Iron ore	100.0				192	729	327
Pilbara	Base metals	100.0				22	93	40
Pilbara	Gold	75.0 – 100.0				348	990	508
Victoria River	Uranium	100.0				482	1,026	618
Mt Alfred	Iron ore	100.0				452	1,257	654
Oakover	Manganese	100.0				1,398	4,206	2,100
Value of exploration potential						4,024	12,027	6,028
<b>Total of mineral resources and exploration interests</b>						<b>4,984</b>	<b>22,337</b>	<b>8,088</b>

**Note:**

1 The figure for Klondyke is a conceptual target estimate rather than inferred resource.

### Mineral resources

109 The valuation of Jupiter's mineral resources and conceptual target estimates was assessed by Snowden by assigning a dollar value to the estimated in-situ metal.



- 110 To establish a benchmark market value for in-ground metal Snowden reviewed publicly available information on recent market transactions involving iron ore and gold resource projects over the preceding two to three year period. Based on this review Snowden concluded that the market value of:
- (a) defined mineral resources comparable to the reported Mt Mason Inferred Resource ranged between A\$0.16 to A\$4.90 per tonne of in-situ iron
  - (b) early stage gold projects with either defined conceptual targets or mineral resources that are broadly comparable to Jupiter’s conceptual target at its Klondyke deposit ranged between A\$5.00 and A\$25.00 per in-situ gold ounce.
- 111 Snowden’s preferred values were at the low end of the above range. This reflecting:
- (a) the very small size of the Mt Mason project and *“the significant amount of work remaining in order to determine an economically viable mining operation at the project”*
  - (b) the fact that the Klondyke “resource” is conceptual in nature and further exploration is required to generate a mineral resource. Furthermore, Snowden stated that it was uncertain whether future exploration will result in the determination of a mineral resource.

### **Exploration potential**

- 112 Snowden used the Kilburn method<sup>22</sup> to derive the value of the exploration potential on mineral properties on which there are no defined resources.
- 113 The Kilburn method systematically assesses and grades four key technical attributes of a tenement to arrive at a series of multiplier factors. The multipliers are then applied serially to the base acquisition cost (BAC)<sup>23</sup> of each tenement with the values being multiplied together to establish the overall technical value of each mineral property. A fifth factor, the market factor is then multiplied by the technical value to arrive at the fair market value.
- 114 In arriving at a market value for Jupiter’s tenements, Snowden considered the market for exploration properties in Australia as at November 2008 and was of the opinion that it was appropriate to apply the following market discounts to the derived technical value for the iron, nickel and base metal assets. This opinion was based on factors relating to the global financial turbulence and the resultant risk-averse sentiment toward the investment market in the face of

<sup>22</sup> This method is commonly adopted when assessing the value of early stage exploration tenements.

<sup>23</sup> The BAC used by Snowden is the average cost incurred to acquire a base unit area of mineral tenement and to meet all statutory expenditure commitments for a period of 12 months.

falling commodity prices. In contrast no discount was applied by Snowden as at November 2008 to gold, uranium and manganese exploration assets for the reasons discussed below:

Commodity	Discount applied	Specific reasons
Iron	30%	<ul style="list-style-type: none"> <li>Moderating interest in iron ore projects</li> <li>Significant additional work remains before potential ore material sourced from CYIP and Pilbara projects can be transported to suitable port facilities</li> <li>World's largest iron ore producers are scaling back operations and project development</li> </ul>
Nickel and base metals	40%	<ul style="list-style-type: none"> <li>Significant reduction in value of listed base metal producers and explorers due to fall in base metal prices</li> <li>Nickel spot price near historic low. World stocks at five year highs</li> </ul>
Gold	Nil	<ul style="list-style-type: none"> <li>A\$ gold price has experienced record high recently</li> <li>Gold regarded as a relatively safe haven</li> </ul>
Uranium	Nil	<ul style="list-style-type: none"> <li>Relative stable sentiment toward uranium assets</li> </ul>
Manganese	Nil	<ul style="list-style-type: none"> <li>Manganese metal price and demand outlook remain relatively more stable than for iron</li> </ul>

- 115 The resulting values were then cross-checked by Snowden by reference to publicly available market transactions involving comparable exploration projects typically in Western Australia and the Northern Territory.

#### Updated values of mineral assets

- 116 We understand that very little exploration activity has been undertaken by Jupiter since the date of Snowden's assessment. However, we note that on 23 February 2009 Jupiter announced a substantial increase in the inferred resource for the Mt Mason Project (Central Yilgarn Iron Project) to 5.75 million tonnes at 59.9% Fe (55% Fe cut-off grade) as a result of successful drilling programs completed in 2008<sup>24</sup>. In contrast, Snowden's valuation was based on the inferred resource at the time of 2.2 million tonnes at 60.6% Fe. Accordingly, we have updated Snowden's valuation to reflect the greater inferred resource estimate.

<sup>24</sup> While the increase in inferred resources was substantial we note that the size of the inferred resource is still small.

117 We have also discussed with Snowden the impact of changes in commodity prices and market sentiment since the date of their assessment on the market discounts applied when assessing the value of Jupiter's exploration assets. The following table sets out the market adjustments applied by Snowden as at 30 November 2008 with the range of potential adjustments for commodity prices and market sentiment changes only which Snowden considers appropriate if a valuation was to be prepared in the current economic and market climate. It should be noted that Snowden have not updated the current market value of Jupiter's exploration assets nor have they considered whether any changes to the technical values of the exploration assets would be required:

Commodity	Market adjustment November 2008	Market adjustment June 2009	Specific reasons for changes
Iron	-30%	0% to -10%	<ul style="list-style-type: none"> <li>• Iron ore prices have decreased but export volumes increased.</li> <li>• Improved outlook for iron ore juniors due to increased foreign investment in their development.</li> </ul>
Nickel and base metals	-40%	-10% to -15%	<ul style="list-style-type: none"> <li>• Since April 2009, nickel price shows signs of strengthening.</li> <li>• Similarly the GFMS base metal index has risen some 45% in the last six months.</li> </ul>
Gold	Nil	Nil to +5%	<ul style="list-style-type: none"> <li>• Gold prices have increased steadily in the past six months.</li> <li>• However, investors are reluctant to invest in gold explorers.</li> </ul>
Uranium	Nil	Nil	<ul style="list-style-type: none"> <li>• Uranium spot price remained relatively stable since November 2008.</li> </ul>
Manganese	Nil	Nil	<ul style="list-style-type: none"> <li>• Demand for manganese is expected to be relatively strong long-term due to continued demand from China.</li> </ul>

118 We have also considered whether Snowden's preferred value per tonne and value per ounce for the Mt Mason (iron ore) and Klondyke (gold) projects respectively should be adjusted given the change in commodity markets and market sentiment. In forming our opinion on this issue we have also reviewed the values per tonne/ounce implied for other early stage listed companies in the iron ore and gold sectors.

- 119 Given the improved market sentiment towards the iron ore sector (as evidenced by the increase in share prices of iron ore explorers generally since November 2008) we have increased the preferred value per tonne adopted by Snowden for Mt Mason by 30% to \$1.30 per tonne. However, as the “resource” at Klondyke is a conceptual target only, we do not believe that any change to Snowden’s preferred values for this project is appropriate (refer paragraph 110 and 111).
- 120 On this basis the value of Jupiter’s mineral assets as at 30 June 2009 (based on Snowden’s original valuation adjusted by LEA for changes in resource estimates, commodity prices and market sentiment) is as follows:

**Assessed values of Jupiter’s mineral resources and exploration assets adjusted for resource estimates, commodity prices and market sentiment**

Project	Commodity	Interest %	Inferred		Contained metal	Low \$000	High \$000	Preferred value \$000
			resource Mt	Grade %				
<b>Mineral resources<sup>(1)</sup></b>								
Mt Mason project	Iron ore	100.0	5.75	59.9	3.44 Mt	551	16,877	4,478
Klondyke	Gold	75.0	4.2 <sup>(1)</sup>	1.9	203 koz	762	3,809	762
Value of mineral resources						1,313	20,686	5,240
<b>Exploration potential</b>								
Central Yilgarn (CYIP)	Iron ore	100.0				604	2,157	1,004
Widgemoooltha	Nickel	100.0				383	1,035	554
Leonora	Gold	100.0				380	1,596	687
Pilbara	Iron ore	100.0				257	1,043	448
Pilbara	Base metals	100.0				28	135	44
Pilbara	Gold	75.0 – 100.0				350	1,040	523
Victoria River	Uranium	100.0				480	1,030	620
Mt Alfred	Iron ore	100.0				579	1,800	882
Oakover	Manganese	100.0				1,400	4,200	2,100
Value of exploration potential						4,461	14,036	6,862
<b>Total of mineral resources and exploration interests</b>						<b>5,774</b>	<b>34,722</b>	<b>12,102</b>

**Note:**

- 1 The figure for Klondyke is a conceptual target estimate rather than inferred resource.

**Other net assets**

- 121 As at 30 June 2009 the other net assets of Jupiter included a 10.2% shareholding in Mindax (an ASX listed exploration company) and cash.

**Value of Mindax shares**

- 122 Mindax has a portfolio of iron, copper, gold and uranium projects in the Sandstone-Meekatharra area and in the Western Gneiss terrane of the Yilgarn Craton (both in Western Australia). However, Mindax's two projects of greatest market interest are its Mt Forrest Iron Project, at Bulga Downs and the Yilgarn-Avon Joint Venture Uranium Project.
- 123 The market prices of Mindax shares one month and three months prior to 30 June 2009 are summarised below:

Mindax share prices				
Period	Low cents	High cents	VWAP <sup>(1)</sup> cents	Volume traded 000s
1 month to 30 June 2009	42.0	54.0	49.3	1,184
3 months to 30 June 2009	37.0	54.0	45.5	3,581

**Note:**

1 Volume weighted average price (VWAP)

- 124 In our opinion, more regard should be had to the prices of Mindax shares for the three months to 30 June 2009. Mindax traded between 37.0 and 54.0 cents per share.
- 125 We note that Mindax shares are relatively illiquid. Consequently, if Jupiter sought to sell on-market its 13.2 million Mindax shares (approximately 10.2% of the issued capital) it is highly likely that it would have to accept a price which represented a substantial discount to the recent trading range.
- 126 However, in contrast, it is likely that a purchaser would need to pay a premium above the recent market price in order to secure approximately 10% of Mindax shares in an on-market transaction.
- 127 On balance therefore, we have not applied a premium or discount to the listed market price.

- 128 Having regard to the recent trading range, for the purpose of our report we have adopted a listed market price of 40 cents to 50 cents per Mindax share. Consequently, the value of the Mindax shares held by Jupiter is as follows:

Value of Mindax shares		
	Low	High
Market price of Mindax shares (\$)	0.40	0.50
Number of shares held (million)	13.18	13.18
Value of Jupiter shareholding in Mindax (\$m)	5.3	6.6

***Other net assets***

- 129 In addition, as at 22 June 2009 Jupiter had other net assets of approximately A\$6.7 million. These other net assets comprised:

	A\$m
Cash	6.5
Other assets	0.5
Liabilities	(0.3)
Other net assets	6.7

**Shares on issue**

- 130 Currently Jupiter has 240.4 million ordinary shares on issue.
- 131 At the EGM on 9 March 2009, Jupiter accepted a proposal from the Consortium to vend certain assets into Jupiter for the issue of Jupiter shares. The assets to be vended in were split in two phases. Completion of Phase 2 is subject to the Consortium (specifically Red Rock) being able to provide Jupiter with unencumbered title to the manganese exploration and mining rights required in connection with the Oakover project.
- 132 On 22 June 2009, the remaining tenements were granted and on 8 July 2009 the Consortium exercised its option to vend in the Oakover project into Jupiter for the agreed consideration of 81.0 million Jupiter shares.
- 133 Additionally, Jupiter has 15.1 million options on issue with exercise prices ranging between \$0.20 and \$0.35 per share. However, as our assessed value of Jupiter shares is below 20 cents per share we have not diluted for these options.
- 134 Consequently the total amount of shares on issue for valuation purposes is 321.4 million.

## Value of Jupiter

135 Based on the above the value of 100% of the shares in Jupiter is as follows:

	Low A\$m	High A\$m	Preferred A\$m
Value of mineral resources and exploration assets <sup>(1)</sup>	5.8	34.7	12.1
Value of Mindax shares	5.3	6.6	6.0
Other net assets	6.7	6.7	6.7
Value of Jupiter shares	17.8	48.0	24.8
Number of shares on issue <sup>(2)</sup>	321.4	321.4	321.4
Value of Jupiter shares (cents)	5.5	14.9	7.7

**Note:**

- 1 Refer paragraph 120
- 2 Shares on issue include 81.0 million shares which are to be issued to the Consortium as a result of the Consortium exercising their option to vend in the Oakover project.

## Value based on listed market price

136 The recent market prices of Jupiter shares prior to the announcement of the Share Issue are set out below:

Jupiter share prices				
Period	Low Cents	High Cents	VWAP <sup>(1)</sup> Cents	Volume traded <sup>(2)</sup> 000s
1 week to 30 June 2009	18.0	22.5	19.7	151
1 month to 30 June 2009	15.0	22.5	17.7	890
3 months to 30 June 2009	9.0	22.5	13.4	3,586

**Note:**

- 1 Volume weighted average price (VWAP).
- 2 It should be noted that Jupiter shares are relatively illiquid.

137 Given that Jupiter shares are relatively illiquid, in our opinion, more regard should be had to the prices in the three months to 30 June 2009. In this regard we note that Jupiter shares traded between 9.0 cents and 22.5 cents over this period, with a steady increase in price. However, as recent increases in the price of Jupiter shares may have reflected speculation of the proposed Share Issue, we have had primary regard to the volume weighted average price (VWAP) of Jupiter shares over the period.

- 138 We have therefore adopted a listed market price of 12.0 cents to 15.0 cents per Jupiter share. However, as the listed market price represents the value on a portfolio rather than controlling interest basis, it is appropriate to consider whether a premium for control should be applied.
- 139 Empirical evidence on control premiums indicates that premiums for control in successful takeovers in Australia typically range between 30% and 35% above the pre-bid market price of the target company's shares, assuming no speculation of the takeover is reflected in the pre-bid price.
- 140 However, the main reasons why control premiums are paid (access to underlying cash flows and realisation of inherent synergies) are less applicable for Jupiter given the early stage nature of its mineral and exploration interests.
- 141 Consequently, in our opinion a premium for control of zero to 10% is appropriate when valuing Jupiter.
- 142 Applying such a premium results in a controlling interest value (based on share market trading) of 12.0 cents to 16.5 cents per Jupiter share, as shown below:

	Low Cents	High Cents	Mid- point Cents
Listed market price (range)	12.0	15.0	13.5
Add premium for control (nil to 10%)	-	1.5	0.8
Controlling interest value per share	12.0	16.5	14.3

## Summary of values

- 143 In summary the assessed value of Jupiter shares under each approach is shown below:

	Low Cents	High Cents	Preferred / mid- point Cents
Value based on Snowden valuation <sup>(1)</sup>	5.5	14.9	7.7
Value based on recent market price <sup>(2)</sup>	12.0	16.5	14.3

**Note:**

1 Based on Snowden's valuation as at November 2008 adjusted for changes in mineral resources, commodity prices and market sentiment.

2 Prior to the announcement of the Share Issue.



## V Evaluation of the Proposed Share Issue

144 In our opinion, the Proposed Share Issue is fair and reasonable to the non-associated shareholders in Jupiter. We are of this opinion for the following reasons.

### Assessment of fairness

145 Under ASIC Regulatory Guide 111, for the proposed Share Issue to be “fair”, the issue price must be equal to or exceed the value of the shares in Jupiter on a 100% controlling interest basis.

146 If the Share Issue is approved by Jupiter shareholders POSCO will be issued 48.0 million new shares in Jupiter for US\$6.25 million in cash, equivalent to 16.27 Australian cents per share.<sup>25</sup>

147 The issue price per share therefore:

- (a) exceeds the value of 100% of Jupiter shares of 5.5 cents to 14.9 cents per share based on Snowden’s valuation of its mineral assets as at November 2008 adjusted for changes in resource estimates, commodity prices and market sentiment
- (b) exceeds the VWAP of Jupiter shares in the three months to 30 June 2009 of 13.4 cents per share and is consistent with the high end of our assessed range (12.0 cents to 16.5 cents per share) based on share market trading in Jupiter shares in the three months prior to the announcement of the Share Issue.
- (c) significantly exceeds the effective price of 3.6 cents to 6.4 cents per share at which Pallinghurst and Red Rock (the Consortium) acquired a controlling interest in Jupiter in February 2009 (refer our IER on the issue of shares to the Consortium dated 29 January 2009)

148 Given the above, in our opinion, the Share Issue is fair to the non-associated shareholders in Jupiter.

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<sup>25</sup> Based on an AUD:USD exchange rate of 0.80.

## Assessment of reasonableness

- 149 Under ASIC Regulatory Guide 111 the Share Issue is reasonable if it is fair. Consequently, in our opinion the Share Issue is fair and reasonable.
- 150 In our opinion the Share Issue is also reasonable to the non-associated shareholders in Jupiter because:

### Cash injection

- (a) the Share Issue will provide a cash injection into Jupiter of US\$6.25 million which will facilitate further exploration and development by Jupiter of its mineral assets

### Relationship with POSCO

- (b) as a result of the Share Issue POSCO will acquire a 16.65% interest in Jupiter. POSCO is a wholly owned subsidiary of the Korean based Pohang Iron and Steel Company, and is one of the world's largest steel manufacturers. In our opinion, the relationship with POSCO is likely to lead to significant long-term benefits for Jupiter, including the ability to provide significant further capital to develop Jupiter's mineral assets.

## Disadvantages

- 151 Jupiter shareholders should note that they will have their equity interest in Jupiter diluted as a result of the Share Issue. However, given Jupiter's ongoing need for further capital for exploration and other purposes such dilution is likely to occur in any event.
- 152 POSCO, Pallinghurst and Red Rock (the Related Parties), who are deemed to be Associates under the Corporations Act, will have a combined ownership interest in Jupiter of approximately 63.35% if the Share Issue is approved. This may deter a third party from making a takeover bid for Jupiter.
- 153 Further, as POSCO will be entitled to nominate a director to the Board of Jupiter the Related Parties' representation (and influence) on the Board will increase. However, we note that Pallinghurst and Red Rock currently own 57.9% of Jupiter<sup>26</sup>, and therefore already have effective control.

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<sup>26</sup> After exercise of the manganese option by Pallinghurst and Red Rock (as approved by non-associated shareholders in March 2009).

**Conclusion**

- 154 On balance we are of the opinion that the advantages of the Share Issue significantly exceed the disadvantages. We therefore recommend that Jupiter shareholders approve the Share Issue.

## Appendix A

### Financial Services Guide

#### Lonergan Edwards & Associates Limited

- 1 Lonergan Edwards & Associates Limited (LEA) (ABN 53 095 445 560) is a specialist valuation firm which provides valuation advice, valuation reports and Independent Expert's Reports (IER) in relation to takeovers and mergers, commercial litigation, tax and stamp duty matters, assessments of economic loss, commercial and regulatory disputes.
- 2 LEA holds Australian Financial Services Licence No 246532.

#### Financial Services Guide

- 3 The Corporations Act 2001 authorises LEA to provide this Financial Services Guide (FSG) in connection with its preparation of an IER to accompany the Explanatory Memorandum to be sent to Jupiter shareholders in connection with the Share Issue.
- 4 This FSG is designed to assist retail clients in their use of any general financial product advice contained in the IER. This FSG contains information about LEA generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the IER, and if complaints against us ever arise how they will be dealt with.

#### Financial services we are licensed to provide

- 5 Our Australian financial services licence allows us to provide a broad range of services to retail and wholesale clients, including providing financial product advice in relation to various financial products such as securities, derivatives, interests in managed investment schemes, superannuation products, debentures, stocks and bonds.

#### General financial product advice

- 6 The IER contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.
- 7 You should consider your own objectives, financial situation and needs when assessing the suitability of the IER to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

## Appendix A

### **Fees, commissions and other benefits we may receive**

- 8 LEA charges fees to produce reports, including this IER. These fees are negotiated and agreed with the entity who engages LEA to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. In the preparation of this IER our fees are based on a time cost basis using agreed hourly rates.
- 9 Neither LEA nor its directors and officers receive any commissions or other benefits, except for the fees for services referred to above.
- 10 All of our employees receive a salary. Our employees are eligible for bonuses based on overall performance and the firm's profitability, and do not receive any commissions or other benefits arising directly from services provided to our clients. The remuneration paid to our directors reflects their individual contribution to the company and covers all aspects of performance. Our directors do not receive any commissions or other benefits arising directly from services provided to our clients.
- 11 We do not pay commissions or provide other benefits to other parties for referring prospective clients to us.

### **Complaints**

- 12 If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner.
- 13 If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Financial Ombudsman Services Limited (FOSL), an external complaints resolution service. You will not be charged for using the FOSL service.

### **Contact details**

- 14 LEA can be contacted by sending a letter to the following address:

Level 27  
363 George Street  
Sydney NSW 2000  
(or GPO Box 1640, Sydney NSW 2001)

## Appendix B

### Qualifications, declarations and consents

#### Qualifications

- 1 LEA is a licensed investment adviser under the Corporations Act. LEA's authorised representatives have extensive experience in the field of corporate finance, particularly in relation to the valuation of shares and businesses and have prepared more than 100 Independent Expert's Reports.
- 2 This report was prepared by Mr Craig Edwards and Mr Martin Holt, who are each authorised representatives of LEA. Mr Edwards and Mr Holt have over 15 years and 20 years experience respectively in the provision of valuation advice.

#### Declarations

- 3 This report has been prepared at the request of the Directors of Jupiter to accompany the Explanatory Memorandum to be sent to Jupiter shareholders. It is not intended that this report should serve any purpose other than as an expression of our opinion as to whether the Share Issue is fair and reasonable to Jupiter shareholders not associated with the Share Issue.

#### Interests

- 4 At the date of this report, neither LEA, Mr Edwards nor Mr Holt have any interest in the outcome of the Share Issue. LEA is entitled to receive a fee of \$25,000 plus GST for the preparation of this report. With the exception of the above fee, LEA will not receive any other benefits, either directly or indirectly, for or in connection with the preparation of this report.

#### Indemnification

- 5 As a condition of LEA's agreement to prepare this report, Jupiter agrees to indemnify LEA in relation to any claim arising from or in connection with its reliance on information or documentation provided by or on behalf of Jupiter which is false or misleading or omits material particulars or arising from any failure to supply relevant documents or information.

#### Consents

- 6 LEA consents to the inclusion of this report in the form and context in which it is included in Jupiter's Explanatory Memorandum.
- 7 Snowden Mining Industry Consultants Pty Ltd (Snowden) consents to the inclusion of references to Snowden in this report, in the form and context in which they appear.

## Glossary

Abbreviation	Definition
AIFRS	Australian equivalent to International Financial Reporting Standards
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
BAC	Base acquisition cost
Consortium	Pallinghurst and Red Rock
Corporations Act	Corporations Act 2001 (Cth)
CPI	Consumer price index
CYIP	Central Yilgarn Iron Ore Project
DCF	Discounted cash flow
DSO	Direct Shipping Ore
EBITA	Earnings before interest, tax and amortisation
EBITDA	Earnings before interest, tax, depreciation and amortisation
EGM	Extraordinary General Meeting
EL	Exploration licence
EV	Enterprise value
Fe	Iron ore
FIRB	Foreign Investment Review Board
FOB	Free on board
FOSL	Financial Ombudsman Services Limited
FSG	Financial Services Guide
FY	Financial year
IER	Independent expert's report
ISL	In Situ Leach
Jupiter	Jupiter Mines Limited
JV	Joint Venture
LEA	LonerGAN Edwards & Associates Limited
Mindax	Mindax Limited
MOU	Memorandum of Understanding
Mt	Million tonnes
Mtpa	Million tonnes per annum
NPV	Net present value
NuPower	NuPower Resources Limited
Oakover Project	The manganese exploration and mining rights required in connection with the Oakover Project
Pallinghurst	Pallinghurst Resources Australia Limited
POSCO	POSCO Australia Pty Ltd
Share Issue	The Share Issue as set out in Section I
Red Rock	Red Rock Resources plc
Related Parties	POSCO, Pallinghurst and Red Rock



<b>Abbreviation</b>	<b>Definition</b>
VWAP	Volume weighted average price
Wuhan	Wuhan Giant Economic Development Co Ltd
Yilgarn Avon JV	Joint venture between Mindax and Quasar Resources

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