

26 JUNE 2015

#### CAPITAL STRUCTURE

Shares on Issue: 181m

Unlisted Options: 0.5m

Market Cap: \$9.1m  
(as at 28 February 2015)

[Click here](#) for latest share price (ASX: LMR)



#### CASH ON HAND

\$14.29m  
(as at 28 February 2015)

#### CORPORATE DIRECTORY

Mr Anthony Viljoen  
Executive Director and CEO

Mr Ryan Rockwood  
Executive Director

Mr Fortune Mojapelo  
Non-Executive Director

Ms Shannon Coates  
Non-Executive Director &  
Company Secretary

#### CONTACT DETAILS

##### Principal and Registered Office

Suite 5, 62 Ord Street  
West Perth WA 6005

Telephone: +61 8 9486 4768

Facsimile: +61 8 9322 5230

#### WEBSITE

[www.lemurresources.com](http://www.lemurresources.com)

## TARGET'S STATEMENT

In accordance with section 633(1) item 14 of the Corporations Act 2001 (Cth), we enclose a copy of the target's statement dated 26 June 2015 (**Target's Statement**) given by Lemur Resources Limited (ABN 53 147 241 361) (**Lemur**) in relation to the off-market takeover bid by Bushveld Minerals Limited (a company incorporated in Guernsey with Registration No. 54506) (**Bushveld**) for all of the fully paid ordinary shares in Lemur.

The Target's Statement has today been lodged with the Australian Securities and Investments Commission and sent to Steinepreis Paganin, who have agreed to accept service of the Target's Statement on behalf of Bushveld.

**THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION.** If you are in any doubt as to how to deal with this document, you should consult your broker or your legal, financial or other professional adviser as soon as possible.

# Lemur Resources Limited

(ABN 53 147 241 361)

## Target's Statement

The Independent Directors of Lemur Resources Limited recommend  
you

# ACCEPT

in the absence of a superior proposal, the takeover offer from  
**Bushveld Minerals Limited**

This Target's Statement has been issued in response to the off-market takeover offer from Bushveld Minerals Limited (a company incorporated in Guernsey with Registration No. 54506).

Legal Advisers



LAWYERS

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This is the Target's Statement dated 26 June 2015 given by Lemur Resources Limited (ABN 53 147 241 361) (**Lemur**) under Part 6.5 Division 3 of the Corporations Act. This Target's Statement is given in response to the Bidder's Statement issued by Bushveld Minerals Limited (a company incorporated in Guernsey with Registration No. 54506) (**Bushveld**) dated 29 May 2015 (**Bidder's Statement**), which was sent to Lemur Shareholders on or about 12 June 2015.

A copy of this Target's Statement has been lodged with ASIC. Neither ASIC nor any of its officers takes any responsibility for the contents of this Target's Statement.

A copy of this Target's Statement has also been lodged with ASX. Neither ASX nor any of its officers takes any responsibility for the contents of this Target's Statement.

The Independent Directors recommend that you read this Target's Statement in full and seek independent advice if you have any queries in respect of the Bushveld Offer.

## **DEFINED TERMS**

Unless otherwise noted, capitalised terms and certain abbreviations used in this Target's Statement are defined in the Glossary in section 11 of this Target's Statement.

## **INVESTMENT DECISIONS**

This Target's Statement does not take into account your investment objectives, financial situation or particular needs and should not be relied upon as the sole basis of any investment decision in relation to the Bushveld Offer. You should seek independent legal, financial and taxation advice before making any investment decision and any decision relating to the Bushveld Offer.

## **AUSTRALIAN TAXATION CONSEQUENCES OF THE BUSHVELD OFFER**

In making a decision whether to accept the Bushveld Offer, Lemur Shareholders should also have regard to the fact that disposal of Lemur Shares may have taxation consequences. Lemur Shareholders should refer to section 9.10 of this Target's Statement and section 7 of the Bidder's Statement for an overview of potential Australian taxation consequences. However, it is recommended that Lemur Shareholders seek their own independent advice as to any taxation consequence.

## **FORWARD-LOOKING STATEMENTS**

Certain statements in this Target's Statement relate to the future and are forward-looking statements. These forward-looking statements involve known and unknown risks, key considerations, uncertainties, assumptions and other important factors that could cause the actual results, performance or achievements of Lemur to be materially different from future results, performance or achievements expressed or implied by such statements. These factors include, among other things, general economic conditions (including currency exchange rates and interest rates), the regulatory environment, structural changes in the industries in which Lemur operates, competitive pressures, selling prices and market demand. The forward-looking statements in this Target's Statement reflect views held only as at the date of this Target's Statement.

Other than as required by law, neither Lemur nor any other person gives any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this Target's Statement will actually occur or that other events will not occur.

Subject to any continuing obligations under law or the Listing Rules, Lemur and the Lemur Directors disclaim any obligation or undertaking to disseminate after the date of this Target's Statement any updates or revisions to any forward-looking statements to reflect any change in expectations in relation to those statements or any change in events, conditions or circumstances on which any such statement is based other than to comply with legal obligations or the Listing Rules.

## **RISK FACTORS**

Lemur Shareholders should note that there are a number of risks attached to their investment in Lemur and relating to the Bushveld Offer. Please refer to section 8.1 and 8.2 of this Target's Statement for further information on those risks.

## **FOREIGN JURISDICTIONS**

The release, publication or distribution of this Target's Statement in jurisdictions other than Australia may be restricted by law or regulation in such other jurisdictions and persons who come into possession of it should seek advice and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations. This Target's Statement may not be the same as that which would have been disclosed if this Target's Statement had been prepared in accordance with the laws and regulations outside Australia.

## **DISCLAIMER AS TO INFORMATION**

Lemur has prepared the information concerning Bushveld contained in this Target's Statement using publicly available information. Lemur has not independently verified the information concerning Bushveld contained in this Target's Statement. Lemur does not make any representation or warranty (express or implied) regarding the accuracy or completeness of such information (subject to the Corporations Act).

For the purposes of this Target's Statement, Lemur has assumed that the number of Lemur Shares held by Bushveld, or in which Bushveld has a Relevant Interest, is as set out in the Bidder's Statement.

Ernst & Young has prepared the general outline of certain Australian income tax implications of accepting the Bushveld Offer for Australian resident Lemur Shareholders in section 9.10 of this Target's Statement and takes responsibility for that section only. Neither Lemur nor any of its officers, employees or advisors assumes responsibility for the accuracy or completeness of the information contained in section 9.10 of this Target's Statement. Ernst & Young does not assume any responsibility for the accuracy or completeness of the information contained in this Target's Statement, other than that contained in section 9.10.

## **MAPS AND DIAGRAMS**

Any maps, diagrams, charts, graphs and tables contained in this Target's Statement are illustrative only and may not be drawn to scale. Unless stated otherwise, all data contained in maps, diagrams, charts, graphs and tables is based on information available as at the date of this Target's Statement.

## **ROUNDING**

A number of figures, amounts, percentages, prices, estimates, calculations of value and fractions in this Target's Statement are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this Target's Statement.

## **INTERNET**

Lemur maintains a website. The Lemur website is [www.lemurresources.com](http://www.lemurresources.com). Information contained in, or otherwise accessible through, this website, or any other website referred to in this Target's Statement, is not a part of this Target's Statement. All references in this Target's Statement to any website are inactive textual references and are for your information only.

## **PRIVACY**

Lemur has collected your information from the Lemur Register for the purpose of providing you with this Target's Statement. The type of information Lemur has collected about you includes your name, contact details and information on your shareholding in Lemur. Without this information, Lemur would be hindered in its ability to issue this Target's Statement. The Corporations Act requires the name and address of Lemur Shareholders to be held in a public register. Your

information may be disclosed on a confidential basis to external service providers (such as Lemur's share registry and print and mail service providers) and may be required to be disclosed to regulators (such as ASIC and the ASX). If you would like to obtain details of the information held about you by Lemur, please contact Computershare Investor Services Pty Limited at the address shown below. The registered office of Lemur is Suite 5, 62 Ord Street, West Perth, Western Australia, 6005. The address for Computershare Investor Services Pty Limited is Level 11, 172 St Georges Terrace, Perth, Western Australia, 6000.

#### **SHAREHOLDER INFORMATION LINE**

If you have any queries regarding the Bushveld Offer or this Target's Statement, please contact the official Lemur Shareholder Information Line on 1300 308 902 (from within Australia) or +61 2 8022 7902 (from outside Australia).

## Important Dates

Announcement of the Bushveld Offer	20 May 2015
Date of the Bidder's Statement	29 May 2015
Date of the Bushveld Offer	12 June 2015
Date of this Target's Statement	26 June 2015
Date for Bushveld to give Notice of Status of Condition (subject to extension)	10 July 2015
Scheduled close of Bushveld Offer (unless extended or withdrawn)	7.00pm (AEST) on 17 July 2015

## WHY YOU SHOULD ACCEPT

Reasons to **ACCEPT** the Bushveld Offer (in the absence of a superior proposal):

- 1 The Independent Expert considers the Bushveld Offer is not fair but reasonable, notwithstanding that the Offer Consideration is below the Independent Expert's preferred valuation of \$0.171 per Lemur Share<sup>1</sup>**
- 2 The Bushveld Offer provides certainty of cash consideration and a premium to recent trading in Lemur Shares**
- 3 The Bushveld Offer removes risks associated with holding Lemur Shares, although Lemur Shareholders will be unable to benefit from the potential future upside in Lemur**
- 4 The Independent Directors consider a superior proposal is unlikely as Bushveld holds a 65.54% Relevant Interest in Lemur<sup>2</sup>**
- 5 There are risks to remaining a minority shareholder in Lemur, including potential delisting from ASX**

Note 1: Refer to the Independent Expert's Report at Appendix 1.

Note 2: As notified to ASX by Bushveld on 24 June 2015.

For further information on the Independent Directors' recommendation, reasons to **ACCEPT** the Bushveld Offer (in the absence of a superior proposal) and the potential consequences of not accepting the Bushveld Offer, please refer to sections 2.1, 2.3 and 2.4 of this Target's Statement.

For further details on the reasons given by the Independent Expert for determining that the Bushveld Offer is **not fair but reasonable**, please refer to section 2.3 of this Target's Statement.

## WHAT YOU SHOULD DO

The Independent Directors recommend that you **ACCEPT** the Bushveld Offer, in the absence of a superior proposal.

You should not make a decision about whether to accept the Bushveld Offer without carefully reading the Bidder's Statement and this Target's Statement. In deciding whether or not to accept the Bushveld Offer, you should take into account your own personal circumstances.

## WHAT YOU NEED TO DO

You should read this Target's Statement, which contains your Independent Directors' recommendation to **ACCEPT** (in the absence of a superior proposal) and reasons for this recommendation.

If you have any questions regarding the Bushveld Offer or this Target's Statement, please contact the Lemur Shareholder Information Line on 1300 308 902 (from within Australia) or +61 2 8022 7902 (from outside Australia) between 9.00am and 5.00pm AEST, Monday to Friday.

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## Letter from the Independent Directors

Dear Lemur Shareholder,

On 20 May 2015, Bushveld Minerals Limited (a company listed on AIM and incorporated in Guernsey with Registration No. 54506) (**Bushveld**) (AIM: BMN) announced its proposal to acquire all of the fully paid ordinary shares in the capital of Lemur Resources Limited (**Lemur**) (ASX: LMR) by way of an off-market takeover bid (**Bushveld Offer**).

The Bushveld Offer comprises cash consideration of \$0.06 per Lemur Share held (**Offer Consideration**).

### Recommendation of the Independent Directors

As your Independent Directors, we recommend that you **ACCEPT** the Bushveld Offer, in the absence of a superior proposal.

Independent Director Mr Ryan Rockwood has informed Lemur that he intends, in the absence of a superior proposal and subject to Bushveld's Relevant Interest in all Lemur Shares increasing to 75% and the Condition being satisfied or waived, to accept the Bushveld Offer in respect of all the Lemur Shares he owns or controls.

You are encouraged to read the Bidder's Statement and this Target's Statement in full and to consider the Bushveld Offer, having regard to your personal circumstances. The Independent Directors encourage you to seek your own independent legal, financial and taxation advice prior to deciding whether to accept the Bushveld Offer.

Lemur Shareholders should note that they will not receive the Offer Consideration any sooner by accepting the Bushveld Offer early and, in any case, will not receive the Offer Consideration until the Condition has been satisfied or waived. If you accept the Bushveld Offer, you will be prevented from participating in a superior proposal, should one eventuate, unless the limited circumstances for withdrawal apply. The closing date for the Bushveld Offer is 7.00pm (AEST) on 17 July 2015 (unless extended).

### Reasons to **ACCEPT** the Bushveld Offer

The Independent Directors recommend that Lemur Shareholders **ACCEPT** (in the absence of a superior proposal) the Bushveld Offer given that:

- 1 **The Independent Expert considers the Bushveld Offer is not fair but reasonable, notwithstanding that the Offer Consideration is below the Independent Expert's preferred valuation of \$0.171 per Lemur Share<sup>1</sup>**
- 2 **The Bushveld Offer provides certainty of cash consideration and a premium to recent trading in Lemur Shares**
- 3 **The Bushveld Offer removes risks associated with holding Lemur Shares, although Lemur Shareholders will be unable to benefit from the potential future upside in Lemur**
- 4 **The Independent Directors consider a superior proposal is unlikely as Bushveld holds a 65.54% Relevant Interest in Lemur<sup>2</sup>**
- 5 **There are risks to remaining a minority shareholder in Lemur, including potential delisting from ASX**

Note 1: Refer to the Independent Expert's Report at Appendix 1.

Note 2: As notified to ASX by Bushveld on 24 June 2015.

Set out in sections 2.3 and 2.4 of this Target's Statement are some of the relevant matters which were considered.

### **Intention of certain Lemur Shareholders**

Bushveld has indicated in its Bidder's Statement that certain Lemur Shareholders, who together hold approximately 10% of the issued capital of Lemur, have advised Bushveld that they intend to accept the Bushveld Offer within ten days<sup>1</sup> after commencement of the Offer Period in the absence of a superior proposal being publicly announced before the end of that ten day period.

Note 1: Bushveld's announcement dated 20 May 2015 states these Lemur Shareholders intend to accept the Bushveld Offer within ten business days upon commencement of the Offer Period, however this was amended in the Bidder's Statement to be ten days only.

### **Target's Statement**

The purpose of this Target's Statement is to provide you with the information you need to make a decision about whether or not to accept the Bushveld Offer.

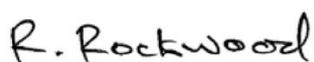
When assessing whether or not to accept the Bushveld Offer, you should consider the information provided to you as well as your own personal circumstances. You should also be aware that the Bushveld Offer is subject to the Condition. The Bushveld Offer can only succeed if the Condition is satisfied or waived.

To reject the Bushveld Offer you should simply do nothing and take no action in relation to all documents sent to you by Bushveld. To accept the Bushveld Offer you should carefully follow the instructions in the Bidder's Statement and complete the relevant Acceptance Form enclosed with the Bidder's Statement before the Bushveld Offer closes. The Bushveld Offer is due to close at 7.00pm (AEST) on 17 July 2015 unless extended.

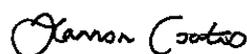
If you have any questions in relation to your position as a Lemur Shareholder, we encourage you to seek either legal, financial or taxation advice without delay or contact the Lemur Shareholder Information Line on 1300 308 902 (from within Australia) or +61 2 8022 7902 (from outside Australia).

We would like to thank you for your long standing support and look forward to providing further updates in due course.

Yours sincerely



Mr Ryan Rockwood  
Executive Director  
**Lemur Resources Limited**



Ms Shannon Coates  
Non-Executive Director & Company Secretary  
**Lemur Resources Limited**

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# 1 Summary of Bushveld Offer

## 1.1 Bushveld Offer

On 20 May 2015, Bushveld announced its proposal to acquire all of the fully paid ordinary shares in the capital of Lemur by way of an off-market takeover bid.

On 29 May 2015, Bushveld lodged its Bidder's Statement with ASIC and sent it to Lemur Shareholders on or about 12 June 2015. The Bidder's Statement contains the full terms and the Condition of the Bushveld Offer, together with other information material to your decision whether or not to accept the Bushveld Offer.

Please refer to section 4 of this Target's Statement for further details relating to the Bushveld Offer.

## 1.2 Offer Period

Unless the Bushveld Offer is extended or withdrawn, it is open for acceptance from 12 June 2015 until 7.00pm (AEST) on 17 July 2015.

The circumstances in which Bushveld may withdraw or extend the Bushveld Offer are set out in sections 4.7 and 4.8 of this Target's Statement.

## 1.3 Offer Consideration

Under the Bushveld Offer, the Offer Consideration being offered by Bushveld is \$0.06 in cash per Lemur Share held, valuing Lemur at \$10.875 million.

Please refer to section 2.3 of this Target's Statement and the Independent Expert's Report at Appendix 1 of this Target's Statement for further details.

## 1.4 Payment of Offer Consideration

Bushveld has stated in the Bidder's Statement that if you accept the Bushveld Offer, subject to satisfaction or waiver of the Condition, you will receive \$0.06 in cash per Lemur Share held by you. Full details of when you will receive the Offer Consideration are set out in section 9.7 of the Bidder's Statement.

## 1.5 Condition to the Bushveld Offer

The Bushveld Offer is subject to the Condition set out in section 9.8 of the Bidder's Statement.

Please refer to section 4.4 of this Target's Statement for further details. Please also refer to section 9.8 of the Bidder's Statement for the full terms of the Condition.

## 1.6 Independent Expert's Report

As Mr Fortune Mojapelo and Mr Anthony Viljoen are each directors of both Lemur and Bushveld and because, as at the date of the Bidder's Statement, Bushveld held voting power in Lemur of more than 30%, section 640 of the Corporations Act requires this Target's Statement to include a report by an expert that states whether, in the expert's opinion, the Bushveld Offer is fair and reasonable, and gives the reasons the expert has formed that opinion.

The Independent Expert is of the view that the Bushveld Offer is **not fair but reasonable**. The Independent Expert's Report is included in its entirety at Appendix 1 of this Target's Statement. You are urged to read that report carefully.

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## 2 Recommendation of the Independent Directors and reasons to **ACCEPT** the Bushveld Offer

### 2.1 Independent Directors' recommendation

The Directors of Lemur as at the date of this Target's Statement are:

- Mr Anthony Viljoen;
- Mr Ryan Rockwood;
- Mr Fortune Mojapelo; and
- Ms Shannon Coates.

The Independent Directors are Mr Ryan Rockwood and Ms Shannon Coates. The Independent Directors recommend that Lemur Shareholders **ACCEPT** the Bushveld Offer (in the absence of a superior proposal) for the reasons set out in sections 2.3 and 2.4 of this Target's Statement.

In considering whether you wish to follow the Independent Directors' recommendation, you should:

- read the Bidder's Statement and this Target's Statement in full. In particular, Lemur Shareholders should note that the Bushveld Offer is subject to the Condition which is summarised in section 4.4 of this Target's Statement;
- read the Independent Expert's Report, which is included in its entirety in Appendix 1 of this Target's Statement;
- consider your individual risk profile, portfolio strategy, tax position and financial circumstances; and
- seek your own independent legal, financial and taxation advice if appropriate.

Lemur Shareholders should note that they will not receive the Offer Consideration any sooner by accepting the Bushveld Offer early and, in any event, will not receive the Offer Consideration until the Condition has been satisfied or waived.

Unless the Bushveld Offer is extended or withdrawn, it is open for acceptance until 7.00pm (AEST) on 17 July 2015. Once you have accepted the Bushveld Offer, you will be prevented from participating in a superior proposal, should one eventuate, unless the limited circumstances for withdrawal apply.

As at the date of this Target's Statement, the Independent Directors are not aware of any intention by anyone to make a superior proposal.

As outlined elsewhere in this Target's Statement:

- Mr Fortune Mojapelo is a Non-Executive Director of Lemur and an Executive Director and the Chief Executive Officer of Bushveld; and
- Mr Anthony Viljoen is an Executive Director and the Chief Executive Officer of Lemur and a Non-Executive Director of Bushveld.

Neither of Mr Mojapelo and Mr Viljoen make a recommendation in relation to the Bushveld Offer due to their interest as Executive Director and Chief Executive Officer, and Non-Executive Director of Bushveld, respectively.

Bushveld has outlined in its Bidder's Statement that Bushveld has been advised that certain Lemur Shareholders, who together hold approximately 10% of the issued capital of Lemur, intend to accept the Offer within ten days<sup>1</sup> after commencement of the Offer Period in the absence of a superior proposal being publicly announced before the end of that ten day period.

Note 1: Bushveld's announcement dated 20 May 2015 states these Lemur Shareholders intend to accept the Bushveld Offer within ten business days upon commencement of the Offer Period, however this was amended in the Bidder's Statement to be ten days only.

## 2.2 Intentions of the Lemur Directors

As at the date of this Target's Statement:

- Ms Shannon Coates does not hold or control any Lemur Shares or Lemur Options;
- Mr Fortune Mojapelo does not hold or control any Lemur Shares or Lemur Options;
- Mr Ryan Rockwood holds 4,250,000 Lemur Shares and does not hold or control any Lemur Options; and
- Mr Anthony Viljoen holds 4,000,000 Lemur Shares and does not hold or control any Lemur Options.

Independent Director Mr Ryan Rockwood has informed Lemur that he intends, in the absence of a superior proposal and subject to Bushveld's Relevant Interest in all Lemur Shares increasing to 75% and the Condition being satisfied or waived, to accept the Bushveld Offer in respect of all the Lemur Shares he owns or controls.

Mr Anthony Viljoen has informed Lemur that he will deal with his Lemur Shares in a manner consistent with the recommendation of the Independent Directors and therefore intends to accept the Bushveld Offer.

## 2.3 Reasons to ACCEPT the Bushveld Offer

**The Independent Expert has determined that the Bushveld Offer is not fair but reasonable, notwithstanding that the Offer Consideration is below the Independent Expert's preferred valuation of \$0.171 per Lemur Share**

In considering whether the Bushveld Offer is fair, the Independent Expert has noted in the Independent Expert's Report that:

- The Bushveld Offer price is below the cash backing at 28 February 2015 of \$0.079 per Lemur Share. Furthermore, the Independent Expert notes that the Independent Technical Expert has valued the Company's mineral assets between \$14.032 million and \$21.122 million, excluding the recent acquisition of the Zaaiploats Tin Project at \$0.276 million. Should Lemur Shareholders accept the Bushveld Offer, Bushveld will ultimately attain 100% control of Lemur's cash balance of \$14.28 million at 28 February 2015, along with its mineral assets valued between \$14.308 and \$21.398 million, pursuant to an off-market takeover offer with a maximum aggregate consideration of just under \$4 million.
- The Offer Consideration is below the Independent Expert's preferred valuation of \$0.171 per Lemur Share, and below the Independent Expert's minimum valuation

of \$0.152 per Lemur Share, on a control basis. The Offer Consideration represents a discount of approximately 65% to the Independent Expert's preferred valuation and a discount of approximately 61% to the Independent Expert's minimum valuation.

On this basis, the Independent Expert has concluded that the Bushveld Offer is **NOT FAIR**.

However, notwithstanding that the Independent Expert considers the Bushveld Offer is not fair, the Independent Expert has assessed the Bushveld Offer as **REASONABLE**. In the opinion of the Independent Expert, the position of Lemur Shareholders if the Bushveld Offer is successful is more advantageous than the position of Lemur Shareholders if the Bushveld Offer is not successful, in particular due to the risks associated with remaining a shareholder in Lemur given that Bushveld held a Relevant Interest of approximately 63.56% in Lemur at the date of the Bidder's Statement, and disclosed this Relevant Interest had increased to 65.54% on 23 June 2015.

Lemur Shareholders should read the Independent Expert's Report in full. Please refer to Appendix 1 of this Target's Statement.

**The Bushveld Offer provides certainty of cash consideration and a premium to recent trading in Lemur Shares**

The Offer Consideration that has been offered by Bushveld would allow Lemur Shareholders to realise cash for their investment. The Offer Consideration of \$0.06 per Lemur Share is a fixed and definite amount, and is not subject to the inherent risks that may affect the quoted market price of a Lemur Share, including the risk associated with a company holding resource exploration and development projects.

The Bushveld Offer as at 20 May 2015 represented a premium of:<sup>1</sup>

- 3% to the closing price of Lemur Shares of A\$0.058;
- 11% to the 30 day VWAP for Lemur Shares of A\$0.054;
- 20% to the 60 day VWAP for Lemur Shares of A\$0.050; and
- 28% to the 90 day VWAP for Lemur Shares of A\$0.047.

Note 1: Source Independent Expert's Report, see Appendix 1.

**The Bushveld Offer removes risks associated with holding Lemur Shares, although Lemur Shareholders will be unable to benefit from the potential future upside in Lemur**

The Bushveld Offer removes the risks that Lemur Shareholders bear from continuing to hold Lemur Shares. These risks include but are not limited to:

- development of projects into cash generating assets;
- deterioration in market conditions;
- future funding and potential dilution; and
- potential loss of listed status and liquidity due to removal from the ASX Official List.

These risks are outlined in further detail in section 8 of this Target's Statement.

**The Independent Directors consider a superior proposal is unlikely as Bushveld holds a Relevant Interest in 65.54% of all Lemur Shares<sup>1</sup>**

There is currently no superior proposal and given Bushveld's Relevant Interest in 65.54% of all Lemur Shares as at 23 June 2015, the Independent Directors consider a superior proposal before the end of the Offer Period is unlikely. There is no guarantee that Bushveld will make another offer for Lemur Shares in the future.

Note 1: As at 23 June 2015.

**There are risks to remaining a minority shareholder in Lemur, including potential delisting from ASX**

Bushveld reserves its right to declare the Bushveld Offer free from the Condition, as outlined in the Bidder's Statement. If, at the conclusion of the Bushveld Offer, Bushveld has waived the Condition and is not entitled to compulsorily acquire any outstanding Lemur Shares it does not already own, it intends to:

- consider applying for Lemur to be removed from the Official List of the ASX (see below);
- in its capacity as a major shareholder in Lemur, become actively involved in determining Lemur's capital management policies and controlling the strategic direction of Lemur's business. If Bushveld acquires more than 75% of all Lemur Shares it will be in a position to pass special resolutions;
- seek to revise the composition of the Lemur Board to reflect the majority position of Bushveld through a proportionate representation of Bushveld on the Lemur Board; and
- eliminate duplication of activities and functions presently carried out by both Bushveld and Lemur.

Bushveld states in the Bidder's Statement that if it becomes entitled to compulsorily acquire Lemur Shares, it intends to do so (see below).

**Some Lemur Shareholders intend to accept the Bushveld Offer**

Bushveld held a 63.56% Relevant Interest in Lemur as at the date of the Bidder's Statement, and indicated in its Bidder's Statement that certain Lemur Shareholders, who together hold approximately 10% of the issued capital of Lemur, have advised Bushveld that they intend to accept the Bushveld Offer within ten days<sup>1</sup> of the commencement of the Offer Period, in absence of a superior proposal being publicly announced before the end of that ten day period.

On 24 June 2015, Bushveld notified ASX that its Relevant Interest in Lemur Shares had increased to 65.54% on 23 June 2015.

Note 1: Bushveld's announcement dated 20 May 2015 states these Lemur Shareholders intend to accept the Bushveld Offer within ten business days upon commencement of the Offer Period, however this was amended in the Bidder's Statement to be ten days only.

**Risk of delisting**

Bushveld has stated in section 6.2.3 of the Bidder's Statement that even if it is not entitled to compulsory acquisition, it still intends to apply to discontinue Lemur's ASX listing. Lemur Shareholders that do not intend to accept the Bushveld Offer should consider that they may end up holding shares in an unlisted entity, which may make it difficult to sell

their Lemur Shares and this may have further implications including in relation to company disclosure obligations.

In accordance with section 2.10 of the ASX Guidance Note 33, the ASX will not usually require an entity to obtain security holder approval to its removal from the Official List, where:

- the bidder and its related bodies corporate own or control at least 75% of the entity's ordinary securities, but have not met the conditions to proceed to compulsory acquisition of the remaining securities under the Corporations Act;
- excluding the bidder and its related bodies corporate, the number of holders of ordinary securities having holdings with a value of at least \$500 is fewer than 150;
- the bidder foreshadowed in its bidder's statement that it intended, if it secured control of the entity, to cause the entity to apply for removal from the Official List;
- the takeover bid remained open for at least two (2) weeks following the bidder and its related bodies corporate having attained ownership or control of at least 75% of the entity's ordinary securities; and
- the entity has applied for removal from the Official List no later than one (1) month after the close of the takeover bid.

#### **Risk of compulsory acquisition**

Bushveld has stated in section 6.2.2 of the Bidder's Statement that if the conditions for compulsory acquisition are satisfied, Bushveld intends to proceed with compulsory acquisition. If at the end of the Offer Period Bushveld becomes entitled to, and does, compulsorily acquire all outstanding Lemur Shares, Lemur Shares will become 100% owned by Bushveld (assuming the Lemur Options are not exercised). Lemur Shareholders should be aware that, if they do not accept the Bushveld Offer and their Lemur Shares are compulsorily acquired, they will face a delay in receiving the Offer Consideration for their Lemur Shares, compared to those Lemur Shareholders who accept the Bushveld Offer.

**The Independent Directors acknowledge that there are also reasons why a Lemur Shareholder might choose to reject the Bushveld Offer, which include:**

**The Independent Expert has concluded that the Bushveld Offer is NOT FAIR – see above.**

The Bushveld Offer is well below the cash backing of each Lemur Share at 28 February 2015 and the Independent Expert's preferred and minimum valuation of Lemur Shares (see above). There is the potential that the long term value of Lemur may be more than the Offer Consideration.

You may disagree with the Independent Expert's "reasonable" assessment.

You may also disagree with the recommendation of the Independent Directors.

You may consider there is potential for a superior proposal to emerge from Bushveld or a third party.

For these or other reasons, you may wish to remain a shareholder of Lemur.

**Lemur Shareholders will be unable to benefit from the potential future upside in Lemur**

If the Bushveld Offer is accepted, Lemur Shareholders will forgo their participation in any potential future profits and capital growth that Lemur may be able to realise. As at the date of the Independent Expert's Report, the Company holds a 99% interest in the Imaloto Coal Project, which has a resource of 136MT, a mining licence and scoping study indicating robust economics and a NPV of up to US\$49m.

#### **SCOPING STUDY PARAMETERS – CAUTIONARY STATEMENT**

The scoping study referred to in this Target's Statement was first released to ASX on 26 September 2013. It:

- is based on lower-level technical and economic assessments, and is insufficient to support estimation of Ore Reserves or to provide assurance of an economic development case at this stage, or to provide certainty that the conclusions of the scoping study will be realised. There is a low level of geological confidence associated with mineral resources and there is no certainty that the production target itself will be realised;
- contains scoping study results and production targets which are preliminary in nature. The Life of Mine (**LOM**) Run of Mine (**ROM**) production target of 21 million tonnes is based on the exploitation of the Measured and Indicated portions only of the JORC compliant resource. The Measured and Indicated portions represent 91% of the resource equating to a total of 123 million tonnes;
- contains outputs relating to 100% of the Imaloto Coal Project; and
- contains cash flows which, unless otherwise stated, are in US dollars which are undiscounted and are not subject to inflation/escalation factors and all years are calendar years.

During the 14 months ended 28 February 2015, the Company undertook advancement activities of its planned Imaloto coal mine and coal fired power plant in Madagascar, including:

- continued discussions with Jirama and MoE in relation to the PPA (power purchasing agreement) and the proposed IPP licence respectively, and the advancement of the technical aspects of the IPP;
- upgrades to the coal Mineral Resource in accordance with JORC 2012; and
- selecting the experts to work on the environmental impact assessment, design and engineering and project financing of the power plant.

As at 28 February 2015, Lemur had cash of approximately \$14.28 million, providing the Company with considerable funds to progress the Imaloto Coal Project upon receipt of the proposed IPP licence.

On 17 March 2015 the Company announced it had also acquired a 99.1% interest in Zaaiplaats Mining (Pty) Limited, a company incorporated in South Africa and the registered owner of the Zaaiplaats Tin Project, which was previously the site of the second biggest tin mining operation in South Africa.

As announced on 19 June 2015, the Company is engaged in preliminary discussions with a JSE-listed South African company with respect to a potential acquisition of certain vanadium projects in South Africa (**Vanadium Project**). The Vanadium Project comprises three greenfields properties in the North West province of South Africa that are prospective for vanadium. At this stage discussions remain preliminary in nature and there is no guarantee any binding agreement will be entered into on terms acceptable to Lemur or at all.

Lemur has also relocated its geoservices equipment to a secure compound in Kapoeta, in South Sudan and intends, via a wholly owned subsidiary, to operate a stand-alone contract geoservices business servicing the East African region. Lemur is currently reviewing projects that it can tender for with respect to drilling programs in the East African region.

If Lemur Shareholders accept the Bushveld Offer they will no longer hold an interest in the Company, and will forgo any potential future upside from the development of the Imaloto Coal Project, the Zaaiplaats Tin Project, the geoservices business and any other new projects the Company may acquire.

#### **Potential taxation consequences**

The taxation consequences for Lemur Shareholders will differ depending on their individual circumstances. The tax consequences of accepting the Bushveld Offer might not suit your financial position. Lemur Shareholders that are considered Australian residents may be liable to pay capital gains tax on the disposal of their Lemur Shares under the Bushveld Offer.

The Independent Directors encourage Lemur Shareholders to seek their own independent legal, financial and taxation advice prior to deciding whether to accept the Bushveld Offer.

Lemur Shareholders should read the Independent Expert's Report in full. Please refer to Appendix 1 of this Target's Statement.

## 2.4 Potential consequences of not accepting the Bushveld Offer

In addition to the risks of not accepting the Bushveld Offer outlined above (under the headings “*There are risks to remaining a minority shareholder in Lemur, including potential delisting from ASX*”, “*Risk of delisting*” and “*Risk of compulsory acquisition*”), Lemur Shareholders should also consider the following potential consequences of not accepting the Bushveld Offer:

### Risks associated with an investment in Lemur

Since the Announcement Date, the Lemur Share price has fluctuated between \$0.056 and \$0.059, and closed at \$0.058 on 24 June 2015 (being the last practicable date before this Target’s Statement was sent to print).

If the Bushveld Offer is unsuccessful and no other offers emerge, the price of Lemur Shares on the ASX may fall below the current trading price and Lemur Shareholders will continue to be exposed to the ongoing risks associated with an investment in Lemur. In particular:

- **Liquidity risk:** If Bushveld acquires some but not all Lemur Shares under the Bushveld Offer, the number of Lemur Shares traded on the ASX could be significantly reduced. Lemur Shareholders who do not accept the Bushveld Offer run the risk of being minority shareholders in a company with reduced share trading liquidity. This may result in downward pressure on the trading prices of Lemur Shares and make it more difficult for Lemur Shareholders to sell their Lemur Shares.
- **Sovereign risk:** Lemur is conducting its exploration, development and geoservices activities primarily in Madagascar, South Africa and South Sudan. There is no assurance that future political and economic conditions in these countries will not result in the government adopting policies precluding foreign development and ownership of mineral resources. Any such changes may affect both Lemur’s ability to undertake exploration and development activities.
- **Political instability:** Madagascar has from time to time experienced political instability. Any future political instability could adversely affect the performance of the Madagascar economy and could have a material adverse effect on the market for Lemur Shares and on Lemur’s operations.
- **Legal risks:** Lemur’s Madagascar operations are subject to the jurisdiction of Madagascar’s courts. The legal system is currently in a state of flux due to the political instability in Madagascar since February 2009 and additional legal risks, such as political difficulties in obtaining effective legal redress in courts and a higher degree of discretion on the part of governmental agencies, may arise as a result.
- **Title risks:** Permit numbers 3196, 26904 and 27163 that relate to the Imaloto Coal Project in Madagascar are subject to the registration of transfers to Coal Mining Madagascar SARL (**CMM**) that have not yet been effected. There is a risk that these transfers will not be effected and CMM will not become the registered holder of the permits. Although Lemur has obtained legal advice with respect to its Madagascar properties, there is no guarantee that title to such properties will not be challenged or impugned. The properties may be subject to prior unregistered agreements or transfers or land claims and title may be affected by undetected defects.

- **Legal claim in relation to permit 4578:** As previously announced to ASX, a legal claim and resulting court judgment declared null and void various historical sale agreements, which ultimately resulted in Lemur being granted permit 4578.

In 2014, the Tulear court in Madagascar cancelled the original judgement withdrawing permit 4578 and ruled in favour of Lemur.

The plaintiff subsequently lodged an appeal against the Tulear court's decision following which the court decision will be final. The Tulear court has confirmed that the matter will be re-convened (expected to occur in late June 2015), at which stage the plaintiff will be required to file submissions in support of the appeal.

The Company's legal advisers, John W Fooks & Co., have re-iterated to the Company that, in their view, the claim is ill-founded. However, there can be no guarantee that the appeal will not be successful.

- **Resource estimates:** resource estimates are expressions of judgement based on knowledge, experience and industry practice. Estimates which were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate.
- **Minority Risk:** if Bushveld acquires more than 75% of all Lemur Shares, it will be in a position to cast the votes required for a special resolution at a meeting of Lemur Shareholders. This would enable it to pass special resolutions, for example, to amend Lemur's constitution.

Please refer to section 6.2.3 of the Bidder's Statement for details if Bushveld acquires less than 90% but more than 75% of all Lemur Shares.

Please refer to section 8.1 of this Target's Statement for further details of the risks involved with an investment in Lemur.

Bushveld has outlined in its Bidder's Statement that Bushveld has been advised that certain Lemur Shareholders, who together hold approximately 10% of the issued capital of Lemur, intend to accept the Offer within ten days<sup>1</sup> after commencement of the Offer Period in the absence of a superior proposal being publicly announced before the end of that ten day period.

Please refer to section 6.2.3 of the Bidder's Statement for details of Bushveld's intentions if Lemur does not become a wholly owned subsidiary of Bushveld.

Note 1: Bushveld's announcement dated 20 May 2015 states these Lemur Shareholders intend to accept the Bushveld Offer within ten business days upon commencement of the Offer Period, however this was amended in the Bidder's Statement to be ten days only.

### 3 Frequently asked questions

This section of the Target's Statement is designed to help you understand some of the issues relating to the Bushveld Offer.

Question	Answer	Further information
Why have I received this document?	<p>You have received this Target's Statement because you are a shareholder or optionholder in Lemur. This Target's Statement is Lemur's formal response to the Bushveld Offer. It contains important information prepared by your Directors to help you determine whether to accept or reject the Bushveld Offer.</p> <p>The Independent Directors recommend that you <b>ACCEPT</b> the Bushveld Offer, in the absence of a superior proposal.</p> <p>Lemur Shareholders will not receive the Offer Consideration any sooner by accepting the Bushveld Offer early and, in any event, will not receive the Offer Consideration until the Condition has been satisfied or waived. Once you have accepted the Bushveld Offer, you will be prevented from participating in a superior proposal, should one eventuate, unless the limited circumstances for withdrawal apply. As at the date of this Target's Statement, the Lemur Directors are not aware of an intention by anyone to make a superior proposal.</p>	
What is the Bidder's Statement?	The Bidder's Statement is the document setting out the terms of the Bushveld Offer. Lemur Shareholders will have already received a copy of the Bidder's Statement in the mail.	
What is the Target's Statement?	This Target's Statement has been prepared by Lemur and provides Lemur's response to the Bushveld Offer, including the recommendation of the Independent Directors that you <b>ACCEPT</b> the Bushveld Offer, in the absence of a superior proposal.	
Who are the Independent Directors?	The Independent Directors are Mr Ryan Rockwood and Ms Shannon Coates.	<b>Section 2.1 of this Target's Statement</b>
What am I being offered under the Bushveld Offer?	Bushveld is offering \$0.06 per Lemur Share.	<b>Sections 1.3 and 4.2 of this Target's Statement</b>
Who is offering to purchase my Lemur Shares?	Bushveld Minerals Limited, a company incorporated in Guernsey with Registration No. 54506 and listed on AIM under the AIM code 'BMN'. Bushveld is an exploration company focused on exploring and developing iron ore and tin projects on the Bushveld Complex in South Africa. Please refer to the section 3 of the Bidder's Statement and section 7 of this Target's Statement for further details.	<b>Section 3 of the Bidder's Statement and section 7 of this Target's Statement</b>

Question	Answer	Further information
What is Bushveld's relationship with Lemur?	<p>As at 29 May 2015 (being the date of the Bidder's Statement), Bushveld had a Relevant Interest in 63.56% of the issued share capital of Lemur. On 24 June 2015, Bushveld notified ASX that its Relevant Interest in Lemur Shares had increased to 65.54%.</p> <p>Mr Fortune Mojapelo (Non-Executive Director of Lemur) is also the Executive Director and Chief Executive Officer of Bushveld. Mr Anthony Viljoen (Executive Director and Chief Executive Officer of Lemur) is also a Non-Executive Director of Bushveld.</p>	Sections 2.1, 2.3, 7, 9.4, 1.1, 9.8(c) and 9.12 of this Target's Statement
Who is the Independent Expert and what do they do?	<p>As Mr Fortune Mojapelo and Mr Anthony Viljoen are each directors of both Bushveld and Lemur and as at the date of the Bidder's Statement, Bushveld's voting power in Lemur was more than 30%, Lemur is required by law to instruct an independent expert to opine on whether the Bushveld Offer is fair and reasonable.</p> <p>BDO Corporate Finance (WA) Pty Limited has been appointed as the Independent Expert and has prepared the Independent Expert's Report contained in Appendix 1 of this Target's Statement.</p>	Sections 1.6, 2.1, 9.13 and Appendix 1 of this Target's Statement
What is the Independent Expert's opinion in relation to the Bushveld Offer?	<p>The Independent Expert has concluded that the Bushveld Offer is <b>not fair but reasonable</b> to Lemur Shareholders.</p> <p>A copy of the Independent Expert's Report contained in Appendix 1 of this Target's Statement.</p>	Section 1.6 and Appendix 1 of this Target's Statement
What are the Independent Directors recommending?	<p>The Independent Directors recommend that you <b>ACCEPT</b> (in the absence of a superior proposal) the Bushveld Offer because:</p> <ul style="list-style-type: none"> <li>• the Independent Expert considers the Bushveld Offer is <b>not fair but reasonable</b>, notwithstanding that the Offer Consideration is below the Independent Expert's preferred valuation of \$0.171 per Lemur Share;</li> <li>• the Bushveld Offer provides certainty of cash consideration and a premium to recent trading in Lemur Shares on ASX;</li> <li>• the Bushveld Offer removes risks associated with holding Lemur Shares, although Lemur Shareholders will be unable to benefit from any potential future upside in Lemur;</li> <li>• the Independent Directors consider a superior proposal is unlikely as Bushveld has disclosed it holds a Relevant Interest in 65.54% of all Lemur Shares, as at 23 June 2015; and</li> <li>• there are risks to remaining a minority shareholder</li> </ul>	Sections 2.1 and 2.3 of this Target's Statement

Question	Answer	Further information
	<p>in Lemur, including potential delisting from ASX.</p> <p>You should take your own personal circumstances into account in deciding whether or not to accept Bushveld's Offer.</p> <p>Lemur Shareholders should note that they will not receive the Offer Consideration any sooner by accepting the Bushveld Offer early (while it remains subject to the Condition) and, in any event, will not receive the Offer Consideration until the Condition has been satisfied or waived.</p> <p>Unless the Bushveld Offer is extended or withdrawn, it is open for acceptance until 7.00pm (AEST) on 17 July 2015. If you accept the Bushveld Offer, you will be prevented from participating in a superior proposal, should one eventuate, unless the limited circumstances for withdrawal apply. As at the date of this Target's Statement, the Lemur Directors are not aware of a proposal by anyone to make a superior proposal.</p> <p>As outlined elsewhere in this Target's Statement:</p> <ul style="list-style-type: none"> <li>• Mr Fortune Mojapelo is a Non-Executive Director of Lemur and an Executive Director and the Chief Executive Officer of Bushveld; and</li> <li>• Mr Anthony Viljoen is an Executive Director and the Chief Executive Officer of Lemur and a Non-Executive Director of Bushveld.</li> </ul> <p>Due to their respective interests as Executive Director and Chief Executive Officer, and Non-Executive Director of Bushveld, Mr Mojapelo and Mr Viljoen make no recommendation in relation to the Bushveld Offer.</p>	
<p>What choices do I have as a Lemur Shareholder?</p>	<p>As a Lemur Shareholder you have the following choices:</p> <ul style="list-style-type: none"> <li>• accept the Bushveld Offer for all of your Lemur Shares. As discussed below, each Independent Director recommends that you <b>ACCEPT</b> (in the absence of a superior proposal) the Bushveld Offer;</li> <li>• reject the Bushveld Offer by doing nothing; or</li> <li>• sell your Lemur Shares on market (unless you have already accepted the Bushveld Offer and have not validly withdrawn your acceptance).</li> </ul> <p>Independent Director Mr Ryan Rockwood has informed Lemur that he intends, in the absence of a superior proposal and subject to Bushveld's Relevant Interest in all Lemur Shares increasing to 75% and the Condition being satisfied or waived, to accept the Bushveld Offer in</p>	<p><b>Sections 2.1, 2.2, 2.3, 2.4, 4.9 and 5 of this Target's Statement</b></p>

Question	Answer	Further information
	<p>respect of all the Lemur Shares he owns or controls.</p> <p>There are implications for you in relation to each of these choices. You are encouraged to read the Bidder's Statement and Target's Statement in full and to consider the Bushveld Offer having regard to your own personal circumstances.</p>	
<p>What choices do I have as a Lemur Optionholder?</p>	<p>The Bushveld Offer does not extend to the Lemur Options. However, the Bushveld Offer extends to all Lemur Shares that are issued prior to the end of the Offer Period as a result of the exercise of Lemur Options.</p> <p>All of the Lemur Options are presently exercisable. Pursuant to the terms of the Company's Employee Incentive Option Plan all Lemur Options currently on issue remain subject to a transfer restriction. Should Lemur Optionholders elect to exercise their Lemur Options such that they are issued Lemur Shares prior to the end of the Offer Period, they will be able to accept the Bushveld Offer in respect of those Lemur Shares.</p> <p>Holders of Lemur Options should also note that in section 8.5 of the Bidder's Statement Bushveld states that Bushveld may elect to make private treaty offers to holders of Lemur Options to acquire or cancel their Lemur Options, subject to the Bushveld Offer becoming or being declared unconditional.</p> <p>In section 8.5 of the Bidder's Statement, Bushveld has stated that, if not all the Lemur Options are exercised (or otherwise cancelled or acquired by Bushveld pursuant to private treaty agreements or other arrangements), and Bushveld is entitled to compulsorily acquire any outstanding Lemur Shares, Bushveld presently intends to seek to compulsorily acquire or cancel any outstanding Lemur Options pursuant to Part 6A.1 of the Corporations Act, although it reserves the right not to do so.</p>	<p><b>Section 8.5 of the Bidder's Statement</b></p>
<p>What do the Lemur Directors intend to do with their Lemur Shares?</p>	<p>As at the date of this Target's Statement:</p> <ul style="list-style-type: none"> <li>• Ms Shannon Coates does not hold or control any Lemur Shares or Lemur Options;</li> <li>• Mr Fortune Mojapelo does not hold or control any Lemur Shares or Lemur Options;</li> <li>• Mr Ryan Rockwood holds 4,250,000 Lemur Shares and does not hold or control any Lemur Options; and</li> <li>• Mr Anthony Viljoen holds 4,000,000 Lemur Shares and does not hold or control any Lemur Options.</li> </ul> <p>Independent Director Mr Ryan Rockwood has informed Lemur that he intends, in the absence of a superior proposal and subject to Bushveld's Relevant Interest in all Lemur Shares increasing to 75% and the Condition being</p>	<p><b>Section 2.2 of this Target's Statement</b></p>

Question	Answer	Further information
	<p>satisfied or waived, to accept the Bushveld Offer in respect of all the Lemur Shares he owns or controls.</p> <p>Mr Anthony Viljoen has informed Lemur that he will deal with his Lemur Shares in a manner consistent with the recommendation of the Independent Directors and he therefore intends to accept the Bushveld Offer.</p>	
<p>When does the Bushveld Offer close?</p>	<p>The Bushveld Offer will close at 7.00pm (AEST) on 17 July 2015 unless it is extended or withdrawn.</p>	<p><b>Sections 1.2, 4.6, 4.7 and 4.8 of this Target's Statement</b></p>
<p>How do I reject the Bushveld Offer?</p>	<p>To reject the Bushveld Offer, you do not need to do anything.</p> <p>If you intend on rejecting the Bushveld Offer, do not respond to any telephone calls or correspondence received from Bushveld.</p> <p>You should note, however, that if Bushveld (together with its Associates) receives acceptances giving it a Relevant Interest in at least 90% (by number) of Lemur Shares and acquires at least 75% (by number) of the Lemur Shares that it offers to acquire under the Bushveld Offer, it will be entitled to proceed to compulsory acquisition of Lemur Shares held by Lemur Shareholders who did not accept the Bushveld Offer.</p>	<p><b>Sections 2.4, 4.14 and 5 of this Target's Statement</b></p>
<p>How do I accept the Bushveld Offer?</p>	<p>Instructions on how to accept the Bushveld Offer are set out in section 9.4 of the Bidder's Statement and on the Acceptance Form which accompanies the Bidder's Statement. If you want to accept the Bushveld Offer, you should follow these instructions carefully to ensure that your acceptance is valid.</p>	<p><b>Section 5 of this Target's Statement and section 9.4 of the Bidder's Statement</b></p>
<p>What are the consequences of accepting the Bushveld Offer now? What happens if I accept the Bushveld Offer and a superior proposal is made?</p>	<p>If you accept the Bushveld Offer while it is conditional, you will give up your right to sell your Lemur Shares on market or otherwise deal with your Lemur Shares (including forfeiting the opportunity to benefit from any superior proposal if one was to emerge), while the Bushveld Offer remains open, unless Bushveld extends its Offer Period by more than one month while the Bushveld Offer remains conditional and in which case you may withdraw your acceptance.</p> <p>Bushveld is offering \$0.06 per Lemur Share.</p>	<p><b>Sections 4.4 and 4.9 of this Target's Statement</b></p>
<p>If I accept the Bushveld Offer, can I withdraw my acceptance at any time?</p>	<p>You will not be permitted to withdraw your acceptance unless the Offer Period is extended by more than one month (and then only if the Bushveld Offer has not become unconditional). In these circumstances, you will have a period of one month after the date that the Bushveld Offer is extended to withdraw your acceptance.</p>	<p><b>Section 4.10 of this Target's Statement</b></p>

Question	Answer	Further information
	<p>These statutory withdrawal rights will terminate upon the expiry of that one month period. If the Offer Period is further extended, you may receive further statutory withdrawal rights.</p> <p>If you accept the Bushveld Offer after the Condition has been satisfied or waived, you will not be able to withdraw your acceptance.</p>	
Can I be forced to sell my Lemur Shares?	<p>You cannot be forced to sell your Lemur Shares unless:</p> <ul style="list-style-type: none"> <li>• Bushveld receives acceptances giving it a Relevant Interest in at least 90% (by number) of Lemur Shares and acquires at least 75% (by number) of the Lemur Shares that it offers to acquire under the Bushveld Offer. In such circumstances, Bushveld will be entitled to proceed to compulsory acquisition of Lemur Shares held by Lemur Shareholders who did not accept the Bushveld Offer and, in which case, you will receive the same Offer Consideration for your Lemur Shares that you would have received under the Bushveld Offer. See section 4.14(a) of this Target's Statement for further information.</li> <li>• Separately to the Bushveld Offer, Bushveld obtains the right to compulsorily acquire any outstanding Lemur Shares it does not already own in accordance with part 6A.2 of the Corporations Act.</li> </ul>	<b>Section 4.14 of this Target's Statement</b>
Can Bushveld withdraw the Bushveld Offer?	Bushveld may only withdraw its offer with the written consent of ASIC and subject to the conditions (if any) specified in such consent.	<b>Sections 1.2 and 4.7 of this Target's Statement</b>
What happens if Bushveld increases the Bushveld Offer?	If you accept the Bushveld Offer now and Bushveld subsequently raises the Offer Consideration under the Bushveld Offer, you will receive the higher price if the Bushveld Offer becomes unconditional.	<b>Section 4.12 of this Target's Statement</b>
Can I accept the Bushveld Offer for only some of my Lemur Shares?	Not unless you hold Lemur Shares as trustee or nominee for or otherwise on account of, another person. See section 9.3 of the Bidder's Statement for more information about accepting the Bushveld Offer.	<b>Section 9.3 of the Bidder's Statement</b>
What if I want to sell my Lemur Shares on market?	<p>During the Offer Period, you may sell your Lemur Shares on market for cash (less brokerage), provided you have not accepted the Bushveld Offer for those Lemur Shares. If you accept the Bushveld Offer, you will be precluded from selling your Lemur Shares on market.</p> <p>You should contact your broker for information on how to sell your Lemur Shares on ASX and your tax adviser to determine the tax implications of such a sale.</p>	<b>Section 5 of this Target's Statement.</b>
What is the Condition of the Bushveld	The Bushveld Offer is subject to the Condition set out in	<b>Sections 1.5 and 4.4 of</b>

Question	Answer	Further information
Offer?	<p>detail in section 4.4 of this Target's Statement.</p> <p>Please refer to section 9.8 of the Bidder's Statement for the full terms of the Condition.</p>	<b>this Target's Statement and section 9.8 of the Bidder's Statement</b>
What are the consequences of the Bushveld Offer becoming unconditional?	If you accept the Bushveld Offer after the Bushveld Offer becomes unconditional or the Bushveld Offer becomes unconditional after you have accepted, you will be entitled to receive the Offer Consideration.	<b>Section 4.4 this Target's Statement and section 9.9 of the Bidder's Statement</b>
What happens if the Condition of the Bushveld Offer is not satisfied or waived?	<p>If the Condition is not satisfied or waived before the Bushveld Offer closes, the Bushveld Offer will lapse. This means that:</p> <ul style="list-style-type: none"> <li>• if you have previously accepted the Bushveld Offer, your acceptance is void and you will not be paid the Offer Consideration. Instead, you will continue to be a Lemur Shareholder and you will be free to deal with your Lemur Shares; or</li> <li>• if you have not previously accepted the Bushveld Offer, you will continue to be a Lemur Shareholder and will be free to deal with your Lemur Shares.</li> </ul>	<b>Sections 4.4 and 4.13 of this Target's Statement and section 9.9 of the Bidder's Statement</b>
When will Bushveld advise as to the status of the Condition?	<p>Section 9.10 of the Bidder's Statement indicates that Bushveld will give a Notice of Status of Condition on 10 July 2015. Bushveld is required to set out:</p> <ul style="list-style-type: none"> <li>• whether the Bushveld Offer is free of the Condition;</li> <li>• whether, so far as Bushveld knows, the Condition has been fulfilled on the date the notice is given; and</li> <li>• Bushveld's voting power in Lemur.</li> </ul> <p>If the Offer Period is extended by a period before the time by which the Notice of Status of Condition is to be given, the date for giving the Notice of Status of Condition will be taken to be postponed for the same period and Bushveld is required to give notice that states the new date for the giving of the Notice of Status of Condition.</p> <p>If the Condition is fulfilled (so that the Bushveld Offer becomes free of the Condition) before the date on which the Notice of Status of Condition is required to be given, Bushveld must, as soon as practicable, give the ASX and Lemur a notice that states that the Condition has been fulfilled.</p>	<b>Section 4.5 of this Target's Statement and section 9.10 of the Bidder's Statement</b>
When will I receive	If you accept the Bushveld Offer and the Condition is	<b>Sections 1.4</b>

Question	Answer	Further information
the Offer Consideration if I accept the Bushveld Offer?	<p>satisfied or waived, Bushveld will pay you the Offer Consideration for your Lemur Shares on or before the earlier of:</p> <ul style="list-style-type: none"> <li>• one month after the date of your acceptance or, if this Offer is subject to the Condition when you accept this Offer, within one month after this Offer becomes unconditional; and</li> <li>• within 21 business days after the end of the Offer Period.</li> </ul> <p>Full details of when you will receive the Offer Consideration are set out in section 9.7 of the Bidder's Statement.</p>	<b>and 4.11 of this Target's Statement and section 9.7 of the Bidder's Statement</b>
What are the tax implications of accepting the Bushveld Offer?	<p>A general outline of the tax implications of accepting the Bushveld Offer for Australian resident Lemur Shareholders is set out in section 9.10 of this Target's Statement and section 7 of the Bidder's Statement.</p> <p>As the outline in section 9.10 of this Target's Statement is a general guide only, Lemur Shareholders are encouraged to seek their own specific professional advice as to the taxation implications applicable to their circumstances.</p>	<b>Section 9.10 of this Target's Statement and section 7 of the Bidder's Statement</b>
Can Bushveld extend the Offer Period?	<p>While the Bushveld Offer is subject to the Condition, Bushveld may extend the Offer Period:</p> <ul style="list-style-type: none"> <li>• at any time before giving the Notice of Status of Condition; and</li> <li>• after giving the Notice of Status of Condition in the circumstances described in section 650C(2) of the Corporations Act.</li> </ul> <p>However, if the Bushveld Offer is unconditional (that is, the Condition is satisfied or waived), Bushveld may extend the Offer Period at any time before the end of the relevant Offer Period.</p> <p>In addition, there will be an automatic extension of the Offer Period, if within the last 7 days of the Offer Period Bushveld increases the Offer Consideration being offered under the Bushveld Offer.</p> <p>If this event occurs, the Offer Period for the Bushveld Offer will automatically be extended so that it ends 14 days after this event occurs.</p>	<b>Section 4.8 of this Target's Statement</b>
What are the risks associated with Lemur and its business?	The risks associated with an investment in Lemur are detailed in section 8.1 of this Target's Statement.	<b>Section 8.1 of this Target's Statement</b>

Question	Answer	Further information
What happens if I do nothing?	You will remain a Lemur Shareholder unless Bushveld compulsorily acquires your Lemur Shares. Bushveld has stated in section 6.2.2 of the Bidder's Statement that if the conditions for compulsory acquisition are satisfied, Bushveld intends to proceed with compulsory acquisition.	<b>Section 6.2.2 of the Bidder's Statement and section 4.13 and 4.14 of this Target's Statement</b>
If I have further questions in relation to the Bushveld Offer what can I do?	<b>If you have any queries regarding the Bushveld Offer, please contact the Lemur Shareholder Information Line on 1300 308 902 (from within Australia) or +61 2 8022 7902 (from outside Australia).</b>	

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## 4 Details of the Bushveld Offer

This section contains some more detailed information on the Bushveld Offer and its Condition.

### 4.1 Bushveld Offer

On 20 May 2015, Bushveld announced its proposal to acquire all of the fully paid ordinary shares in the capital of Lemur by way of an off-market takeover bid.

On 29 May 2015, Bushveld lodged its Bidder's Statement with ASIC and sent it to Lemur Shareholders on or about 12 June 2015. The Bidder's Statement contains the full terms and the Condition of the Bushveld Offer, together with other information material to your decision whether or not to accept the Bushveld Offer.

### 4.2 Offer Consideration

Bushveld is offering to acquire all of your Lemur Shares, together with all Rights attached to them. You may only accept the Bushveld Offer in respect of all of the Lemur Shares registered in your name at the date your Acceptance Form is processed.

Under the Bushveld Offer, the Offer Consideration being offered by Bushveld is \$0.06 per Lemur Share held, valuing Lemur at \$10.875 million.

Please refer to section 2.3 of this Target's Statement and the Independent Expert's Report at Appendix 1 of this Target's Statement for further details.

### 4.3 Intentions

Bushveld's intentions for the business, assets and employees of Lemur are set out in section 6 of the Bidder's Statement.

### 4.4 Condition of the Bushveld Offer

The Bushveld Offer is subject to the condition set out in section 9.8 of the Bidder's Statement. The Condition is as follows:

- (a) **Minimum Acceptance Condition:** At or before the end of the Offer Period, Bushveld:
- has a Relevant Interest in such number of Lemur Shares which represents at least 90% of the aggregate of all Lemur Shares then on issue; and
  - has acquired such number of Lemur Shares which represents at least 75% of the Lemur Shares that Bushveld offered to acquire under the Bushveld Offer.

Please refer to section 9.8 of the Bidder's Statement for further details.

If the Condition of the Bushveld Offer is not satisfied or waived before the Bushveld Offer closes, the Bushveld Offer will lapse. This means that:

- if you have previously accepted the Bushveld Offer, your acceptance is void and you will not be paid the Offer Consideration. Instead, you will continue to be a Lemur Shareholder and be free to deal with your Lemur Shares; or
- if you have not previously accepted the Bushveld Offer, you will continue to be a Lemur Shareholder and will be free to deal with your Lemur Shares.

Lemur Shareholders who accept the Bushveld Offer:

- will only receive the Offer Consideration for their Lemur Shares after the Bushveld Offer becomes unconditional; and
- cannot withdraw their acceptance while the Bushveld Offer is conditional unless Bushveld extends the Offer Period by more than one month.

#### **4.5 Notice of Status of Condition**

Section 9.10 of the Bidder's Statement indicates that Bushveld will give a Notice of Status of Condition on 10 July 2015. Bushveld is required to set out:

- whether the Bushveld Offer is free of the Condition;
- whether, so far as Bushveld knows, the Condition has been fulfilled on the date the notice is given; and
- Bushveld's voting power in Lemur.

If the Offer Period is extended by a period before the time by which the Notice of Status of Condition is to be given, the date for giving the Notice of Status of Condition will be taken to be postponed for the same period and Bushveld is required to give notice that states the new date for the giving of the Notice of Status of Condition.

If the Condition is fulfilled (so that the Bushveld Offer becomes free of the Condition) before the date on which the Notice of Status of Condition is required to be given, Bushveld must, as soon as practicable, give the ASX and Lemur a notice that states that the Condition has been fulfilled.

#### **4.6 Offer Period**

Unless the Bushveld Offer is extended or withdrawn, it is open for acceptance from 12 June 2015 until 7.00pm (AEST) on 17 July 2015.

The circumstances in which Bushveld may withdraw or extend the Bushveld Offer are set out in sections 4.7 and 4.8 of this Target's Statement respectively.

#### **4.7 Withdrawal of Bushveld Offer**

In accordance with section 652B of the Corporations Act, the Bushveld Offer may only be withdrawn with the written consent of ASIC and subject to the conditions (if any) specified in such consent.

#### **4.8 Extension of Offer Period**

Bushveld may extend the Offer Period in accordance with the Corporations Act.

While the Bushveld Offer is subject to the Condition, Bushveld may extend the Offer Period:

- at any time before giving the Notice of Status of Condition; and
- after giving the Notice of Status of Condition in the circumstances described in section 650C(2) of the Corporations Act.

However, if the Bushveld Offer is unconditional (that is, the Condition is satisfied or waived), Bushveld may extend the Offer Period at any time before the end of the relevant Offer Period.

In addition, there will be an automatic extension of the Offer Period, if within the last 7 days of the Offer Period Bushveld increases the Offer Consideration being offered under the Bushveld Offer.

If this event occurs, the Offer Period for the Bushveld Offer is automatically extended so that it ends 14 days after this event occurs.

#### **4.9 Effect of acceptance**

The effect of accepting the Bushveld Offer is set out in section 9.6 of the Bidder's Statement.

Lemur Shareholders should read these provisions in full to understand the effect that acceptance will have on the Rights attaching to their Lemur Shares and the representations and warranties which they give by accepting the Bushveld Offer.

The Condition is a condition to performance of Bushveld's obligations. Accordingly, Lemur Shareholders who accept the Bushveld Offer while the Bushveld Offer is still subject to the Condition will give up their right to sell their Lemur Shares on the stock market or otherwise deal with their Lemur Shares (and the Rights attaching to those Lemur Shares) while the Bushveld Offer remains open (subject to limited withdrawal rights, see below).

#### **4.10 Your ability to withdraw your acceptance**

You will only be permitted to withdraw your acceptance if Bushveld extends the Bushveld Offer (while it remains subject to the Condition) by more than one month.

#### **4.11 When you will receive the Offer Consideration if you accept the Bushveld Offer**

Except as described in section 9 of the Bidder's Statement, if you accept the Bushveld Offer and the Condition is satisfied or waived, Bushveld will pay you the Offer Consideration on or before the earlier of:

- one month after the date of your acceptance or, if the Bushveld Offer is subject to the Condition when you accept the Bushveld Offer, within one month after the Bushveld Offer becomes unconditional; and
- within 21 business days after the end of the Offer Period.

Full details of when you will receive the Offer Consideration are set out in section 9 of the Bidder's Statement.

#### **4.12 Effect of any increase in Offer Consideration**

If Bushveld improves the Offer Consideration under the Bushveld Offer, all Lemur Shareholders, whether or not they have accepted the Bushveld Offer before that increase in the Offer Consideration, will be entitled to the benefit of that increase in Offer Consideration.

#### **4.13 Lapse of Bushveld Offer**

The Bushveld Offer will lapse if the Condition is not waived or satisfied by the end of the Offer Period. In these circumstances, all contracts resulting from acceptance of the Bushveld Offer and all acceptances that have not resulted in binding contracts are void. In that situation, you will be free to deal with your Lemur Shares as you see fit.

#### **4.14 Compulsory acquisition**

Bushveld's intentions with respect to compulsory acquisition are set out in section 6.2.2 of the Bidder's Statement.

In summary, Bushveld has indicated that if it becomes entitled to do so under the Corporations Act, Bushveld intends to proceed with compulsory acquisition of outstanding Lemur Shares in accordance with Part 6A.1 of the Corporations Act and may consider proceeding with compulsory acquisition of any Lemur Options that have not been exercised and that have not expired or lapsed.

An overview of Bushveld's rights to compulsorily acquire Lemur Shares is set out below.

(a) **Post bid compulsorily acquisition**

Bushveld will be entitled, under section 661A of the Corporations Act, to compulsorily acquire any Lemur Shares in respect of which it has not received an acceptance of the Bushveld Offer on the same terms as the Bushveld Offer if, during or at the end of the Offer Period, Bushveld (together with its Associates) has a Relevant Interest in at least 90% (by number) of all Lemur Shares and Bushveld and its Associates have acquired at least 75% (by number) of the Lemur Shares that Bushveld offered to acquire under the Bushveld Offer.

If these thresholds are met, Bushveld will have up to one month after the end of the Offer Period within which to give compulsory acquisition notices to Lemur Shareholders who have not accepted the Bushveld Offer. Lemur Shareholders have statutory rights to challenge the compulsory acquisition, but a successful challenge will require the relevant Lemur Shareholder to establish to the satisfaction of a Court that the consideration offered does not represent "fair value" for their Lemur Shares.

If compulsory acquisition occurs, Lemur Shareholders who have their Lemur Shares compulsorily acquired will be paid their consideration later than Lemur Shareholders who accept the Bushveld Offer.

(b) **General compulsory acquisition provisions**

Bushveld will be entitled, under section 664A of the Corporations Act, to compulsorily acquire any outstanding Lemur Shares and Lemur Options if Bushveld's voting power in Lemur is at least 90% and Bushveld (either in its own right or through related bodies corporate) acquires full beneficial interests in at least 90% (by value) of the aggregate of all Lemur Shares and Lemur Options and:

- Bushveld lodges a compulsory acquisition notice with ASIC within 6 months of achieving that 90% holding;
- Bushveld proposes a cash sum for the compulsory acquisition of the Lemur Shares and Lemur Options; and
- obtains the report of an expert stating whether, in the expert's opinion, the terms proposed in the notice give fair value of the securities covered.

Bushveld has stated in the Bidder's Statement the cash sum that it would propose for any compulsory acquisition of the Lemur Shares would be on the same terms as the Bushveld Offer (see section 1 of the Bidder's Statement). Bushveld has not stated in the Bidder's Statement the cash sum that it would propose for any compulsory acquisition of the Lemur Options that is undertaken by Bushveld under section 664A of the Corporations Act.

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## 5 Your options as a Lemur Shareholder

You should read this Target's Statement and the Bidder's Statement before making a decision on whether or not to accept the Bushveld Offer.

In considering whether to accept the Bushveld Offer, the Directors encourage you to seek professional advice if you are unsure as to whether acceptance of the Bushveld Offer is in your best interests, taking into account your individual circumstances.

The Bidder's Statement contains important information which Lemur Shareholders are urged to read carefully. Lemur Shareholders should note that Lemur has not undertaken any investigations to verify the accuracy or completeness of the information contained in the Bidder's Statement. To the fullest extent permitted by law, each of those parties disclaims liability to any person who acts in reliance on that information.

Lemur Shareholders who would like further information on Lemur or its projects before making a decision about the Bushveld Offer are encouraged to exercise their right under the Corporations Act to obtain from ASIC copies of all documents lodged by Lemur with ASIC or the ASX. Alternatively, they can visit Lemur's website at [www.lemurresources.com](http://www.lemurresources.com).

During the Offer Period, you have the following options:

### 1. **ACCEPT** the Bushveld Offer

If you wish to accept the Bushveld Offer, you should follow the instructions in the Bidder's Statement and the Acceptance Form.

To validly accept the Bushveld Offer, Bushveld must receive your acceptance before 7.00pm (AEST) on 17 July 2015, unless the Offer Period is extended.

Subject to the Condition of the Bushveld Offer being satisfied or waived, you will receive the Offer Consideration.

You should be aware that once you accept the Bushveld Offer, your acceptance cannot be withdrawn except in the limited circumstances in the Corporations Act. You should consider the timing of any acceptance of the Bushveld Offer in light of the fact that a superior proposal by another party may emerge, which you would be precluded from accepting if you had already accepted the Bushveld Offer. As at the date of this Target's Statement, the Lemur Directors are not aware of a proposal by anyone to make a superior proposal.

You should be aware that the market price of Lemur Shares may rise or fall after you have accepted the Bushveld Offer.

### 2. **REJECT** the Bushveld Offer

If you wish to retain your Lemur Shares, you need to take no action in relation to the Bushveld Offer. Lemur Shareholders should note that if, during or at the end of the Offer Period, Bushveld (together with its Associates) has a Relevant Interest in at least 90% (by number) of all Lemur Shares and Bushveld (and its Associates) have acquired at least 75% (by number) of the Lemur Shares that Bushveld offered to acquire under the Bushveld Offer, it will be entitled to compulsorily acquire the Lemur Shares that it does not already own.

### 3. Sell your Lemur Shares on the ASX

You can sell your Lemur Shares on the ASX. The price you will receive will depend on the prevailing market price of Lemur Shares at the time of the sale. You should be aware that the market price of Lemur Shares may rise or fall during the Offer Period. You should also note that if you sell your Lemur Shares on the ASX:

- (a) you are likely to pay brokerage on the sale (and GST on that brokerage);
- (b) you would have a disposal event for CGT purposes and a capital gain or loss will need to be determined for tax purposes;
- (c) you would not be eligible for CGT rollover relief;
- (d) you will not benefit from any price increase which may be offered by Bushveld or increase in the price of Bushveld Shares. Please note that Bushveld has given no indication that it intends to increase the Offer Consideration;
- (e) you will not be exposed to any price decrease of Lemur Shares which may result;
- (f) you will receive payment earlier than if you accept the Bushveld Offer (typically 3 business days after the sale); and
- (g) a sale on the ASX provides certainty, whereas a sale to Bushveld by accepting the Bushveld Offer will be subject to the Condition being fulfilled, unless the Bushveld Offer has already been declared unconditional.

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## 6 Information regarding Lemur

This section includes more detailed information on Lemur's business and outlook.

### 6.1 Overview of Lemur

Lemur was incorporated as a proprietary limited company in Western Australia on 8 November 2010 and converted to a public company on 1 March 2011. Lemur subsequently listed on the ASX on 22 August 2011. Lemur's registered office is in West Perth, Western Australia and its operations are currently headquartered in Johannesburg, South Africa.

As at 24 June 2015 (being the last practicable date before this Target's Statement was sent to print), Lemur had 252 Lemur Shareholders and a market capitalisation of approximately \$10.51 million (on an undiluted basis).

As at 24 June 2015, Lemur had approximately \$12.46 million cash at bank. Lemur forecasts that at 30 September 2015, it will have approximately \$11.45 million cash at bank. This forecast is based on an AUD/ZAR exchange rate of 1/9.5 and AUD/USD exchange rate of 1/0.8 and assumes continued expenditure in the normal course of operating its business, other than \$100,000 on estimated costs associated with the Bushveld Offer and \$400,000 on costs associated with progressing the proposed acquisition of the South African Vanadium Project (based on management's estimate of the likely consideration – the consideration has not yet been agreed and the actual consideration may be higher or lower than this amount). There is also no guarantee that the proposed acquisition will complete on the proposed terms or at all – see section 6.7 of this Target's Statement.

Since listing on the ASX in 2011, Lemur has primarily focused on the development of its 99% owned Imaloto thermal coal project, located in the Imaloto Coal Basin in Madagascar. It is currently focussed on developing an Independent Power Plant concession, commencing the Environmental Impact Assessment and securing a strategic partner to assist with project development.

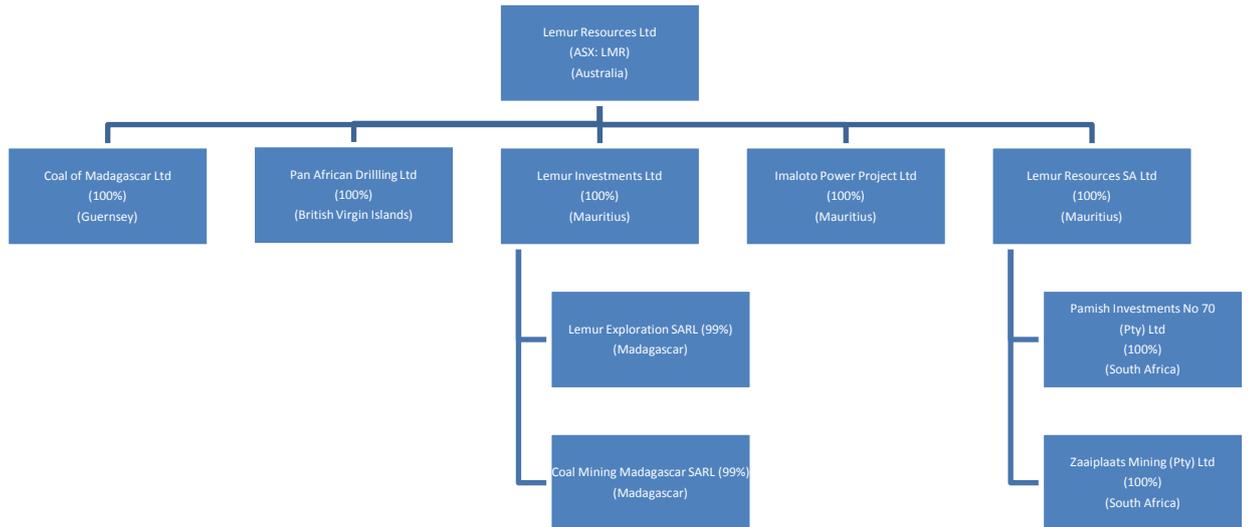
In parallel, Lemur has been actively seeking to acquire one or more additional, value accretive mining assets, with a focus on Africa and with either near term production potential, or greenfield exploration, with the potential for significant resource definition.

To this end, on 17 March 2015, Lemur announced it had acquired the Zaaiploats Tin Project, located in the Limpopo Province of South Africa.

Further, as announced on 19 June 2015, the Company is engaged in preliminary discussions with a South African company with respect to a potential acquisition of certain of vanadium projects in South Africa (**Vanadium Project**). The Vanadium Project comprises three greenfields properties in the North West province of South Africa which are prospective for vanadium. At this stage discussions remain preliminary in nature and there is no guarantee any binding agreement will be entered into on terms acceptable to Lemur or at all.

In addition to its mineral exploration and development strategy as outlined above, the Company's wholly owned drilling and exploration entity, Pan African Drilling, has relocated its geoservices equipment to a secure compound in Kapoeta, in South Sudan. It is the intention for Pan African Drilling to operate as a stand-alone contract geoservices business servicing the East African region. The Company is currently reviewing projects that it can tender for with respect to drilling programs in the East African region.

The chart below shows the corporate structure of the Lemur Group.



**Figure 1:** Corporate structure chart of the Lemur Group.

As a company listed on the ASX, Lemur is subject to regular reporting and disclosure obligations. Further information on Lemur and its projects can be found on Lemur’s website or in the announcements and reports released by Lemur to the ASX, which can be found on the ASX website.

## 6.2 Lemur Directors and Company Secretary

The Lemur Directors and Company Secretary as at 24 June 2015, the last practicable date before this Target’s Statement was sent to print, are:

### **Mr Ryan Rockwood – Executive Director**

*BA, MA, MEng Cantab*

Mr Rockwood is a founding director of Lemur and has been with the Company since its formation in 2011. In recent years, he has led the company’s IPP efforts in Madagascar.

Prior to his employment with Lemur, Mr Rockwood worked as an investment banker, where he focused on clients in the resources sector, working on mergers, acquisitions, equity and debt financings for over 5 years. He also spent many years in operations management, consulting and working for leading mining companies. Mr Rockwood has successfully led profit improvement engagements for coal, iron ore, copper and gold operations. His international experience includes living and working in the United Kingdom, USA, South Africa and South East Asia.

Mr Rockwood holds a First Class Degree in Engineering from the University of Cambridge where he was a Commonwealth and Christ’s Scholar. He also holds a First Class Masters in Manufacturing and Management in 1999 from the University of Cambridge.

### **Mr Anthony Viljoen – Executive Director and Chief Executive Officer**

*BA Mgt, Pg Dip FBI*

Mr Viljoen is a mining entrepreneur and founding shareholder and director of VM Investment Company (Pty) Ltd, a principal investments and advisory company with a relative bias towards mining exploration.

Mr Viljoen has been responsible for the establishment and project development of a number of junior mining companies across Africa, including New Kush Exploration and Mining (Gold, South

Sudan), Coal of Madagascar, Greenhills Resources (Tin), New Horizon Minerals (Iron Ore), Frontier Platinum Resources and Eagle Uranium.

Mr Viljoen graduated from the University of Natal, Pietermaritzburg with a Bachelor of Business and Agricultural Economics and a Post Graduate Diploma of Finance Banking and Investment Management. Mr Viljoen is currently studying towards a Masters degree in African Development Finance through the University of Stellenbosch.

Mr Viljoen has mining exploration and investment banking experience and has previously worked at Deutsche Bank, Barclays Capital in London and Loita Capital Partners, a pan African investment banking firm, in their Structured Trade and Project Finance division.

Mr Viljoen is also a Non-Executive Director of Bushveld.

**Mr Fortune Mojapelo – Non-Executive Director**

*BSc*

Mr Mojapelo is a mining entrepreneur and founding shareholder and director of VM Investment Company (Pty) Ltd, a principal investments and advisory company with a relative bias towards mining exploration.

Mr Mojapelo has played a leading role in the origination, establishment and project development of several junior mining companies in Africa including New Kush Exploration and Mining (Gold in South Sudan), Greenhills Resources (Tin), Bushveld Resources Limited (Iron-Ore), New Horizon Minerals (Iron Ore), Bushveld Platinum Limited (PGMs) and Eagle Resources Limited (Uranium).

Mr Mojapelo is currently Executive Director and Chief Executive Officer of Bushveld.

**Ms Shannon Coates – Non-Executive Director and Company Secretary**

*LLB, ACIS, GAICD*

Ms Shannon Coates holds a Bachelor of Laws from Murdoch University and has over 18 years' experience in corporate law and compliance. Ms Shannon Coates is a Chartered Secretary and currently acts as Company Secretary to several ASX and AIM listed companies and unlisted companies. Ms Shannon Coates is General Manager Corporate to Perth based corporate advisory firm Evolution Corporate Services Pty Ltd, which specialises in the provision of corporate services to ASX, JSE and AIM listed companies. Ms Shannon Coates is also a Non-Executive Director of ASX and AIM listed Vmoto Limited.

### **6.3 Key management of Lemur**

Mr Anthony Viljoen and Mr Ryan Rockwood are the only key management personnel of Lemur. Messrs Viljoen and Rockwood's details are noted in section 6.2 of this Target's Statement.

### **6.4 Lemur's Projects**

The Company has an interest in the following coal projects in Madagascar:

- (a) Imaloto Coal Project;
- (b) Sakaraha Coal Project; and
- (c) Ianapera Coal Project.

Lemur, via CMM, has an interest in six exploration permits and one mining permit.

The Company also holds 99.1% of Zaaiplaats Mining Proprietary Limited, a company incorporated in South Africa and the registered owner of two tin projects (**Zaaiplaats Tin Project**), located in the Limpopo Province of South Africa.

The Zaaiplaats Tin Project is located in an old tin mining district that was previously the site of the second biggest tin mining operation in South Africa. Existing tailings dams on the property have an intrinsic value and potentially contain recoverable grades of tin. Additionally, there is potential to sell sand and other aggregates from non-tin bearing zones on the Zaaiplaats Tin Project property, with various options currently being considered, providing a low cost entry point into production and a potential source of immediate revenue for the Company.

### Potential Acquisitions

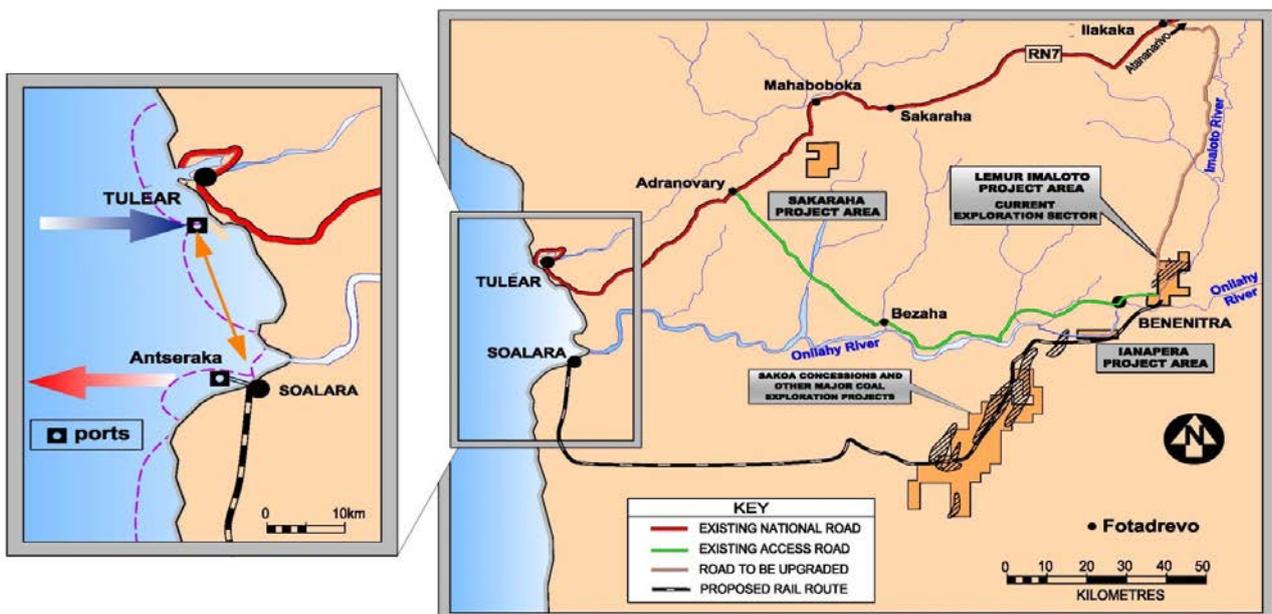
As announced to the ASX on 19 June 2015, the Company is engaged in preliminary discussions with a South African company with respect to a potential acquisition of certain of vanadium projects in South Africa (**Vanadium Project**). The Project comprises three greenfields properties in the North West province of South Africa which are prospective for vanadium. At this stage discussions remain preliminary in nature and there is no guarantee any binding agreement will be entered into on terms acceptable to Lemur or at all.

### Geoservices Business

The Company's drilling and exploration entity, Pan African Drilling (a wholly owned subsidiary) relocated its geoservices equipment to a secure compound in Kapoeta, in South Sudan. South Sudan has recently instituted its mining regulations and it is expected that activity in the mining sector will increase. It is the intention for Pan African Drilling to operate as a stand-alone contract geoservices business servicing the East African region.

The Company is currently reviewing projects that it can tender for with respect to drilling programs in the East African region. The Company also continues to consider an approach received for the purchase of Pan African Drilling as going concern. However, at this stage there is no guarantee any binding agreement will be entered into on terms acceptable to Lemur or at all.

**Figure 2:** Lemur's Madagascan project and infrastructure locations.



A summary of each of the Company's projects is set out below.

(a) **Imaloto Coal Project (Lemur – 99% interest)**

The Imaloto Coal Project comprises four exploration permits and one mining permit and covers a total area of 81.25km<sup>2</sup>. It is located in the Imaloto Coal Basin, which is the northern-most coal field in the greater Sakoa Basin of South West Madagascar.

Lemur commenced exploration at the Imaloto Coal Project in 2008 with the third and final drilling program being completed in December 2012. Over this time, 153 boreholes have been drilled for a total of 19,147 metres with proximate analysis being performed on 293 samples.

The project contains a coal Mineral Resource reported in accordance with JORC 2012, (released to ASX on 29 July 2014: Coal Mineral Resource Updated to JORC 2012), totalling 135.7 million gross tonnes in situ (**GTIS**) of which 91% is now Measured and Indicated. The resource comprises three seams of economic significance.

The Mineral Resource for the Imaloto Coal Project is shown in Table 1 below. The Mineral Resource amounts to a total GTIS tonnage of 135.7 million tonnes (Mt). The Main Seam makes up 63.4 Mt of this total while the Upper and Top Seams cover the balance at 41.1 and 31.2 Mt respectively.

The resource categories vary from Inferred to Measured (see Table 1). The total Measured GTIS resource is calculated to be 91.6 Mt, while the Indicated and Inferred GTIS tonnages are 31.5 Mt and 12.6 Mt respectively.

**Main Seam**

The Main Seam contains 63.4 million GTIS, which represents 47% of the Imaloto Coal Resource. 80% of the seam is now Measured and 93% is now Measured and Indicated.

Table 3 below shows the composite quality for the Main Seam based on all samples received and analysed as part of the Phase III programme.

**Upper and Top Seams**

The Upper and Top Seams contain 72.3 million GTIS which represents 53% of the Imaloto Coal Resource. 56% of these seams are now Measured and 88% are now Measured and Indicated.

Results received to date indicate that whilst the Top and Upper Seam coal qualities can be beneficiated to generate an export quality product, the yields are insufficient to make either seam economic. Please refer to Tables 3 and 4 below for further details.

COAL RESOURCE - Imaloto - Lemur Resources - as @ 29 Jul 2014.												
Block	Commodity	Seam	Ply	Thick (m)	Area (m <sup>2</sup> )	Volume (m <sup>3</sup> )	Density	GTIS	Drill Grid	Resource Category	Geological Loss	TTIS
1	Coal	Main	Main	1.35	3940874	5320180	1.468	7.810	331	Measured	10	7.029
<b>Total</b>								<b>7.810</b>				<b>7.029</b>
2	Coal	Top	Top	0.98	6999660	6849535	1.509	10.336	519	Indicated	15	8.786
2	Coal	Upper	Upper	1.12	6999660	7839424	1.622	12.716	519	Indicated	15	10.808
2	Coal	Main	Main	1.90	2959047	5630147	1.500	8.445	519	Indicated	15	7.178
<b>Total</b>								<b>31.497</b>				<b>26.772</b>
3	Coal	Top	Top	0.88	4273073	3760304	1.539	5.787	371	Measured	10	5.208
3	Coal	Upper	Upper	1.07	4273073	4572188	1.590	7.270	371	Measured	10	6.543
3	Coal	Main	Main	2.85	4272813	12176950	1.467	17.864	371	Measured	10	16.077
<b>Total</b>								<b>30.920</b>				<b>27.828</b>
4	Coal	Top	Top	0.83	3761367	3121935	1.580	4.933	373	Measured	10	4.439
4	Coal	Upper	Upper	1.31	3761367	4927391	1.608	7.923	373	Measured	10	7.131
4	Coal	Main	Main	2.94	3357197	9863333	1.514	14.933	353	Measured	10	13.440
<b>Total</b>								<b>27.789</b>				<b>25.010</b>
5	Coal	Top	Top	0.72	3052761	2827001	1.598	4.518	424	Measured	12	3.975
5	Coal	Upper	Upper	1.12	2802195	3138458	1.590	4.990	406	Measured	12	4.391
<b>Total</b>								<b>9.508</b>				<b>8.367</b>
2A	Coal	Top	Top	0.50	1397766	698883	1.509	1.055	1182	Inferred	20	0.844
2A	Coal	Upper	Upper	0.75	1397766	1048325	1.622	1.700	1182	Inferred	20	1.360
2A	Coal	Main	Main	1.98	1397766	2767577	1.500	4.151	1182	Inferred	20	3.321
<b>Total</b>								<b>6.906</b>				<b>5.525</b>
3A	Coal	Top	Top	0.79	777559	614271	1.555	0.955	441	Measured	12	0.841
3A	Coal	Upper	Upper	0.80	777559	622047	1.631	1.015	441	Measured	12	0.893
3A	Coal	Main	Main	3.98	777559	3094683	1.510	4.673	441	Measured	12	4.112
<b>Total</b>								<b>6.643</b>				<b>5.846</b>
4A	Coal	Top	Top	0.87	1092459	950440	1.581	1.503	370	Measured	10	1.352
4A	Coal	Upper	Upper	1.06	1092459	1158007	1.620	1.876	370	Measured	10	1.688
4A	Coal	Main	Main	3.38	1092459	3692513	1.507	5.565	370	Measured	10	5.008
<b>Total</b>								<b>8.943</b>				<b>8.049</b>
5A	Coal	Top	Top	0.75	1795637	1346728	1.598	2.152	1340	Inferred	20	1.722
5A	Coal	Upper	Upper	1.25	1795637	2244546	1.590	3.569	1340	Inferred	20	2.855
<b>Total</b>								<b>5.721</b>				<b>4.577</b>
<b>Gross Indicated Tonnage in Situ</b>								<b>31.497</b>	<b>Total Indicated Tonnage in Situ</b>			<b>26.772</b>
<b>Gross Measured Tonnage in Situ</b>								<b>91.613</b>	<b>Total Measured Tonnage in Situ</b>			<b>82.129</b>
<b>Gross Inferred Tonnage in Situ</b>								<b>12.627</b>	<b>Total Inferred Tonnage in Situ</b>			<b>10.102</b>
<b>Gross Total Tonnage in Situ</b>								<b>135.737</b>	<b>Total Tonnage in Situ</b>			<b>119.003</b>
<b>Gross Top Seam Tonnage in Situ</b>								<b>31.238</b>	<b>Total Top Seam Tonnage in Situ</b>			<b>27.167</b>
<b>Gross Upper Seam Tonnage In Situ</b>								<b>41.058</b>	<b>Total Upper Seam Tonnage In Situ</b>			<b>35.670</b>
<b>Gross Main Seam Tonnage In Situ</b>								<b>63.441</b>	<b>Total Main Seam Tonnage In Situ</b>			<b>56.166</b>
<b>Gross Main Seam Inferred Tonnage</b>								<b>4.151</b>				<b>3.321</b>
<b>Gross Main Seam Indicated Tonnage</b>								<b>8.445</b>				<b>7.178</b>
<b>Gross Main Seam Measured Tonnage</b>								<b>50.844</b>				<b>45.666</b>

Table 1: The Imaloto Coal Mineral Resource tonnage.

The seam thickness cut-off that was applied is 0.5 m for the Top and Upper Seams, and 1.4 m for the Main Seam. In Block 1 the Main Seam thickness cut-off used is 1.0 m.

Main Seam - Cumulative Results (Air-dried Base) as @ 29 Jul 2014									Calculated		
Sample	Wash	Moisture	Ash	Volatile	F.C.	Sulphur	Gross C.V.	Yield	DAVF	GAR	NAR
Mass	R.D.	%	%	%	%	%	MJ/kg	%		kcal/kg @ 8% TM	kcal/kg @ 8% TM
80401	F1.35	5.1	12.2	34.2	48.5	0.98	27.27	17.7	41.4	6310	6070
132987	F1.40	5.0	13.9	32.9	48.2	0.95	26.64	38.0	40.6	6164	5924
191942	F1.50	5.1	16.5	30.7	47.8	0.92	25.62	67.4	39.1	5930	5689
92073	F1.60	5.0	18.4	29.6	47.0	0.95	24.89	81.5	38.6	5759	5518
40557	F1.70	5.0	19.6	29.0	46.4	0.99	24.43	87.7	38.5	5650	5409
21871	F1.80	4.9	20.5	28.7	45.9	1.03	24.11	91.1	38.5	5572	5331
12977	F1.90	4.9	21.1	28.5	45.5	1.07	23.87	93.0	38.5	5516	5275
45410	S1.90	4.7	23.9	27.9	43.4	1.87	22.78	100.0	39.1	5254	5013
31442	-0.5 Raw	4.8	23.8	23.7	37.8	1.48	19.38		33.2	4474	4231
684628	Raw	4.7	23.9	27.7	43.2	1.85	22.62		38.9	5219	4977

Combined results from one-hundred-and-forty-one samples out of one-hundred-and-fourteen boreholes.

**Table 2:** The weighted average Main Seam Coal Quality for the Imaloto Coal Project.

Upper Seam - Cumulative Results (Air-dried Base) as @ 29 Jul 2014									Calculated		
Sample	Wash	Moisture	Ash	Volatile	F.C.	Sulphur	Gross C.V.	Yield	DAVF	GAR	NAR
Mass	R.D.	%	%	%	%	%	MJ/kg	%		kcal/kg @ 8% TM	kcal/kg @ 8% TM
11820	F1.35	5.4	12.5	34.8	47.3	1.03	26.83	7.9	42.4	6234	5993
36170	F1.40	5.2	15.7	33.7	45.4	1.01	25.64	22.8	42.7	5945	5704
72838	F1.50	5.1	20.0	32.0	42.9	1.10	24.12	52.9	42.7	5587	5345
31120	F1.60	5.0	22.1	31.1	41.8	1.14	23.43	65.7	42.7	5420	5179
15814	F1.70	4.9	23.7	30.5	40.9	1.17	22.88	72.2	42.7	5290	5049
10087	F1.80	4.9	25.0	30.0	40.2	1.18	22.43	76.4	42.7	5182	4940
8167	F1.90	4.8	26.3	29.5	39.4	1.19	21.95	79.8	42.8	5069	4827
49077	S1.90	4.5	35.3	26.2	34.0	1.82	18.62	100.0	43.6	4283	4040
15222	-0.5 Raw	4.5	37.2	23.5	31.6	1.40	16.73		40.4	3850	3607
257720	Raw	4.5	35.4	26.1	33.9	1.79	18.51		43.4	4257	4015

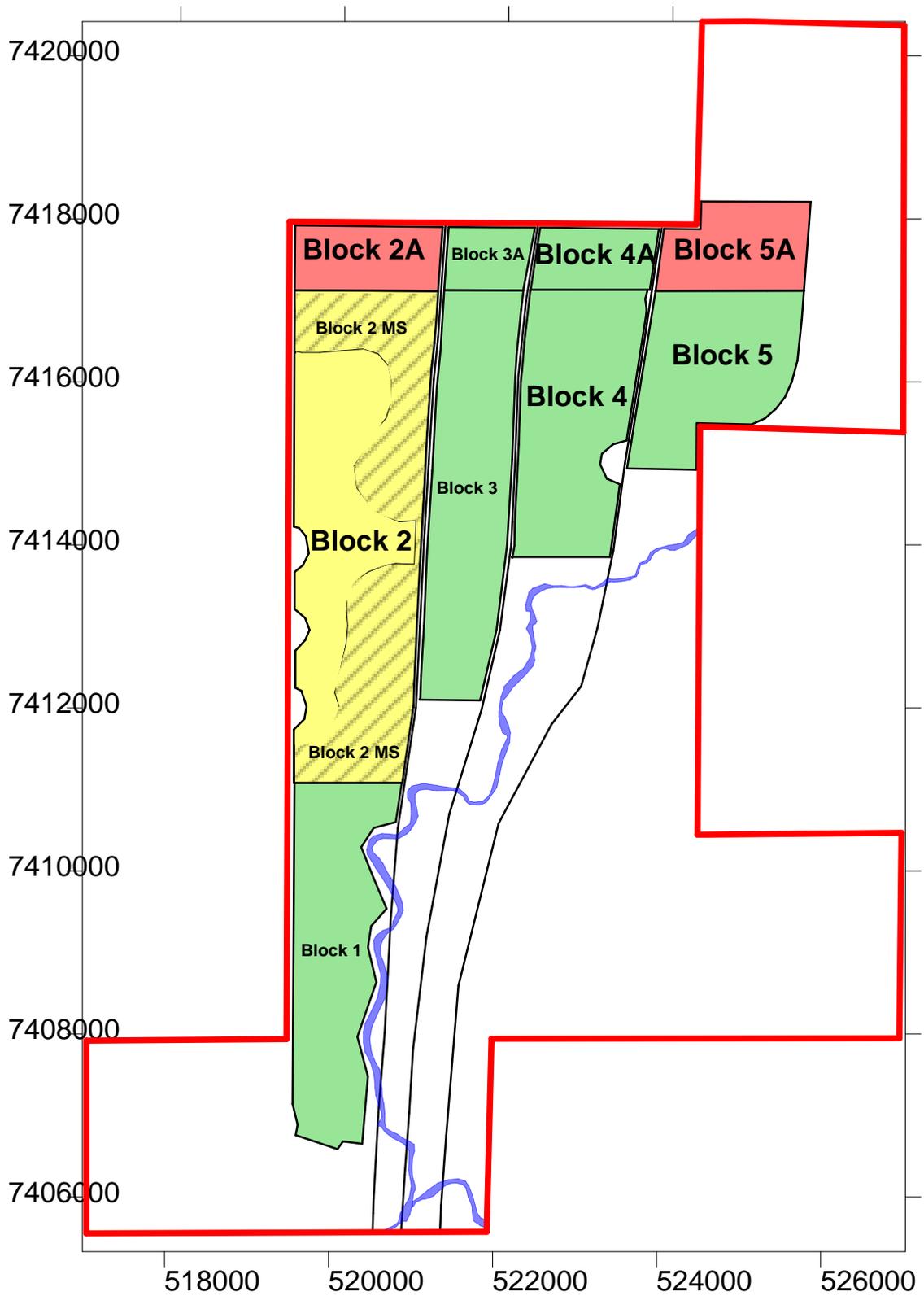
Combined results from eighty-one samples out of seventy-nine boreholes.

**Table 3:** The weighted average Upper Seam Coal Quality for the Imaloto Coal Project.

Top Seam - Cumulative Results (Air-dried Base) as @ 29 Jul 2014									Calculated		
Sample	Wash	Moisture	Ash	Volatile	F.C.	Sulphur	Gross C.V.	Yield	DAVF	GAR	NAR
Mass	R.D.	%	%	%	%	%	MJ/kg	%		kcal/kg @ 8% TM	kcal/kg @ 8% TM
18702	F1.35	5.7	11.2	35.1	48.0	0.96	27.22	17.3	42.3	6341	6101
22288	F1.40	5.5	13.7	34.3	46.6	0.98	26.37	31.1	42.4	6130	5889
40180	F1.50	5.3	18.7	32.1	43.9	1.01	24.64	56.0	42.3	5716	5475
31634	F1.60	5.1	22.2	30.6	42.1	1.09	23.40	75.6	42.1	5418	5177
9746	F1.70	5.0	23.5	30.1	41.4	1.15	22.97	81.6	42.2	5315	5074
4415	F1.80	5.0	24.2	29.9	40.9	1.18	22.71	84.3	42.2	5252	5011
4615	F1.90	5.0	25.1	29.5	40.4	1.21	22.36	87.2	42.3	5171	4929
20666	S1.90	4.7	30.2	28.0	37.0	2.17	20.40	100.0	43.0	4704	4462
9534	-0.5 Raw	4.9	30.2	24.9	33.9	1.65	18.08		38.3	4180	3936
170943	Raw	4.7	30.2	27.8	36.9	2.14	20.27		42.8	4675	4432

Combined results from seventy-four samples out of seventy-four boreholes.

**Table 4:** The weighted average Top Seam Coal Quality for the Imaloto Coal Project.



**Figure 3:** The Resource Blocks for the Imaloto Coal Project.

**(b) Sakaraha Coal Project (Lemur - 99% interest)**

The Sakaraha Coal Project comprises one 62.5km<sup>2</sup> exploration permit and is located approximately 90 kilometres north west of the Imaloto Coal Project, where coal or oil-shales are reported to occur.

Lemur has continued to focus on its primary asset, being the Imaloto Coal Project, and no recent exploration activity has been undertaken on the Sakaraha Coal Project.

**(c) Ianapera Coal Project (Lemur - 99% interest)**

The Ianapera Coal Project comprises one 25km<sup>2</sup> exploration permit and is located approximately 17 kilometres south west of the Imaloto Coal Project. The Ianapera Coal Project has been identified as a potential outlying coal area which requires further exploration as part of the Phase III Exploration Program.

During 2012, Lemur drilled a single borehole reaching a depth of 360 metres, and with no coal being encountered, the decision was made to abandon all further drilling.

**(d) Zaaiplaats Tin Project (Lemur – 99.1% interest)**

As announced to ASX on 17 March 2015, Lemur acquired 99.1% of Zaaiplaats Mining Proprietary Limited, a company incorporated in South Africa and the registered owner of two properties, namely the Remaining Extent of Portion 25 of the farm Gronfontein 227 KR and Portion 5 of the farm Roodepoort 222 KR, both located in the Limpopo Province of South Africa (**Zaaiplaats Tin Project**).

In addition, the Company acquired all rights, interest and title in an existing Mining Right Application which has been lodged with the South African Department of Mineral Resources for the Mining Right in respect of the tailings dam. Extraction of the sand and aggregate product does not currently need a mining right and ongoing studies will reveal the extent of future production and licensing requirements.

The Zaaiplaats Tin Project is located in an old tin mining district that was previously the site of the second biggest tin mining operation in South Africa. Existing tailings dams on the property have an intrinsic value and potentially contain recoverable grades of tin. Additionally, there is potential to sell sand and other aggregates from non-tin bearing zones on the Zaaiplaats Tin Project property, with various options currently being considered, providing a low cost entry point into production and a potential source of immediate revenue for the Company.

In the immediate term, Lemur intends to explore means of providing early cash flow from the asset. In addition, Lemur intends to carry out a more detailed evaluation of the tailings dams.

**Competent Person Statement**

The information in this Report that relates to Mineral Resources was released to ASX on 29 July 2014 (*Coal Mineral Resource Updated to JORC 2012*) and is based on information compiled by Mr Johan Erasmus. Mr Erasmus is a Qualified Geologist (Bachelor of Science - Geology and Chemistry, Bachelor of Science (Hons.) – Geology – University of Port Elizabeth – 1989, 1990) and is also a Professional Natural Scientist (Pr.Sci. Nat.), registered with the South African Council for Natural Scientific Professions, a 'Recognised Overseas Professional Organisation' ('ROPO') included in a list promulgated by the ASX from time-to-time. Mr Erasmus is a consultant to the Company and the owner of Sumsare Consulting CC. Mr Erasmus has sufficient experience which is relevant to the style of mineralisation and type of deposit under

consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. The Company confirms that the form and context in which the information is presented has not been materially modified and it is not aware of any new information or data that material affects the information as announced on 29 July 2014. All material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed.

## 6.5 Mining, infrastructure and logistics scoping studies

Lemur has undertaken three separate scoping studies<sup>1</sup> in relation to mining, infrastructure & land logistics and port to understand the operating, capital and process requirements in order to commence an economically viable mining operation producing up to 1mtpa of saleable export product and 400ktpa of saleable domestic product from Imaloto.

Note 1: The scoping studies referred to in this Target Statement are based on low-level technical and economic assessments, and are insufficient to support estimation of Ore Reserves or to provide assurance of an economic development case at this stage, or to provide certainty that the conclusions of the scoping studies will be realised.

**Phase 1** includes an initial truck and shovel open pit mining operation whereby the Main Seam will be mined, crushed, screened and sold RAW to a proposed coal fired Independent Power Producer (**IPP**), which is planned to be located adjacent to the mine. Initial capital for Phase 1 is estimated at approximately US\$12 million with a LOM of 9 years. No IPP exists at this time however, the Company has been working towards being issued an Independent Power Producing Concession that would provide Lemur with the right to operate and construct a coal fired power station in near proximity to the Imaloto Coal Project.

**Phase 2** involves the commencement of an underground mining operation whereby the ROM coal will be beneficiated for the purposes of producing a primary export grade 5,600 NAR Kcal/kg product which will be trucked to the existing Port of Tulear for export. The discard coal will be sold to the IPP as referred to above. Capital required for Phase 2 is estimated at US\$84 million and will have a LOM of 10 years.

## 6.6 Independent Power Producing Concession

During 2014, the Company re-initiated meetings with the Ministry of Energy (**MoE**) and Jiro Sy Rano Malagasy (**Jirama**), the Madagascar state owned electricity company, in relation to the proposed Imaloto Independent Power Producer (**IPP**) licence. The IPP licence will give Lemur the right to build, own and operate a coal-fired power plant of 3 x 15MW within 10km of its Imaloto Coal Project.

Drafts of the Power Purchasing Agreement (**PPA**) and Implementation Agreement (**IA**) were submitted to Jirama and the MoE respectively for review. Discussions on the PPA have progressed well with technical, legal and commercial personnel at Jirama. Limited feedback has been received on the IA to date. The Company notes that a new Minister of Energy has been recently appointed and is hopeful that this will lead to further engagement on the IA.

Lemur continued its engagement with engineering and environmental service providers during the year to advance the technical aspects of the IPP. Formal proposals have now been received. It is anticipated that these service providers will be formally engaged upon execution of the IA.

During the year, the Company has received unsolicited approaches from numerous Chinese state owned engineering enterprise and other power sector investors, who have expressed interest in financing and building the Imaloto IPP. Discussions are on-

going with these parties. However, there is no guarantee any binding agreement will be entered into on terms acceptable to Lemur or at all.

## **6.7 Consideration of potential acquisitions**

As announced to ASX on 22 February 2013, the Lemur Directors have determined that Lemur's significant cash reserves mean that Lemur is well placed to consider new acquisitions in the current depressed market.

Lemur is focused on African coal assets in the first instance. However, the Lemur Directors are open to considering transactions in other commodities where the fundamentals remain compelling and the Lemur Directors believe that the opportunity is value accretive to Lemur Shareholders. The first such acquisition was the Zaaiplaats Tin Project (see section 6.4 of this Target's Statement).

As announced on 19 June 2015, the Company is engaged in preliminary discussions with a JSE-listed South African company with respect to a potential acquisition of certain vanadium projects in South Africa (**Vanadium Project**). The Vanadium Project comprises three greenfields properties in the North West province of South Africa that are prospective for vanadium. At this stage discussions remain preliminary in nature and there is no guarantee any binding agreement will be entered into on terms acceptable to Lemur or at all.

## **6.8 Issued capital**

As at 24 June 2015, the last practicable date before this Target's Statement was sent to print, Lemur's issued capital consisted of:

- 181,250,001 Lemur Shares; and
- 500,000 unlisted Lemur Options exercisable at \$0.15 each on or before 15 November 2017.

## **6.9 Lemur Options and treatment under the Bushveld Offer**

Each Lemur Option entitles the holder to one Lemur Share upon Lemur receiving a properly executed notice of exercise and application monies. Lemur will apply for official quotation of all Lemur Shares issued and allotted pursuant to the exercise of the Lemur Options. Lemur Shares issued on exercise of Lemur Options will rank equally in all respects with other Lemur Shares on issue.

A Lemur Option may only be exercised after it has vested and any other conditions imposed by the Lemur Board on exercise have been satisfied.

The Lemur Options are exercisable at \$0.15 each on or before 15 November 2017.

Lemur operates an Employee Incentive Option Plan, pursuant to which the Board has granted Lemur Options to employees. Under the terms of the Employee Incentive Option Plan, Lemur Options are subject to a restriction on transfer preventing the holders of the Lemur Options from transferring those options to any person. As at 24 June 2015, the last practicable date before this Target's Statement was sent to print, Lemur had granted 500,000 options exercisable at \$0.15 each on or before 15 November 2017 pursuant to the Employee Incentive Option Plan.

The Bushveld Offer does not extend to the Lemur Options. However, the Bushveld Offer extends to all Lemur Shares that are issued prior to the end of the Offer Period due to the exercise of Lemur Options.

All of the Lemur Options are presently exercisable; however remain subject to the transfer restriction.

Holders of Lemur Options should also note that in section 8.5 of the Bidder's Statement Bushveld states that may elect to make private treaty offers to holders of Lemur Options to acquire or cancel their options subject to the Bushveld Offer becoming or being declared unconditional.

In section 8.5 of the Bidder's Statement, Bushveld has stated that, if not all the Lemur Options are exercised (or otherwise cancelled or acquired by Bushveld pursuant to private treaty agreements or other arrangements), and Bushveld is entitled to compulsorily acquire any outstanding Lemur Shares, Bushveld presently intends to seek to compulsorily acquire or cancel any outstanding Lemur Options pursuant to Part 6A.1 of the Corporations Act, although it reserves the right not to do so.

## 6.10 Substantial Lemur Shareholders

As at 24 June 2015, the last practicable date before this Target's Statement was sent to print, Lemur Shareholders who have voting power in more than 5% of Lemur Shares, as notified in substantial shareholder notices are as follows:

Lemur Shareholder	No. of Lemur Shares	Relevant Interest
Bushveld Minerals Limited <sup>1</sup>	118,799,134	65.54%
Estate of Adam Rankine-Wilson <sup>2</sup>	10,088,450	5.24%

Note 1: Form 604 Notice of change of interests of substantial holder lodged with ASX on 24 June 2015.

Note 2: Form 603 Notice of initial substantial holder lodged with ASX on 2 December 2011.

## 6.11 Financial information

As at 24 June 2015, Lemur held approximately \$12.46 million in cash and is debt free. Lemur's last published audited financial statements are for the 14 month period ended 28 February 2015 and were lodged with ASX on 1 June 2015.

The Bushveld Offer will result in Lemur incurring expenses that would not otherwise have arisen in the 2015 financial year. These expenses will be provided for in the 2015 financial results and are estimated to be between approximately \$87,000 and \$113,000 (exclusive of GST). They include legal, financial, tax and registry expenses from advisers and other service providers engaged to assist in relation to the Bushveld Offer.

So far as is known to the Directors of Lemur and other than those referred to in Lemur's Annual Report for the 14 months ended 28 February 2015 (**Annual Report**), this Target's Statement and the Independent Expert's Report, the financial position of Lemur has not materially changed since the date of the Annual Report other than a reduced cash position in the normal course of operating its business.

Lemur forecasts that at 30 September 2015, it will have approximately \$11.45 million cash at bank. This forecast is based on an AUD/ZAR exchange rate of 1/9.5 and AUD/USD exchange rate of 1/0.8 and assumes continued expenditure in the normal course of operating its business, other than \$100,000 on estimated costs associated with the Bushveld Offer and \$400,000 on costs associated with progressing the proposed acquisition of the South African Vanadium Project (based on management's estimate of the likely consideration – the consideration has not yet been agreed and the actual consideration may be higher or lower than this amount). There is also no guarantee that the proposed acquisition will complete on the proposed terms or at all – see section 6.7 of this Target's Statement.

## 6.12 Recent share price performance information

Figure 4 below sets out the price of Lemur's Shares on ASX for the 12 month period prior to close of trading on 24 June 2015, the last practicable date before this Target's Statement was sent to print.

**Figure 4 – Lemur’s 1 Year Share Price Performance\***



\*Source: Bloomberg. As permitted by ASIC Class Order 07/429, this figure contains ASX share price trading information sourced from Bloomberg without its consent.

To provide further analysis of the market prices for Lemur Shares, the weighted average market prices for the 10 day, 30 day, 60 day and 90 day periods to 24 June 2015, the last practicable date before this Target’s Statement was sent to print, are set out below.

Lemur	24 June 2015	10 day VWAP	30 day VWAP	60 day VWAP	90 day VWAP
<b>Closing price</b>	\$0.058				
<b>Volume Weighted Average Price</b>		\$0.059	\$0.058	\$0.055	\$0.051

Source: Bloomberg. As permitted by ASIC Class Order 07/429, this figure contains ASX share price trading information sourced from Bloomberg without its consent.

### 6.13 Recent ASX announcements by Lemur

Between the date of release of the Annual Report to the ASX and 24 June 2015, being the last practicable date before this Target’s Statement was sent to print, the following announcements have been released on ASX in relation to the Company:

Date of release to ASX	Description of Announcement
12 June 2015	Change of registry address
12 June 2015	Change in substantial holding
15 June 2015	Bidder’s Statement
15 June 2015	Notice in accordance with s633(1) Corporations Act
19 June 2015	Recommendation to Accept
19 June 2015	Potential acquisition of South African vanadium assets
23 June 2015	Notice of Annual General Meeting/Proxy Form
24 June 2015	Notice of change of interests of substantial holder

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## 7 Information regarding Bushveld

Bushveld (AIM: BMN) was incorporated in Guernsey on 5 January 2012 (with Registration No. 54506) and listed on the AIM Market of the London Stock Exchange on 26 March 2012.

Unlike Lemur, Bushveld is not listed on the ASX.

Bushveld is a mineral exploration and development company focused on exploring and developing mineral projects on the Bushveld Complex in South Africa. Bushveld's primary projects (excluding its investment in Lemur) are the Bushveld Vanadium Project, the Bushveld PQ Project and the Mokopane Tin Project, all located on the northern limb of the Bushveld Complex.

As at 29 May 2015 (being the date of the Bidder's Statement) Bushveld had a Relevant Interest in 115,197,097 Lemur Shares (representing a 63.56% interest in Lemur). On 24 June 2015, Bushveld notified ASX that its Relevant Interest in Lemur Shares had increased to 65.54% (118,799,134 Lemur Shares).

Bushveld has confirmed the following:

- the Offer Consideration is to be paid solely from Bushveld's funding arrangements with one of either Riveridge Limited or Darwin Strategic Limited (see section 5.2 of the Bidder's Statement for further information); and
- it intends to lodge a First Supplementary Bidder's Statement to provide further disclosure regarding the terms of the funding arrangements (including financial capabilities) for the Bushveld Offer.

See section 8.2(d) of this Target's Statement for further information regarding the risks associated with Bushveld's funding.

Please refer to section 3 of the Bidder's Statement for detailed information on Bushveld.

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## 8 Risk factors

### 8.1 Risks of an investment in Lemur

In considering Lemur and the Bushveld Offer, Lemur Shareholders should be aware of the risks relating to Lemur, its business and assets. Lemur's business activities are subject to a number of investment risk factors, both specific to its business activities and of a general nature, which may materially affect the future exploration and operating and financial performance of Lemur and the value of Lemur Shares. Many of the risks are outside the control of Lemur and the Lemur Directors, and there can be no certainty that Lemur's objectives or anticipated outcomes will be achieved.

Like any other investment in an exploration and development company, maintaining a holding in Lemur is subject to certain risks. If you accept the Bushveld Offer, you will no longer be exposed to the assets of Lemur and you will no longer be exposed to the key risks summarised below.

A summary of the key risks is set out below.

#### ***Sovereign and political risks in Madagascar***

##### (a) Sovereign risk

Lemur is conducting its exploration and development activities primarily in Madagascar. There is no assurance that future political and economic conditions in this country will not result in the government adopting policies precluding foreign development and ownership of mineral resources.

Any such changes in policy may result in changes in laws affecting ownership of assets, taxation, rates of exchange, environmental protection, labour relations, repatriation of income and return of capital, which may affect both Lemur's ability to undertake exploration and development activities in respect of future properties in the manner currently contemplated, as well as its ability to continue to explore and develop those properties in respect of which it has obtained exploration and development rights to date. The possibility that a future government may adopt substantially different policies, which might extend to expropriation of assets, cannot be ruled out. There can be no assurance that the governments of Madagascar or their instrumentalities, agencies or controlled entities and operations will not impose measures that could have material adverse effects on Lemur's operations or will renew or issue new exploration or exploitation permits to Lemur.

##### (b) Political instability

Madagascar has from time-to-time experienced political instability. Any future political instability could adversely affect the performance of the Madagascan economy and could have a material adverse effect on the market for the Lemur Shares and on the Company's operations.

##### (c) Legal risks

The Company's Madagascan operations are subject to the jurisdiction of Madagascar's courts. The legal system is currently in a state of flux due to the political instability in Madagascar since February 2009 and additional legal risks, such as political difficulties in obtaining effective legal redress in courts and a higher degree of discretion on the part of governmental agencies, may arise as a result.

The introduction of new legislation or amendments to existing legislation by the Madagascar government, developments in existing common law, or the respective interpretation of the legal requirements in any of the legal jurisdictions which govern Lemur's operations or contractual obligations, could impact adversely on the assets, operations and, ultimately, the financial performance of Lemur and the Lemur Shares. In addition there is a commercial risk that legal action may be taken against Lemur in relation to commercial matters.

(d) Title risks

Permit numbers 3196, 26904 and 27163 are subject to the registration of transfers to Coal Mining Madagascar SARL (**CMM**) that have not yet been effected. There is a risk that these transfers will not be effected and CMM will not become the registered holder of the permits.

Although Lemur has obtained legal advice with respect to its Madagascar properties, there is no guarantee that title to such properties will not be challenged or impugned. The properties may be subject to prior unregistered agreements or transfers or land claims and title may be affected by undetected defects.

There is no guarantee that the permits granted by the government of Madagascar in connection with the properties will be renewed upon their termination. In addition, according to the terms and conditions of its exploration permits and agreements with other parties relating to some of its properties, Lemur undertook certain obligations with respect to the exploration activities to be conducted on these properties. If Lemur does not meet its obligations, it may lose its interests in the properties.

Government approvals and permits are currently, and may in the future be, required in connection with Lemur's operations. To the extent such approvals are required and not obtained, Lemur may be curtailed or prohibited from proceeding with planned exploration or development of mineral properties.

(e) Legal claim in relation to permit 4578

As previously announced to ASX, a legal claim and resulting court judgment declared null and void various historical sale agreements that ultimately resulted in Lemur being granted permit 4578.

In 2014, the Tulear court in Madagascar cancelled the original judgement withdrawing permit 4578 and ruled in favour of Lemur.

The plaintiff subsequently lodged an appeal against the Tulear court's decision following which the court decision will be final. The Tulear court has confirmed that the matter will be re-convened (expected to occur in late June 2015), at which stage the plaintiff will be required to file submissions in support of the appeal.

Lemur's legal advisers, John W Ffooks & Co. have re-iterated to Lemur that, in their view, the claim is ill-founded. However, there can be no guarantee that the appeal will not be successful.

***Risks relating to Lemur's activities***

(f) Commercial risk

The mining industry is competitive and there is no assurance that, even if commercial quantities of minerals are discovered, a profitable market will exist for the sale of such minerals. There can be no assurance that the quality of the minerals will be such that the properties in which the Company holds an interest in can be mined at a profit. Factors beyond the control of the Company may affect the marketability of any minerals

discovered. Mineral prices are subject to volatile price changes from a variety of factors including international economic and political trends, expectations of inflation, global and regional demand, currency exchange fluctuations, interest rates and global or regional consumption patterns, speculative activities and increased production due to improved mining and production methods. Ultimately, the Company expects that all projects will be the subject of sufficient feasibility analysis to ensure a reasonable level of confidence appropriate to the circumstances under consideration.

(g) Operational risk

Mining operations are subject to hazards normally encountered in exploration, development and production. These include failure to achieve predicted grades in exploration and mining; operational and technical difficulties encountered in mining; difficulties in commissioning and operating plant and equipment; mechanical failure or plant breakdown; unanticipated metallurgical problems which may affect extraction costs; adverse weather conditions; industrial and environmental accidents; industrial disputes; infrastructure failures and unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment.

(h) Speculative nature of mineral exploration and development

By its nature, the business of exploration, mineral development and production which Lemur participates in is a high risk undertaking. Development of the mineral exploration properties in which the Company holds interests is contingent upon on the successful exploration and/or acquisition of reserves, development of a commercial process route for processing the ore, design and construction of efficient processing facilities, competent operation and management, and efficient financial management. Mineral exploration and development involves substantial expenses and a high degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to adequately mitigate. The degree of risk increases substantially when properties are in the exploration phase as opposed to the development phase.

The discovery of mineral deposits is dependent upon a number of factors including the technical skill of the exploration personnel involved. The commercial viability of a mineral deposit, once discovered, is also dependent upon a number of factors, including the size, grade and proximity to infrastructure, commodity prices and government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals, and environmental protection. There can be no assurance that exploration and development of Lemur's project areas will result in the expansion of Lemur's mineral resources and reserves or their economic exploitation. In addition, several years can elapse from the initial phase of drilling until commercial operations are commenced.

(i) Resources estimates

Resource estimates are expressions of judgement based on knowledge, experience and industry practice. Estimates which were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional fieldwork and analysis, the estimates are likely to change. This may result in alterations to development and mining plans which may, in turn, adversely affect Lemur's operations.

(j) Political stability

The Company holds interests in projects which may be subject to the effect of political changes, war and civil conflict, changes in government policy, lack of law enforcement and labour unrest and the creation of new laws. These changes (which may include

new or modified taxes or other government levies as well as other legislation) may impact on the profitability and viability of its properties.

(k) Uninsurable risks

Exploration for and development of minerals involves hazards and risks that could result in Lemur incurring losses and liabilities to third parties. There is a risk that Lemur may not be insured against all losses or liabilities that could arise from its operations.

The Company may become subject to liability for accidents, pollution and other hazards against which it cannot insure or against which it may elect not to insure because of premium costs, or for other reasons, such as in amounts that exceed policy limits.

If Lemur incurs losses or liabilities which are not covered by its insurance policies, the funds available for exploration and development will be reduced and the value and/or tenure of Lemur's assets may be at risk.

(l) Security of tenure

Permits 26904 and 27163 expired on 22 October 2012. As disclosed in the Company's Prospectus dated 30 June 2011, these permits have purported to have been transferred to Coal Mining Madagascar SARL and are awaiting formal signature of the Madagascar Mines Department, at which time it is expected that a new expiry date will be notified to the Company. Whilst Lemur has commenced the renewal process for both permits, there can be no guarantee that the Madagascar Mines Department will renew these permits on terms satisfactory or at all.

To the best of its knowledge and other than as set out in this Target's Statement, the Company's rights to explore and extract minerals from any of its material properties are in good standing. No assurance can be given, however, that the Company will be able to secure the grant or the renewal of existing mineral rights and tenures on terms satisfactory to it, or that governments in the jurisdictions in which the Company operates will not revoke or significantly alter such rights or tenures or that such rights or tenures will not be challenged or impugned by third parties, including local governments or other claimants. Although the Company is not currently aware of any existing title uncertainties with respect to any of its material properties, there is no assurance that such uncertainties will not result in future losses or additional expenditures, which could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

(m) Strategic risk

Significant and increasing competition exists for mineral acquisition opportunities throughout the world. As a result of this competition, the Company may be unable to acquire rights to exploit additional attractive mining properties on terms it considers acceptable. Accordingly, there can be no assurance that the Company will acquire any interest in additional operations that would yield reserves or result in commercial mining operations. The Company expects to undertake sufficient due diligence where warranted to help ensure opportunities are subjected to proper valuation.

(n) Government regulations

The Company's activities are subject to extensive laws and regulations controlling not only the mining of and exploration for mineral properties, but also the possible effects of such activities upon the environment and upon the interests of indigenous people. Permits from a variety of regulatory authorities are required for many aspects of mine operations and reclamation. Future legislation and regulations could cause additional expense, capital expenditures, restrictions and delays, the extent of which cannot be predicted.

Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees.

There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations. Environmental and employee health and safety laws and regulations have tended to become more stringent over time. Any changes in such laws or in the environmental conditions at the Company's properties could have a material adverse effect on the Company's financial condition, cash flows or results of operations.

Failure to comply with applicable environmental and health and safety laws can result in injunctions, damages, suspension or revocation of licences and the imposition of penalties. There can be no assurance that the Company has been or will be at all times in complete compliance with such laws, regulations and permits, or that the costs of complying with current and future environmental and health and safety laws and permits will not adversely affect the Company's business, results of operations, financial condition or prospects.

(o) Financial risks

The development of the various mineral projects in which Lemur holds interests depend upon Lemur's ability to obtain financing through operational cash flows, joint ventures, debt financing, equity financing or other means. There is no assurance that Lemur will be successful in obtaining the financing required as and when needed. Volatile markets for mineral commodities may make it difficult or impossible for Lemur to obtain debt financing or equity financing on favourable terms or at all. Failure to obtain additional financing on a timely basis may cause Lemur to postpone its development plans, forfeit rights in some or all of its properties or reduce or terminate some or all of its operations.

**General Risks**

(p) Share market

As Lemur is listed on the ASX, the trading price of Lemur Shares may rise and fall depending on a range of factors beyond the Company's control and which are unrelated to the Company's financial performance. These factors may include movements on international and local stock markets, interest rates and exchange rates, together with domestic and international economic conditions, inflation rates, investor perceptions, changes in government policy, commodity supply and demand, government taxation and royalties, war, global hostilities and acts of terrorism.

(q) Liquidity risk

There is no guarantee that there will be an ongoing liquid market for Lemur Shares. Accordingly, there is a risk that, should the market for Lemur Shares become illiquid, Lemur Shareholders will be unable to realise their investment in the Company.

(r) General investment risk factors

Factors such as inflation, currency fluctuation, interest rates, market sentiment and commodity prices may have a significant impact on the Company's future revenues. The impact of those factors on the Company's future profitability is to a large extent beyond the control of the Company.

(s) General economic risk

Changes in the general economic climate in which the Company operates may adversely affect the financial performance of the Company. Factors which contribute to that general economic climate include:

- contractions in the world economy or increases in the rate of inflation resulting from domestic or international conditions (including movements in domestic interest rates and reduced economic activity);
- international currency fluctuations;
- new or increased government taxes or duties or changes in taxation laws; and
- changes in government regulatory policy affecting the industry in which the Company operates and further regulation of the industry generally.

Revenues that may be available to Lemur in the future and the trading price of Lemur Shares on ASX can be affected by these factors, which are beyond the control of Lemur and the Lemur Directors.

***Other risks***

The future viability and profitability of the Company is also dependent on a number of other factors affecting performance of all industries and not just the exploration and mining industries, including, but not limited to, the following:

- financial failure or default by a participant in any contractual relationships to which any member of the Lemur Group is, or may become, a party;
- insolvency or other managerial failure by any of the contractors used by any member of the Lemur Group in its activities; and
- industrial disputes in Madagascar and overseas.

**8.2 Risks relating to the Bushveld Offer**

***Risks of accepting the Bushveld Offer***

Lemur Shareholders should be aware of the following implications and risks that arise from accepting the Bushveld Offer (assuming that the Condition is satisfied or waived):

(a) Inability to accept an alternative offer

Except under limited circumstances provided in the Corporations Act, Lemur Shareholders who accept the Bushveld Offer will not be able to accept an alternative offer, should any emerge. Lemur Shareholders may only withdraw their acceptances and accept an alternative offer if Bushveld extends the Offer Period for more than one month and the Bushveld Offer remains subject to the Condition at that time.

(b) Exposure to Lemur

By accepting the Bushveld Offer, Lemur Shareholders will lose any future benefits they perceive they may be entitled to as a result of their investment in Lemur. See section 6.4 of this Target's Statement for further information on Lemur's projects.

(c) Potential taxation consequences

The taxation consequences for Lemur Shareholders will differ depending on their individual circumstances. The tax consequences of accepting the Bushveld Offer might not suit your financial position. Lemur Shareholders that are considered Australian residents may be liable to pay capital gains tax on the disposal of their Lemur Shares under the Bushveld Offer.

The Independent Directors encourage Lemur Shareholders to seek their own independent legal, financial and taxation advice prior to deciding whether to accept the Bushveld Offer.

See section 2.3 of this Target's Statement for a list of reasons why a Lemur Shareholder might choose to reject the Bushveld Offer.

***Risks of rejecting the Bushveld Offer***

Lemur Shareholders should be aware of the following implications and risks that arise from rejecting the Bushveld Offer (assuming that the Condition is satisfied or waived):

(a) Liquidity risk

if Bushveld acquires some but not all of the Lemur Shares under the Bushveld Offer, the number of Lemur Shares traded on the ASX could be significantly reduced. In addition, under item 9 of section 611 of the Corporations Act, Bushveld is entitled to acquire up to an additional 3% Relevant Interest in Lemur every 6 months without needing to make a further takeover offer.

Lemur Shareholders who do not intend to accept the Bushveld Offer run the risk of remaining minority shareholders in a company with reduced share trading liquidity. This may result in downward pressure on the trading prices of Lemur Shares and make it more difficult for Lemur Shareholders to sell their Lemur Shares.

(b) Delisting of Lemur

Bushveld has indicated it intends, where the ASX Listing Rules permit, to seek to have Lemur removed from the Official List of the ASX. If this occurs, Lemur Shares will not be able to be bought or sold on the ASX, thereby eroding liquidity of Lemur Shares.

See section 2.3 (under the headings "*There are risks to remaining a minority shareholder in Lemur, including potentially delisting from ASX*" and "*Risk of delisting*") of this Target's Statement for further information.

(c) Compulsory acquisition

While Lemur Shareholders do not have to accept the Bushveld Offer, Bushveld has the ability under the Corporations Act to compulsorily acquire all outstanding Lemur Shares it does not already own if receives acceptances giving it a Relevant Interest in at least 90% (by number) of Lemur Shares and acquires at least 75% (by number) of the Lemur Shares that it offers to acquire under the Bushveld Offer. Accordingly, it is possible that Lemur Shares may be compulsorily acquired under the Bushveld Offer and Lemur Shareholders will receive the Offer Consideration under part 6A.1 of the Corporations Act.

Further, in addition to the possible compulsory acquisition in connection with the Bushveld Offer, if Bushveld increases the number of Lemur Shares in which it has a beneficial interest or voting power to at least 90%, it can seek to acquire the remaining Lemur Shares under Part 6A.2 of the Corporations Act.

See section 2.3 of this Target's Statement (under the heading "*Risk of compulsory acquisition*") for further information.

(d) Funding of Offer Consideration

Section 5.2 of the Bidder's Statement notes that Bushveld has a secured convertible note from Riveridge Limited (**Riveridge Note**) and a loan facility from Darwin Strategic Limited (**Darwin Note**) to fund the Offer Consideration. Section 5.2(a) of the Bidder's Statement notes that drawdown under the Riveridge Note is subject to satisfaction of the Condition, and section 5.2(b) of the Bidder's Statement notes that drawdown of the Darwin Note is conditional on Bushveld having a Relevant Interest in excess of 75% of Lemur Shares and Lemur having a cash balance of \$12 million.

The Independent Directors cannot guarantee that Lemur will have a cash balance of \$12 million throughout and at the conclusion of the Offer Period. Therefore there is a risk that Bushveld may not be able to drawdown on the Darwin Note, and it is not clear whether Bushveld may rely on the Riveridge Note to fund the Offer Consideration if the Condition is waived.

Bushveld has confirmed it intends to lodge a First Supplementary Bidder's Statement to provide further disclosure regarding the terms of the funding arrangements (including financial capabilities) for the Bushveld Offer.

See section 6.1 of this Target's Statement and section 5.2 of the Bidder's Statement and Bushveld's First Supplementary Bidder's Statement (when released) for further information.

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## 9 Additional information

This section includes information on the interests of the Lemur Directors and the effect of the Bushveld Offer on Lemur's Employee Incentive Option Plan.

### 9.1 Lemur Directors' interests in Lemur securities

The marketable securities that Lemur has on issue are Lemur Shares and Lemur Options.

The number and description of marketable securities of Lemur in which the Lemur Directors have a Relevant Interest as at 24 June 2015, the last practicable date before this Target's Statement was sent to print, is set out below.

Lemur Director	Lemur Shares	Lemur Options
Mr Anthony Viljoen <sup>1</sup> – <i>Executive Director and Chief Executive Officer</i>	4,000,000	Nil
Mr Ryan Rockwood <sup>2</sup> – <i>Executive Director</i>	4,250,000	Nil
Mr Fortune Mojapelo – <i>Non-Executive Director</i>	Nil	Nil
Ms Shannon Coates <sup>3</sup> – <i>Non-Executive Director and Company Secretary</i>	Nil	Nil

Note 1: Mr Anthony Viljoen has informed Lemur that he will deal with his Lemur Shares in a manner consistent with the recommendation of the Independent Directors and he therefore intends to accept the Bushveld Offer.

Note 2: Independent Director Mr Ryan Rockwood has informed Lemur that he intends, in the absence of a superior proposal and subject to Bushveld's Relevant Interest in all Lemur Shares increasing to 75% and the Condition being satisfied or waived, to accept the Bushveld Offer.

Note 3: Ms Shannon Coates is a former director of Evolution Capital Partners Pty Ltd. Evolution Capital Partners Pty Ltd as trustee for the Golden Triangle Trust holds 1,100,000 Lemur Shares acquired after Ms Shannon Coates ceased to be a director. Ms Shannon Coates is not associated with Evolution Capital Partners Pty Ltd and does not have a Relevant Interest in the Lemur Shares held by Evolution Capital Partners Pty Ltd.

### 9.2 Lemur Directors' dealings in Lemur Shares

No Lemur Director has acquired or disposed of a Relevant Interest in any Lemur Shares in the four month period immediately preceding the date of this Target's Statement.

### 9.3 Recommendation of the Independent Directors

After taking into account each of the matters in this Target's Statement and the Bidder's Statement, each of the Independent Directors recommend that you **ACCEPT** the Bushveld Offer, in the absence of a superior proposal.

In considering whether to accept the Bushveld Offer, the Independent Directors encourage you to:

- read the Bidder's Statement and this Target's Statement in full. In particular, Lemur Shareholders should note that the Bushveld Offer is subject to the Condition, which is summarised in section 4.4 of this Target's Statement;
- read the Independent Expert's Report, which is included in its entirety in Appendix 1 of this Target's Statement;

- considering your individual risk profile, portfolio strategy, tax position and financial circumstances; and
- seek your own independent legal, financial and taxation advice if appropriate.

The reasons for the Independent Directors' recommendations are set out in section 2.3 of this Target's Statement.

#### 9.4 Lemur Directors' interests in securities of Bushveld

The number and description of marketable securities of Bushveld or any of Bushveld's related bodies corporate in which the Lemur Directors have a Relevant Interest as at 24 June 2015, the last practicable date before this Target's Statement was sent to print, is set out below.

Lemur Director	Bushveld Shares
Mr Anthony Viljoen	9,826,667 <sup>1</sup>
Mr Ryan Rockwood	Nil
Mr Fortune Mojapelo	9,660,000 <sup>1</sup>
Ms Shannon Coates	Nil

Note 1: VM Investment Company (Pty) Limited currently holds 8,160,000 Ordinary Shares in Bushveld. Both Mr Mojapelo and Mr Viljoen beneficially own 50% each of VMI and as such each has an indirect interest in Bushveld through this one shareholding. In addition, Mr Anthony Viljoen was awarded 1,666,667 restricted shares in Bushveld in lieu of bonuses, while Mr Fortune Mojapelo purchased 500,000 shares and was awarded 1,000,000 shares in lieu of bonuses.

#### 9.5 Lemur Directors' dealings in Bushveld Shares

No Lemur Director has acquired or disposed of a Relevant Interest in any Bushveld Shares in the four month period immediately preceding the date of this Target's Statement.

#### 9.6 Conflict Protocol

A potential conflict of interest exists by virtue of the fact that Mr Anthony Viljoen and Mr Fortune Mojapelo are directors of both Bushveld and Lemur. See section 9.12 of this Target's Statement for further information.

To ensure any potential conflict is managed in an appropriate manner that protects the interests of all stakeholders and complies with applicable legal requirements, the Lemur Board has adopted a conflict protocol. This protocol sets out the general obligations of Mr Anthony Viljoen and Mr Fortune Mojapelo in connection with the Bushveld Offer.

Mr Anthony Viljoen and Mr Fortune Mojapelo have a range of statutory (principally under the Corporations Act), fiduciary and contractual obligations to Lemur. These obligations include:

- to act honestly, not misuse information and act in good faith in the best interests of Lemur;
- to avoid positions of conflict between their personal interests and those of Lemur and not to use any information gained through their directorship to their own advantage or otherwise for an improper purpose (this may require them to abstain from voting at board meetings);

- to continue to devote their full time and efforts to the discharge of their duties as directors of Lemur; and
- to ensure that all decisions are made in accordance with Lemur's constitution and other applicable legal requirements.

Mr Anthony Viljoen and Mr Fortune Mojapelo may not, without the prior written consent of the Independent Directors:

- disclose, discuss or enable access to any non-public information relating to the business or affairs of Lemur or its affiliates generally to any person (including, without limitation, Bushveld or its advisers, debt or equity financiers); or
- engage in any discussions or enter into any correspondence with Bushveld or its affiliates or advisers (and must ensure that their agents or advisers do not engage in such discussions or enter into any such correspondence) in relation to Lemur except with the prior written consent of Independent Directors.

Where the Independent Directors consent to engagement in such discussions, a person nominated by the Independent Directors may, at the Independent Directors' discretion, be present, as an observer, during those discussions, and will be entitled to take notes and report back to the Independent Directors about the nature and content of the discussions.

Mr Anthony Viljoen and Mr Fortune Mojapelo must, for the duration of the Offer:

- not have access to files or communications regarding Lemur's response to the Offer or any competitive proposal other than with the agreement of the Independent Directors;
- keep confidential all information received as a Director of Lemur and not disclose that information to Bushveld, or any other party, without the consent of the Independent Directors;
- seek the approval of Independent Directors prior to taking material or strategic actions with respect to Lemur that have not been authorised previously which may impact Lemur's response to the Offer or any competitive proposal;
- advise the Independent Directors of any approaches to be involved in the Bushveld Offer (or any other proposal to acquire Lemur) and should they be approached and be interested in participating, continue to keep the Independent Directors informed of their interest or otherwise in participating;
- respond in a timely and lawful manner to all reasonable requests of the Independent Directors, including making timely, full and accurate disclosure to the Independent Directors, to the best of their knowledge and ability, subject to applicable laws, of any matters of which they are aware which may be relevant to the Independent Directors in considering, implementing or making a recommendation regarding the Bushveld Offer;
- comply with the reasonable directions and requests of the Independent Directors if and to the extent that the Independent Directors agree to engage with or respond to other parties in relation to a competitive proposal (including providing information to such other parties) and keeping that information and direction strictly confidential; and

- act generally in the best interests of Lemur, and give preference to those interests in the case of any conflict with their own interests.

In addition:

- Mr Anthony Viljoen and Mr Fortune Mojapelo may not discuss the Bushveld Offer or Bushveld with any employee, customer or supplier of Lemur or any provider of debt or equity finance to Lemur without the prior approval of the Independent Directors;
- Mr Anthony Viljoen and Mr Fortune Mojapelo may not give any person access to any premises, property or employees of Lemur (in connection with the Bushveld Offer or otherwise outside the ordinary course of business) without the prior approval of the Independent Directors;
- any comment (written or oral) which Mr Anthony Viljoen or Mr Fortune Mojapelo makes in relation to Lemur to any person following the Bushveld Offer or any competitive proposal becoming public must be accurate and consistent with information that Lemur has announced to ASX. If Mr Anthony Viljoen or Mr Fortune Mojapelo become aware of any inconsistency in information so provided, they must immediately notify the Independent Directors;
- Mr Anthony Viljoen and Mr Fortune Mojapelo acknowledge that the Independent Directors, in responding to the Bushveld Offer or any competitive proposal, will act in accordance with all legal requirements and their response may be contrary to the Bushveld Offer; and
- Mr Anthony Viljoen and Mr Fortune Mojapelo must use best efforts to inform the Independent Directors in a timely manner if they become aware that this protocol is not being complied with.

## **9.7 Officers' indemnities and insurance**

To the extent permitted by law and subject to restrictions in the Corporations Act, Lemur indemnifies each Lemur Director against any liabilities arising as a result of the Lemur Director acting as an officer of Lemur.

Lemur has also paid a premium in respect of a contract insuring all directors, secretaries and officers of Lemur against liabilities incurred in their capacity as a director or officer, as the case may be, of Lemur. The policy is renewed annually. The period of the current policy extends from 22 May 2015 to 22 May 2016.

## **9.8 Benefits and agreements**

### **(a) Agreements connected with or conditional on the Bushveld Offer**

There are no agreements made between any Lemur Director and any other person in connection with, or conditional on, the outcome of the Bushveld Offer.

### **(b) Payments and benefits from Bushveld**

As a result of the Bushveld Offer, no benefit (other than a benefit permitted by sections 200F or 200G of the Corporations Act) has been, or will be, given to a person:

- (i) in connection with the retirement of a person from a board or managerial office in Lemur or a related body corporate of Lemur; or

- (ii) who holds, or has held a board or managerial office in Lemur or a related body corporate of Lemur or a spouse, relative or Associate of such a person, in connection with the transfer of the whole or any part of the undertaking or property of Lemur.

(c) **Interests of Lemur Directors in contracts with Bushveld**

Other than as set out elsewhere in this Target's Statement, no Lemur Directors have any interests in contracts with Bushveld or any of Bushveld's related bodies corporate as at the date of this Target's Statement.

As outlined elsewhere in this Target's Statement:

- Mr Fortune Mojapelo is a Non-Executive Director of Lemur and an Executive Director and the Chief Executive Officer of Bushveld; and
- Mr Anthony Viljoen is an Executive Director and the Chief Executive Officer of Lemur and a Non-Executive Director of Bushveld.

(i) Consultancy Agreement with VMI, Greenhills and Bushveld

On 20 March 2012, VM Investment Company (Proprietary) Limited (**VMI**), a company incorporated and registered in South Africa with registration number 2007/009061/07, Greenhills Resources Limited and Bushveld entered into a consultancy agreement pursuant to which VMI agreed to provide consultancy services to the Bushveld Group (**Consultancy Agreement**). The services to be provided and the amounts to be charged under the Consultancy Agreement are to be agreed by the parties from time to time in accordance with the commercial requirements of the Bushveld Group. Each of Mr Fortune Mojapelo and Mr Anthony Viljoen, both Lemur Directors, hold a 50% beneficial interest in VMI.

Professor Richard Viljoen and Professor Morris Viljoen (the father and uncle of Mr Anthony Viljoen respectively) are consultants to VMI and assist with reviewing target projects and advising on their geological merit.

(ii) Consultancy Agreement with Professor Richard Viljoen

On 20 March 2012, Professor Richard Viljoen (the father of Mr Anthony Viljoen) entered into a consultancy agreement with Bushveld, pursuant to which Professor Richard Viljoen agreed to provide certain consultancy services to the Bushveld Group and devote such time as may be reasonably necessary in the provision of such services. Bushveld has agreed to pay a fee of £56,250 gross per annum to Professor Richard Viljoen for the provision of such consultancy services. The consultancy arrangement can be terminated with 3 months' written notice by either Bushveld or Professor Richard Viljoen.

(iii) Consultancy Agreement with Professor Morris Viljoen

On 20 March 2012, Professor Morris Viljoen (the uncle of Mr Anthony Viljoen) entered into a consultancy agreement with Bushveld, pursuant to which Professor Morris Viljoen agreed to provide certain consultancy services to the Bushveld Group and devote such time as may be reasonably necessary in the provision of such services. Bushveld has agreed to pay a fee of £56,250 gross per annum to Professor Morris Viljoen for the provision of such consultancy services. The consultancy arrangement can be terminated with 3 months' written notice by either Bushveld or Professor Morris Viljoen.

(d) **Other contracts**

(i) Employment Agreement with Mr Anthony Viljoen

Mr Anthony Viljoen is employed by Lemur under a fixed term contract with the following material terms:

- Commencement date – 1 December 2013
- Initial term – 2 years
- Fixed remuneration – \$212,000 per annum plus 9.5% statutory superannuation
- Variable remuneration – Up to 50% of the fixed remuneration
- Equity remuneration – 4,000,000 ordinary shares for nil consideration (issued 24 February 2014)
- Termination conditions – Lemur may terminate employment without cause by providing 6 months' notice. Lemur may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs the executive is only entitled to that portion of remuneration that is fixed, and only up to the date of termination. There are no termination payments provided in the employment contract.

(ii) Employment Agreement with Mr Ryan Rockwood

Mr Ryan Rockwood is employed by Lemur under a fixed term contract with the following material terms:

- Commencement date – 1 December 2013
- Initial term – 2 years
- Fixed remuneration – \$180,000 per annum plus 9.5% statutory superannuation
- Variable remuneration – Up to 50% of the fixed remuneration
- Equity remuneration – 4,000,000 ordinary shares for nil consideration (issued 24 February 2014)
- Termination conditions – Lemur may terminate employment without cause by providing 6 months' notice. Lemur may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs the executive is only entitled to that portion of remuneration that is fixed, and only up to the date of termination. There are no termination payments provided in the employment contract.

(iii) Consulting Agreement with VMI

Lemur entered into a consultancy agreement dated 20 November 2014 with VMI under which it is paid a consultancy fee of \$10,000 per calendar month (GST free) until 30 June July 2015 for project identification and review services. The agreement can be terminated by Lemur by providing 3 months' written notice, or immediately due to misconduct. Mr Anthony Viljoen and Mr Fortune Mojapelo are directors and collectively hold 100% of the issued equity in VMI.

(iv) Consulting Agreement with Evolution

Lemur entered into a consultancy agreement on 25 May 2011 with Evolution Capital Partners Pty Ltd as trustee for the Evolution Trust. On 1 July 2014, the agreement was novated to Evolution Corporate Services Pty Ltd as

trustee for the Evolution Trust (**Evolution**). Under the agreement, Lemur paid the following consultancy fees:

Registered office and company secretarial services provided by Evolution's employees, including Ms Shannon Coates:

- \$5,000 per calendar month (plus GST) for the period 25 May 2011 to 1 July 2014; and
- \$4,000 per calendar month (plus GST) for the period 1 July 2014 to ongoing.

Corporate advisory services (in addition to company secretarial services) provided by a consultant to Evolution:

- \$5,000 per calendar month (plus GST) for the period 1 July 2014 to ongoing.

Services provided by employees of Evolution in connection with the Bushveld Offer are outside of the scope of the consultancy agreement and will be charged to Lemur at commercial rates.

Lemur can terminate the contract by giving three months' notice.

Ms Shannon Coates is a director of Evolution Corporate Services Pty Ltd and her family trust is one of the beneficiaries of the Evolution Trust.

(v) Sub-lease Agreement with VMI

Lemur entered into a sub-lease agreement on 27 November 2013 with VMI under which it made payments of ZAR 70,000 per calendar month (plus VAT) for head office space and car parking at 24 Fricker Road, Block A Ilovo, Johannesburg, 2116. Under the lease terms, and in recognition of historical occupancy, the commencement date was 1 August 2013. The sub-lease can be terminated by either party by providing 3 months' written notice.

## 9.9 Material contracts

To the best of the Lemur Directors' knowledge and other than as set out elsewhere in this Target's Statement, none of the material contracts to which Lemur is a party contain change in control provisions which may be triggered as a result of, or as a result of acceptances of, the Bushveld Offer and which may have a material adverse effect on the assets and liabilities, financial position and performance, profits and losses and prospects of Lemur.

## 9.10 Taxation considerations for Lemur Shareholders

The following summary is a general description of the Australian tax consequences for Lemur Shareholders who accept the Offer and dispose of their Lemur Shares to Bushveld in accordance with the Bushveld Offer.

Acceptance of the Bushveld Offer will involve a disposal by Lemur Shareholders of their Lemur Shares by way of transfer to Bushveld for cash. The taxation consequences of such a disposal will depend on a number of factors. The comments set out below are relevant only to those Lemur Shareholders who:

- are residents of Australia for Australian income tax purposes;

- acquired their Lemur Shares on or after 20 September 1985;
- hold their Lemur Shares on capital account and not as revenue assets, trading stock, as assets used in carrying on a business or who are subject to the taxation of financial arrangements rules; and
- are not employees of Lemur.

The summary is based on taxation law and practice in effect at the date of the Bushveld Offer. It is general in nature and not intended to be an authoritative or comprehensive analysis of the taxation laws of Australia, nor does it consider any specific facts or circumstances that may apply to particular shareholders.

Lemur Shareholders should seek independent professional taxation advice regarding the tax consequences of disposing of Lemur Shares taking into account their own particular circumstances.

### **Australian resident Lemur Shareholders**

Acceptance of the Bushveld Offer by a Lemur Shareholder will result in the disposal of Lemur Shares by the Lemur Shareholder. This disposal will constitute a capital gains tax (CGT) event and the Lemur Shareholder will need to calculate their capital gain or capital loss on the date the Bushveld Offer is accepted.

In the event Lemur Shares are compulsorily acquired, those Lemur Shareholders will need to calculate their capital gain or capital loss on the date their Lemur Shares are acquired by Bushveld.

A capital gain will arise if the capital proceeds from Bushveld exceed the cost base of their Lemur Shares. A capital loss will arise if the capital proceeds are less than the reduced cost base of their Lemur Shares.

The cost base or reduced cost base of the Lemur Shares would generally be the amount paid by the relevant Lemur Shareholder to acquire their Lemur Shares as well as costs associated with the acquisition and disposal of their Lemur Shares (such as brokerage).

### **Circumstances in which capital gains may be reduced**

A Lemur Shareholder who is an individual, complying superannuation entity or a trust may have the option of applying either the indexation method or the CGT discount (refer below) to calculate the capital gain arising from the disposal of their Lemur Shares, but cannot apply both.

#### **Indexation**

If a Lemur Shareholder acquired (or is deemed to have acquired) their Lemur Shares at or before 11.45 am on 21 September 1999, the cost base of their Lemur Shares may be indexed for inflation by reference to changes in the Consumer Price Index from the calendar quarter in which their Lemur Shares were acquired until the calendar quarter ended 30 September 1999. Indexation adjustments are taken into account only for the purposes of calculating a capital gain, not a capital loss.

#### **CGT discount**

A Lemur Shareholder who makes a capital gain as a result of accepting the Bushveld Offer or under a compulsory acquisition of their Lemur Shares and does not choose or is unable to choose to apply the indexation method referred to above, may be eligible for the CGT discount.

Broadly, Australian resident Lemur Shareholders who have held directly or indirectly (through trusts) their Lemur Shares for greater than 12 months should be able to discount their capital gain by 50%.

Similarly, an eligible superannuation entity that has held its Lemur Shares for greater than 12 months should be eligible to discount their capital gain by 33.3%.

Where a Lemur Shareholder makes a discount capital gain, any available capital losses must first be applied to reduce the gross capital gain before the discount is applied.

Corporate Lemur Shareholders are not entitled to the CGT discount.

### **Non-Australian resident Lemur Shareholders**

Lemur Shareholders who are not Australian tax residents will generally be subject to CGT on the disposal of their Lemur Shares through acceptance of the Bushveld Offer or compulsory acquisition if:

- together with their associates, they directly or indirectly own at least 10% or more (by value) of the shares in Lemur:
  - at the time of the disposal; or
  - throughout a 12 month period beginning no earlier than 24 months before the time of the disposal and ending no later than the time of the disposal; and
- if more than 50% of the value of Lemur's assets is attributable to Australian real property.

Australian real property is real property situated in Australia (including a lease of land, if the land is situated in Australia) or a mining, quarrying or prospecting right (to the extent that the right is not real property), if the minerals, petroleum or quarry materials are situated in Australia.

Non-resident Lemur Shareholders should also seek independent taxation advice in relation to the disposal of their Lemur Shares.

### **Stamp Duty**

If stamp duty is payable in Australia on the transfer of Lemur Shares under the Offer, Lemur Shareholders would not be liable to pay this duty.

### **GST**

No GST should be payable on the transfer of the Lemur Shares.

A Lemur Shareholder may be charged GST on third party costs (such as advisor fees) incurred in relation to their participation in the Offer. A Lemur Shareholder may be entitled to input tax credits for such GST paid, but should seek independent taxation advice on this matter.

## **9.11 Material litigation**

As previously announced to ASX, a legal claim and resulting court judgment declared null and void various historical sale agreements, which ultimately resulted in Lemur being granted permit 4578.

In 2014, the Tulear court in Madagascar cancelled the original judgement withdrawing permit 4578 and ruled in favour of Lemur.

The plaintiff subsequently lodged an appeal against the Tulear court's decision following which the court decision will be final. The Tulear court has confirmed that the matter will be re-convened (expected to occur in late June 2015), at which stage the plaintiff will be required to file submissions in support of the appeal.

Lemur's legal advisers, John W Fooks & Co., have re-iterated to Lemur that, in their view, the claim is ill-founded. However, there can be no guarantee that the appeal will not be successful.

Other than as set out in this section 9.11 of this Target's Statement, to the best of the Lemur's Directors' knowledge, Lemur is not involved in any ongoing or threatened litigation which is material in the context of Lemur.

### 9.12 Directors' conflicts of Interest

As outlined elsewhere in this Target's Statement:

- Mr Fortune Mojapelo is a Non-Executive Director of Lemur and an Executive Director and the Chief Executive Officer of Bushveld; and
- Mr Anthony Viljoen is an Executive Director and the Chief Executive Officer of Lemur and a Non-Executive Director of Bushveld.

Neither of Mr Mojapelo and Mr Viljoen make a recommendation in relation to the Bushveld Offer due to their interest as Chief Executive Officer and Non-Executive Director of Bushveld, respectively.

### 9.13 Independent Expert's Report

As Mr Mojapelo and Mr Viljoen are directors of both Lemur and Bushveld and, as at the date of the Bidder's Statement, Bushveld's voting power in Lemur was more than 30%, section 640 of the Corporations Act requires this Target's Statement to include a report by an expert that states whether, in the expert's opinion, the Bushveld Offer is fair and reasonable and gives the reasons for forming that opinion.

The Independent Expert is of the view that the Bushveld Offer is **not fair but reasonable**. The Independent Expert's Report is included in its entirety at Appendix 1 of this Target's Statement. You are urged to read that report carefully.

### 9.14 Consents

Each of the persons listed below has given and has not, before the lodgement of this Target's Statement with ASIC, withdrawn their consent to the inclusion of the following information in this Target's Statement in the form and context in which it is included and to all references in this Target's Statement to that information in the form and context in which they appear:

- (a) each Director – to being named as a director and to the inclusion of statements made by him and to the references to those statements;
- (b) Gilbert + Tobin – to being named as legal adviser to Lemur;
- (c) John W Fooks & Co. – to being named as Madagascan legal adviser to Lemur and to the inclusion of the statements in sections 8.1(e) and 9.11;

- (d) BDO Corporate Finance (WA) Pty Ltd – to being named as Independent Expert, to the inclusion of its Independent Expert's Report in Appendix 1 of this Target's Statement and to the references to the Independent Expert's Report in this Target's Statement;
- (e) Ernst & Young – to being named as tax adviser to Lemur in this Target's Statement;
- (f) Mr Johan Erasmus – to be named as Lemur's competent person and to the inclusion of the statements in section 6.4 of this Target's Statement;
- (g) Bushveld Minerals Limited – to being named and to the inclusion of the statements in sections 7 and 8.2(d) of this Target's Statement; and
- (h) Computershare Investor Services Pty Limited – to being named as Lemur's share registry.

Each person named above as having given its consent to the inclusion of a statement or report or to being named in this Target's Statement:

- (a) does not make, or purport to make, any statement in this Target's Statement or any statement on which a statement in this Target's Statement is based other than, in the case of a person referred to above as having given their consent to the inclusion of a statement or report, a statement or report included in this Target's Statement with the consent of that person; and
- (b) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Target's Statement, other than a reference to its name and, in the case of a person referred to above as having given their consent to the inclusion of a statement or report, any statement or report which has been included in this Target's Statement with the consent of that party.

As permitted by ASIC Class Order 13/521, this Target's Statement contains statements which are made, or based on statements made, in documents lodged with ASIC or the ASX (in compliance with the Listing Rules). Pursuant to this Class Order, the consent of persons to which such statements are attributed is not required for the inclusion of those statements in this Target's Statement.

As permitted by ASIC Class Order 13/523, this Target's Statement may include or be accompanied by certain statements:

- fairly representing a statement by an official person; or
- from a public official document or published book, journal or comparable publication.

Pursuant to this Class Order, the consent of persons to which such statements are attributed is not required for the inclusion of those statements in this Target's Statement.

Any Lemur Shareholder, during the Offer Period, who would like to receive a copy of any of the documents (or parts of the documents) that contain the statements which have been included pursuant to Class Order 13/521 may request a copy and be provided with a copy within 2 Business Days free of charge by contacting the Lemur Shareholder Information Line on 1300 308 902 (from within Australia) or +61 2 8022 7902 (from outside Australia) between 9.00am and 5.00pm (AEST), Monday to Friday or by writing to Lemur's Company Secretary.

Copies of all announcements by Lemur may also be obtained from its website at [www.lemurresources.com](http://www.lemurresources.com).

In addition, as permitted by ASIC Class Order 07/429, this Target's Statement contains share price trading data sourced from Bloomberg without its consent.

#### **9.15 ASIC declarations and Listing Rule waivers**

Lemur has not been granted any modifications or exemptions by ASIC from the Corporations Act in connection with the Bushveld Offer. Further, Lemur has not been granted any waivers from ASX in relation to the Bushveld Offer.

#### **9.16 Continuous disclosure**

Lemur is a "disclosing entity" under the Corporations Act and is subject to regular reporting and disclosure obligations under the Corporations Act and the Listing Rules. These obligations require Lemur to notify the ASX of information about specified matters and events as they occur for the purpose of making that information available to the market. In particular, Lemur has an obligation (subject to limited exceptions) to notify the ASX immediately on becoming aware of any information which a reasonable person would expect to have a material effect on the price or value of Lemur Shares.

Copies of the documents filed with the ASX may be obtained from the ASX website at [www.asx.com.au](http://www.asx.com.au) or from the Lemur website at [www.lemurresources.com](http://www.lemurresources.com).

In addition, copies of the following documents may be inspected at Lemur's offices at Suite 5, 62 Ord Street, West Perth, Western Australia, 6005 (between 9.00am and 5.00pm on Business Days) or requested (and will be provided free of charge) by contacting Lemur:

- Lemur's Annual Report for the 14 month period ended 28 February 2015;
- Lemur's constitution; and
- any continuous disclosure document lodged by Lemur with the ASX between the release of its Annual Report on 1 June 2015 and the date of this Target's Statement.

Copies of documents lodged with ASIC in relation to Lemur may also be obtained from, or inspected at, an ASIC office.

#### **9.17 No other material information**

This Target's Statement is required to include all information that Lemur Shareholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Bushveld Offer, but:

- only to the extent to which it is reasonable for investors and their professional advisers to expect to find the information in this Target's Statement; and
- only if the information is known to any of the Lemur Directors.

Each of the Independent Directors who authorised this Target's Statement are of the opinion that the information that Lemur Shareholders and their professional advisers would reasonably require to make an informed assessment of whether to accept the Bushveld Offer is the information contained in:

- the Bidder's Statement (to the extent that the information is not inconsistent with or superseded by information in this Target's Statement);
- Lemur's Annual Report for the 14 month period ended 28 February 2015;
- Lemur's releases to the ASX prior to the date of this Target's Statement; and
- this Target's Statement.

The Independent Directors of Lemur who authorised this Target's Statement have assumed, for the purposes of preparing this Target's Statement, that the information contained in the Bidder's Statement is accurate (unless they have expressly indicated otherwise in this Target's Statement). However, the Independent Directors do not take any responsibility for the contents of the Bidder's Statement and are not to be taken as endorsing, in any way, any or all of the statements contained in it.

In deciding what information should be included in this Target's Statement, the Independent Directors of Lemur who authorised this Target's Statement have had regard to:

- the nature of the Lemur Shares (being fully paid ordinary shares);
- the matters which Lemur Shareholders may reasonably be expected to know;
- the fact that certain matters may reasonably be expected to be known to the professional advisors of Lemur Shareholders; and
- the time available to Lemur to prepare this Target's Statement.

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## 10 Approval of Target's Statement

This Target's Statement has been approved by a resolution of the Independent Directors. Each Lemur Director (other than Mr Fortune Mojapelo and Mr Anthony Viljoen, who did not vote on the resolution because they are not Independent Directors) has voted in favour of the resolution authorising this Target's Statement.

Dated: 26 June 2015

Signed for and on behalf of Lemur Resources Limited



Mr Ryan Rockwood  
Executive Director  
**Lemur Resources Limited**

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## 11 Glossary and interpretation

### 11.1 Glossary

The following terms have the meanings set out below unless the context requires otherwise:

**AIM** means the market of that name operated by the London Stock Exchange plc.

**AIM Rules** means the official listing rules of AIM, being the AIM Rules for Companies, as amended from time to time.

**Acceptance Form** means the form of acceptance of the Bushveld Offer enclosed with the Bushveld Offer and the Bidder's Statement or, as the context requires, any replacement or substitute acceptance form provided by, or on behalf of, Bushveld.

**AEST** means Australian eastern standard time.

**Announcement Date** means the date that the Bushveld Offer was announced on the AIM, being 20 May 2015.

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

**Associate** has the meaning given to that term in section 12(2) of the Corporations Act.

**ASX** means ASX Limited (ABN 98 008 624 691) or, as the context requires, the financial market known as the Australian Securities Exchange operated by it.

**ASX Settlement** means ASX Settlement Pty Ltd ABN 49 008 504 532.

**ASX Settlement Operating Rules** means the operating rules of the settlement facility provided by ASX Settlement.

**Bidder's Statement** means the bidder's statement in relation to the Bushveld Offer, prepared by Bushveld and dated 29 May 2015.

**Board** or **Lemur Board** means the board of directors of Lemur.

**Bushveld** means Bushveld Minerals Limited (a company incorporated in Guernsey with Registration No. 54506).

**Bushveld Group** has the meaning given to that term in the Bidder's Statement.

**Bushveld Offer** means the off-market takeover offer by Bushveld to acquire all the Lemur Shares under Chapter 6 of the Corporations Act on the terms set out in the Bidder's Statement.

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

**Business Day** has the meaning given to that term in the Listing Rules.

**CGT** means Australian capital gains tax.

**CMM** means Coal Mining Madagascar SARL, a company incorporated in accordance with the laws of the Republic of Madagascar under registration number 43301813.

**Condition** means the condition of the Bushveld Offer, as detailed in section 9.8 of the Bidder's Statement.

**Corporations Act** means the *Corporations Act 2001* (Cth) and any regulations made under that Act.

**Directors** means Lemur Directors.

**Employee Incentive Option Plan** means the employee incentive option plan of Lemur.

**GTIS** means gross tonnes in situ.

**Independent Directors** means Mr Ryan Rockwood and Ms Shannon Coates, each of whom wishes to make, and considers himself or herself justified to make, a recommendation to Lemur Shareholders in respect of the Bushveld Offer.

**Independent Expert** means BDO Corporate Finance (WA) Pty Ltd.

**Independent Expert's Report** means the report of the Independent Expert dated 18 June 2015 and as set out in Appendix 1 of this Target's Statement.

**Indicated Resource** or **Indicated Mineral Resource** has the meaning given to Indicated Mineral Resource in the JORC Code.

**Inferred Resource** or **Inferred Mineral Resource** has the meaning given to Inferred Mineral Resource in the JORC Code.

**IPP** means independent power producer.

**JORC Code** means the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves", which is available at [www.jorc.org](http://www.jorc.org).

**Lemur** or the **Company** means Lemur Resources Limited ACN 147 241 361.

**Lemur Director** or **Director** means a director of Lemur.

**Lemur Group** means Lemur and its Subsidiaries.

**Lemur Options** means options to subscribe for Lemur Shares granted by Lemur.

**Lemur Optionholders** means a person who is registered as the holder of Lemur Options in the Lemur Register.

**Lemur Register** means the register of Lemur Shareholders maintained by Lemur in accordance with the Corporations Act.

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

**Lemur Shareholder** means a person who is registered as the holder of Lemur Shares in the Lemur Register.

**Listing Rules** means the listing rules of ASX as amended or varied from time-to-time.

**London Stock Exchange** or **LSE** means the London Stock Exchange plc.

**MJ** means megajoules.

**Mt** means million tonnes.

**mtpa** means million tonnes per annum.

**Notice of Status of Condition** means Bushveld's notice disclosing the status of the Condition, which is required to be given under section 630(3) of the Corporations Act.

**Offer Period** has the same meaning as given to that term in the Bidder's Statement.

**Offer Consideration** means \$0.06 per Lemur Share held.

**Relevant Interest** has the same meaning as given to it in sections 608 and 609 of the Corporations Act.

**Rights** means all accreditations, benefits and rights attaching to or arising from Lemur Shares directly or indirectly at or after the Announcement Date (including, but not limited to, all dividends and all rights to receive dividends and to receive or subscribe for shares, stock units, notes or options declared, paid or issued by Lemur).

**Subsidiary** means a subsidiary within the meaning given to that term in section 9 of the Corporations Act.

**Target's Statement** means this document.

**VWAP** or **volume weighted average price** means the volume weighted average price of Lemur Shares sold on ASX over the relevant period.

**VMI** means VM Investment Company (Proprietary) Limited, a company incorporated and registered in South Africa with registration number 2007/009061/07.

## 11.2 Interpretation

- (a) Annexures to the Target's Statement form part of this Target's Statement.
- (b) Words and phrases to which a meaning is given by the Corporations Act, the Listing Rules or the ASX Settlement Operating Rules have that meaning in this Target's Statement unless that meaning is inconsistent with the context in which the word or phrase is used.
- (c) Headings are for convenience only and do not affect the interpretation of this Target's Statement.
- (d) The singular includes the plural and vice versa and words importing any gender include the other gender, and references to persons include corporations.
- (e) References to sections are to sections of this Target's Statement, unless stated otherwise.
- (f) References to paragraphs are references to paragraphs within the section of this Target's Statement in which the reference to the paragraph is made.
- (g) References to time are references to the time in Perth, Australia on the relevant date, unless stated otherwise.
- (h) References to "dollars", "\$" or "cents" are to Australian currency.

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## 12 Corporate directory

### **Lemur Resources Limited**

Registered Office

Suite 5  
62 Ord Street  
WEST PERTH WA 6005

Phone: +61 8 9486 4768  
Fax: +61 8 9322 5230

Website: [www.lemurresources.com](http://www.lemurresources.com)

### **Legal adviser**

Gilbert + Tobin  
1202 Hay Street  
WEST PERTH WA 6005

Phone: +61 8 9413 8400  
Fax: +61 8 9413 8444

### **Independent Expert**

BDO Corporate Finance (WA) Pty Ltd  
38 Station St  
SUBIACO WA 6008

Phone: +61 8 6382 4600  
Fax: +61 8 6382 4601

### **Tax adviser**

Ernst & Young  
11 Mounts Bay Road  
PERTH WA 6000

Phone: +61 8 9429 2222  
Fax: +61 8 9429 2436

### **Share registry**

Computershare Investor Services Pty Limited  
Level 11  
172 St Georges Terrace  
PERTH WA 6000

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## Appendix 1 - Independent Expert's Report



**LEMUR RESOURCES LIMITED**  
**Independent Expert's Report**

18 June 2015



## Financial Services Guide

18 June 2015

BDO Corporate Finance (WA) Pty Ltd ABN 27 124 031 045 ('we' or 'us' or 'ours' as appropriate) has been engaged by Lemur Resources Limited ('Lemur') to provide an independent expert's report on the off-market takeover offer from Bushveld Minerals Limited ('Bushveld'). You will be provided with a copy of our report as a retail client because you are a shareholder of Lemur.

### Financial Services Guide

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

This FSG includes information about:

- ◆ Who we are and how we can be contacted;
- ◆ The services we are authorised to provide under our Australian Financial Services Licence, Licence No. 316158;
- ◆ Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- ◆ Any relevant associations or relationships we have; and
- ◆ Our internal and external complaints handling procedures and how you may access them.

### Information about us

BDO Corporate Finance (WA) Pty Ltd is a member firm of the BDO network in Australia, a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International). The financial product advice in our report is provided by BDO Corporate Finance (WA) Pty Ltd and not by BDO or its related entities. BDO and its related entities provide services primarily in the areas of audit, tax, consulting and financial advisory services.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business.

### Financial services we are licensed to provide

We hold an Australian Financial Services Licence that authorises us to provide general financial product advice for securities to retail and wholesale clients.

When we provide the authorised financial services we are engaged to provide expert reports in connection with the financial product of another person. Our reports indicate who has engaged us and the nature of the report we have been engaged to provide. When we provide the authorised services we are not acting for you.

### General Financial Product Advice

We only provide general financial product advice, not personal financial product advice. Our report does not take into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice.

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

We charge fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees are agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. The fee payable to BDO Corporate Finance (WA) Pty Ltd for this engagement is approximately \$20,000 exclusive of GST.

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

## **Other Assignments**

In July 2013 we were engaged to prepare an independent expert's report for Lemur in relation to Bushveld's off-market takeover offer to acquire all of the ordinary shares in Lemur that it does not own. Our fees for this engagement amounted to \$28,000.

In August 2014, we provided valuation services to Lemur for a fee of \$5,500.

## **Remuneration or other benefits received by our employees**

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report. We have received a fee from Lemur for our professional services in providing this report. That fee is not linked in any way with our opinion as expressed in this report.

## **Referrals**

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

## **Complaints resolution**

### *Internal complaints resolution process*

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing addressed to The Complaints Officer, BDO Corporate Finance (WA) Pty Ltd, PO Box 700 West Perth WA 6872.

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

## **Referral to External Dispute Resolution Scheme**

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service ('FOS'). FOS is an independent organisation that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial service industry. FOS will be able to advise you as to whether or not they can be of assistance in this matter. Our FOS Membership Number is 12561. Further details about FOS are available at the FOS website [www.fos.org.au](http://www.fos.org.au) or by contacting them directly via the details set out below.

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

## **Contact details**

You may contact us using the details set out on page 1 of the accompanying report.

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Appendix 1 - Glossary and copyright notice

Appendix 2 - Valuation Methodologies

Appendix 3 - Independent Valuation Report prepared by Ravensgate Mining Industry Consultants

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18 June 2015

The Independent Directors  
Lemur Resources Limited  
Suite 5, 62 Ord Street  
WEST PERTH, WA 6005

Dear Directors

## INDEPENDENT EXPERT'S REPORT

### 1. Introduction

On 21 May 2015, Lemur Resources Limited ('Lemur' or the 'Company') received notification of an off-market takeover offer from Bushveld Minerals Limited ('Bushveld') to acquire all of the ordinary shares in Lemur that it does not already own ('the Offer'). Under the Offer, Lemur Shareholders will receive \$0.06 cash as consideration for every Lemur share held.

Bushveld is incorporated in Guernsey and is a mineral development company focused on exploring and developing mineral projects in South Africa. It was admitted to the Alternative Investments Market ('AIM') of the London Stock Exchange in March 2012. As at the date of our Report, Bushveld holds a relevant interest in 115,197,097 Lemur shares, representing approximately 63.6% of Lemur's current fully paid ordinary share capital.

Two directors of Bushveld, Mr Fortune Mojapelo and Mr Anthony Viljoen, are also members of the Lemur Board and are therefore not considered independent directors of Lemur for the purpose of the Offer. Mr Ryan Rockwood and Ms Shannon Coates are not related to Bushveld and are considered to be independent ('the Independent Directors').

### 2. Summary and Opinion

#### 2.1 Purpose of the report

The Independent Directors of Lemur have requested that BDO Corporate Finance (WA) Pty Ltd ('BDO') prepare an independent expert's report ('our Report') to express an opinion as to whether or not the Offer is fair and reasonable to the shareholders of Lemur other than Bushveld ('Shareholders').

Our Report is prepared pursuant to section 640 of the Corporations Act ('the Act') and is to be included in Lemur's Target's Statement in order to assist the Shareholders in their decision whether to accept the Offer.

## 2.2 Approach

Our Report has been prepared having regard to Australian Securities and Investments Commission ('ASIC'), Regulatory Guide 111 'Content of Expert's Reports' ('RG 111') and Regulatory Guide 112 'Independence of Experts' ('RG 112').

In arriving at our opinion, we have assessed the terms of the Offer as outlined in the body of this report. We have considered:

- How the value of a Lemur share prior to the Offer on a control basis compares to the value of the consideration offered by Bushveld for each Lemur share;
- The likelihood of a superior alternative offer being available to Lemur;
- Other factors which we consider to be relevant to the Shareholders in their assessment of the Offer; and
- The position of Shareholders should the Offer not be successful.

## 2.3 Opinion

We have considered the terms of the Offer as outlined in the body of this report and have concluded that the Offer is not fair but reasonable to Shareholders.

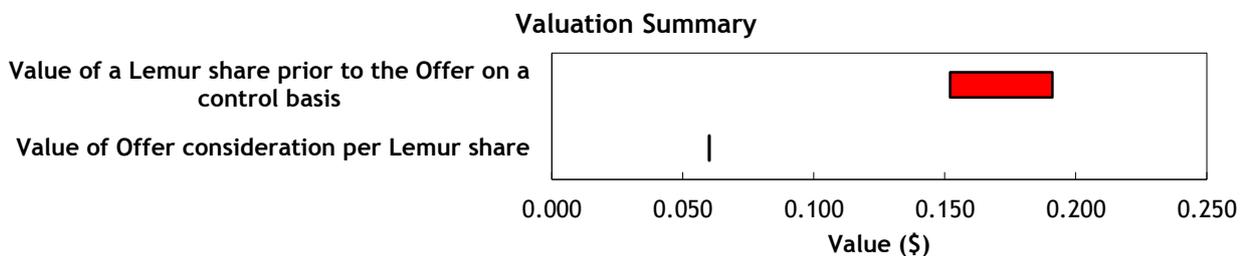
## 2.4 Fairness

In section 12 we determined that the Offer consideration compares to the value of Lemur, as detailed below.

	Ref	Low \$	Preferred \$	High \$
Value of a Lemur share on a control basis	Section 10.4	0.152	0.171	0.191
Value of Offer consideration per Lemur share	Section 11	0.060	0.060	0.060

Source: BDO analysis

The above valuation ranges are graphically presented below:



Source: BDO analysis

The above pricing indicates that the Offer is not fair for Shareholders.

## 2.5 Reasonableness

We have considered the analysis in section 13 of this report, in terms of both:

- advantages and disadvantages of accepting or rejecting the Offer; and
- other considerations, including the practical level of control of Bushveld if the Offer is successful and the position of Shareholders if the Offer is not successful.

In our opinion, the position of Shareholders if the Offer is successful is more advantageous than the position if the Offer is not successful, in particular due to the risks associated with remaining a shareholder in Lemur as a result of Bushveld currently holding a relevant interest of approximately 63.6% in Lemur at the date of our Report. Accordingly, in the absence of any other relevant information we believe that the Offer is reasonable for Shareholders.

The respective advantages and disadvantages considered are summarised below:

ADVANTAGES AND DISADVANTAGES			
Section	Advantages	Section	Disadvantages
13.4.1	Certainty of cash consideration	13.5.1	The Offer is not fair. RG 111 states that an offer is reasonable if it is fair. As set out in Section 12, the Offer is not fair.
13.4.2	Removes future risks associated with holding shares in Lemur	13.5.2	Inability to benefit from the potential upside in Lemur
		13.5.3	Potential taxation consequences

Other key matters we have considered include:

Section	Description
13.1	Likelihood of alternative offers
13.2	Practical level of control
13.3	Post-announcement effect on the share prices of Lemur
13.6.1	On-Market share buyback implemented by Lemur
13.6.2	Shareholders in Lemur intention to accept the Offer
13.6.3	Compulsory acquisition of shares should Bushveld acquire 90% or more shares in Lemur

### 3. Scope of the Report

#### 3.1 Purpose of the Report

Bushveld has prepared a Bidder's Statement in accordance with section 636 of the Act. Under section 633 Item 10 of the Act, Lemur is required to prepare a Target Statement in response to the Bidder's Statement.

Section 640 of the Act requires the Target Statement to include an independent expert's report to shareholders if:

- The bidder's voting power in the target is 30% or more; or
- The bidder and the target have a common director or directors.

At the date of our Report, Bushveld holds a relevant interest in Lemur of approximately 63.6% with two Directors of Bushveld, Mr Fortune Mojapelo and Mr Anthony Viljoen, also being members of the Lemur Board. Therefore, an independent expert's report is required for inclusion in the Target Statement. The Independent Directors of Lemur have engaged BDO to satisfy this requirement.

#### 3.2 Regulatory guidance

Neither the Listing Rules nor the Corporations Act defines the meaning of 'fair and reasonable'. In determining whether the Offer is fair and reasonable, we have had regard to the views expressed by ASIC in RG 111. This regulatory guide provides guidance as to what matters an independent expert should consider to assist security holders to make informed decisions about transactions.

This regulatory guide suggests that where the transaction is a control transaction, the expert should focus on the substance of the control transaction rather than the legal mechanism to affect it. RG 111 suggests that where a transaction is a control transaction, it should be analysed on a basis consistent with a takeover bid.

In our opinion, the Offer is a control transaction as defined by RG 111 and we have therefore assessed the Offer as a control transaction to consider whether, in our opinion, it is fair and reasonable to Shareholders.

#### 3.3 Adopted basis of evaluation

RG 111 states that a transaction is fair if the value of the offer price or consideration is greater than the value of the securities subject of the offer. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length. When considering the value of the securities subject of the offer in a control transaction the expert should consider this value inclusive of a control premium. Further to this, RG 111 states that a transaction is reasonable if it is fair. It might also be reasonable if despite being 'not fair' the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid.

Having regard to the above, BDO has completed this comparison in two parts:

- A comparison between the value of a Lemur share prior to the Offer on a control basis and the value of the consideration offered by Bushveld per Lemur share (fairness - see Section 12 'Is the Offer Fair?'); and

- An investigation into other significant factors to which Shareholders might give consideration, prior to accepting the Offer, after reference to the value derived above (reasonableness - see Section 13 'Is the Offer Reasonable?').

This assignment is a Valuation Engagement as defined by Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services' ('APES 225').

A Valuation Engagement is defined by APES 225 as follows:

*'an Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.'*

This Valuation Engagement has been undertaken in accordance with the requirements set out in APES 225.

## 4. Outline of the Offer

On 21 May 2015, Lemur received notification of an off-market takeover offer from Bushveld to acquire all of the ordinary shares in Lemur that it does not already own. Under the Offer, Lemur Shareholders will receive \$0.06 cash as consideration for every Lemur share held.

Bushveld is incorporated in Guernsey and is a mineral development company focused on exploring and developing mineral projects in South Africa. It was admitted to AIM in March 2012. Bushveld currently holds a relevant interest in 115,197,097 Lemur shares, representing approximately 63.6% of Lemur's current fully paid ordinary share capital.

Two directors of Bushveld, Mr Fortune Mojapelo and Mr Anthony Viljoen, are also members of the Lemur Board and are therefore not considered independent directors of Lemur for the purpose of the Offer.

The Offer is conditional upon satisfaction of a minimum acceptance condition, being that at or before the end of the Offer period, Bushveld becomes entitled to proceed to compulsory acquisition of outstanding Lemur shares in accordance with Part 6A.1 of the Act.

The Offer will be extended to any Lemur shares that are issued during the Offer period as a result of the exercise of Lemur options on issue before the Offer closes. At the date of this report, Lemur has 0.5 million options on issue ('Lemur Options'). We note that all Lemur Options are currently out-of-the-money.

### Conditions Precedent

The Offer is subject to the fulfilment of the minimum acceptance condition. Under this condition, Bushveld must become entitled to compulsorily acquire any outstanding Lemur shares in accordance with the Act. The Offer is subject to Bushveld obtaining the following at the end or before the end of the offer period:

- having a relevant interest in such a number of Lemur shares which represents at least 90% of the aggregate of all Lemur shares then on issue; and
- having acquired such a number of Lemur shares which represents at least 75% of the Lemur shares that Bushveld offered to acquire under the Offer.

Full disclosure of the conditions precedent to the Offer is included in the Bidder's Statement.

### Bushveld intentions if the Offer is accepted

The intentions of Bushveld, in regard to Lemur, have been disclosed in the Bidder's Statement and have been set out below under two scenarios:

1. Intentions upon Bushveld acquiring 90% or more of Lemur's issued capital (enabling compulsory acquisition); and
2. Intentions upon Bushveld less than 90% of Lemur's issued capital (not enabling compulsory acquisition).

### *Intentions upon becoming entitled to compulsorily acquire any outstanding Lemur shares in accordance to the Act*

If, as a result of the Offer, Bushveld becomes entitled to compulsorily acquire any outstanding Lemur shares it intends to proceed with compulsory acquisition and to consider procuring that Lemur be removed from the ASX and proceed with the following changes:

- consider proceeding with the compulsory acquisition of the Lemur Options which have not been exercised and that have not expired or lapsed. Alternatively, Bushveld may pursue other arrangements to acquire or cancel the Lemur Options;
- review of the composition of the Board of Directors of Lemur. Bushveld also intends to centralise some of the administration functions as well as the corporate office which will be located in Johannesburg, South Africa;
- undertake a detailed strategic review of Lemur's activities, assets and liabilities to evaluate their prospects, strategic relevance, funding requirements, financial performance and fit/synergies with the broader assets in Bushveld. Upon completion of the review, Bushveld will determine the financial and other resources necessary to optimise the development of Lemur's assets particularly the Imaloto Coal Project; and
- review of Lemur's accounting policies with a view to adopt Bushveld's accounting policies.

*Intentions upon not becoming entitled to compulsorily acquire any outstanding Lemur shares in accordance to the Act*

Bushveld reserves its right to declare the Offer free from any conditions, including the minimum acceptance condition, as outlined in the Bidder's Statement. If, as a result of the Offer, Bushveld is not entitled to compulsorily acquire any outstanding Lemur shares and it waives the minimum acceptance condition, it intends to:

- apply to discontinue Lemur's listing on the ASX and seek to have Lemur delisted;
- in its capacity as a major shareholder in Lemur, Bushveld intends to become actively involved in determining Lemur's capital management policies and controlling the strategic direction of the business of Lemur. If Bushveld receives acceptances under the Offer that bring its shareholding to more than 75% of Lemur, it will be in a position to pass special resolutions;
- seek to revise the composition of the Lemur Board to reflect the majority position of Bushveld through a proportionate representation of Bushveld on the board of Lemur; and
- eliminate duplication of activities and functions, presently carried out by both Bushveld and Lemur.

We note that as at the date of our Report, the minimum acceptance condition remains in place and therefore it is necessary that our Report assesses the Offer as it currently is made to Shareholders.

## 5. Profile of Lemur

### 5.1 History

Lemur is an exploration company focussed on developing coal assets in Madagascar. The Company was incorporated in Australia in November 2010 and obtained admission onto the Australian Securities Exchange ('ASX') on 24 August 2011. Lemur's head office is based in Perth and the Company's Board of Directors and senior management comprise of the following members:

- Mr Anthony Viljoen, Chief Executive Officer and Non executive Director;
- Mr Ryan Rockwood, Executive Director;
- Mr Fortune Mojapelo, Non executive Director;
- Ms Shannon Coates, Non executive Director and Company Secretary; and
- Mr Dale Hanna, Chief Financial Officer.

On 13 May 2013, Lemur received a notification of an off-market takeover from Bushveld to acquire all of the ordinary shares in Lemur that it did not already own. As part of the off-market takeover, Lemur shareholders received three Bushveld shares as consideration for every five ordinary shares held in Lemur. The takeover offer closed on 1 November 2013 and following the close of the offer, Bushveld had a relevant interest in 54.39% of Lemur's issued share capital.

On 24 November 2014, the Company announced that it was implementing an on-market buyback for up to 10% of its issued capital over the period of 12 months. The buyback commenced on 8 December 2014 with the final buyback occurring on 15 May 2015. A total of 19,250,000 fully paid ordinary shares were bought back. The lowest price paid for the buyback was \$0.035 per share on 8 January 2015 in which 40,000 shares were bought back. The highest price paid for the buyback was \$0.06 per Lemur share on 13 May 2015 in which 2,071,270 shares were bought back.

On 17 March 2015, Lemur announced that it had executed a binding agreement to acquire 99.1% of Zaaiplaats Mining Proprietary Limited, a company incorporated in South Africa and the registered owner of two properties ('the Zaaiplaats Project'). Total consideration for the Zaaiplaats Project was approximately \$276,000. As outlined in the Company's audited financial statements for the 14 months ended 28 February 2015, the Zaaiplaats Project is located in an old tin mining district.

In the Company's quarterly report for the period ended 28 February 2015, the Company highlighted that its drilling and exploration entity, Pan African Drilling, a wholly owned subsidiary, relocated its geoservices equipment to a compound in Kapoeta, South Sudan. The Company outlined that the intention for Pan African Drilling is to operate as a stand-alone contract geoservices business servicing the East African region.

The Company has the following coal projects which are all based in Madagascar:

#### **Imaloto Coal Project and Extension (Lemur 99% interest)**

The Imaloto Coal Project is Lemur's key project and was acquired in April 2011 through its acquisition of Coal of Madagascar Limited. This project is situated in the Imaloto Coal Basin, the northern-most coal field in the greater Sakoa Basin of south west Madagascar. This project comprises four exploration permits and one mining permit. The permits include a number of concession blocks and cover a license area of approximately 81.5km<sup>2</sup>.

The Company released a revised JORC compliant coal resource for the project and during the quarter ended 31 March 2013, the Company finalised the key terms of a Heads of Agreement that is to be executed between Lemur and Ministry of Energy ('MoE') and Jiro sy Rano Malagasy, the Madagascar Government's state owned electricity company responsible for the production, transport and distribution of electricity in Madagascar. This document would provide a road map outlining the steps Lemur must complete in order for the Independent Power Plant ('IPP') concession to be issued.

During the year ended 31 December 2013, the Company completed the evaluation, process and infrastructure requirement for the Imaloto Coal Project and produced a scoping study which identified areas for further development, in particular the establishment of a mine mouth coal fired IPP.

On 29 July 2014, the Company announced that the coal Mineral Resource for its Imaloto Coal Project had been updated in accordance with the JORC Code 2012.

In the Company's quarterly report for the period ended 28 February 2015, Lemur outlined that it was still in discussion with MoE on the approval of the IPP license. During the quarter, Lemur continued with its engagement with engineering and environmental service providers to advance the technical aspects of the IPP. The Company highlighted that it anticipates that the providers will be formally engaged upon receipt by the Company of the IPP license.

#### Sakaraha Coal Project (Lemur 99% interest)

The Sakaraha Coal Project is located 90km north west of the Imaloto Coal Project. This project comprises one 62.5km<sup>2</sup> permit which is an exploration license consisting of 10 concession blocks. The majority of the Company's focus has been the exploration of the Imaloto Coal Project and as such limited exploration activity on this project has occurred recently.

#### Ianapera Coal Project (Lemur 99% interest)

The Ianapera Coal Project is located 17km south west of the Imaloto Coal Project. This project comprises one 25km<sup>2</sup> permit which is an exploration license consisting of 4 concession blocks. The Company drilled a single borehole during 2012 with no coal being encountered. Further drilling was abandoned.

We note that Lemur's coal assets are currently only accessible by basic road infrastructure and port facilities, Lemur is part of a Government sponsored consortium which has a goal to design and build new regional port facilities as well as road and rail infrastructure.

Further information on Lemur's projects may be found in Appendix 3.

## 5.2 Historical Balance Sheet

Statement of Financial Position	Audited as at 28-Feb-15 \$	Audited as at 31-Dec-13 \$	Audited as at 31-Dec-12 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	14,288,322	16,138,212	18,072,759
Trade and other receivables	21,291	14,751	19,260
Other current assets	38,391	97,716	150,296
<b>TOTAL CURRENT ASSETS</b>	<b>14,348,004</b>	<b>16,250,679</b>	<b>18,242,315</b>
<b>NON-CURRENT ASSETS</b>			
Plant and equipment	95,253	309,648	507,576
Deferred exploration and evaluation expenditure	11,135,670	10,804,591	10,529,887

Statement of Financial Position	Audited as at 28-Feb-15 \$	Audited as at 31-Dec-13 \$	Audited as at 31-Dec-12 \$
TOTAL NON-CURRENT ASSETS	11,230,923	11,114,239	11,037,463
TOTAL ASSETS	25,578,927	27,364,918	29,279,778
CURRENT LIABILITIES			
Trade and other payables	151,982	144,486	760,397
Provisions	-	23,305	15,596
TOTAL CURRENT LIABILITIES	151,982	167,791	775,993
TOTAL LIABILITIES	151,982	167,791	775,993
NET ASSETS	25,426,945	27,197,127	28,503,785
EQUITY			
Contributed equity	29,571,780	29,502,731	29,502,731
Employee share option reserve	25,000	25,000	3,151
Accumulated losses	(4,169,836)	(2,330,605)	(1,002,098)
Equity attributable to owners of parent	25,426,944	27,197,126	28,503,784
Non-controlling interest	1	1	1
TOTAL EQUITY	25,426,945	27,197,127	28,503,785

Source: Lemur's audited financial statement for the period from 1 January 2014 to 28 February 2015 and the years ended 31 December 2012 and 31 December 2013.

### Commentary on Historical Statement of Financial Position

Lemur's auditor issued an unqualified opinion in the audit report in the financial statements for the period from 1 January 2014 to 28 February 2015.

During the 14 months ended 28 February 2015, the Company changed its financial year end from 31 December to 28 February. Lemur notes that the purpose of the change of financial year end is to synchronise with its parent company, Bushveld.

We note the following in relation to Lemur's Historical Statement of Financial Position:

- Cash and cash equivalents decreased from \$16.138 million at 31 December 2013 to \$14.29 million at 28 February 2015. The decrease is primarily attributable to payments to suppliers and employees, payments for exploration and evaluation expenditure and payments for IPP development costs offset by interest revenue received.
- Other current assets of \$38,391 at 28 February 2014 consist mainly of accrued interest earned on the Company's 90 day term deposits. The balance also consists of minor prepayments and deposits.
- Plant and equipment decreased from \$309,648 at 31 December 2013 to 95,253 at 28 February 2015. The decrease is primarily due to write down of approximately \$92,847 of plant and equipment at its mine site.
- Deferred exploration and expenditure increased from \$10.80 million at 31 December 2013 to \$11.14 million at 28 February 2015. The majority of this expenditure has been incurred on the

Imaloto Coal Project in which the Company updated its JORC compliant resource statement during 14 months ended 28 February 2015.

- Contributed equity increased from \$29.50 million at 31 December 2013 to \$29.57 million at 28 February 2015. The increase is a result of the Company initiating an on market share buy-back in which approximately 4.30 million shares were acquired and cancelled by the Company for total consideration of \$0.17 million at an average price of \$0.0397 per share during the 14 months ended 28 February 2015.

### 5.3 Historical Statement of Comprehensive Income

Statement of Comprehensive Income	Audited for the period from 1-Jan-14 to 28-Feb-15	Audited for the year ended 31-Dec-13	Audited for the year ended 31-Dec-12
	\$	\$	\$
<b>Revenue</b>			
Interest revenue	618,465	700,486	1,019,709
<b>Other income</b>			
Debt forgiveness	-	-	89,135
Unrealised foreign exchange gain	-	2,319	23,855
	618,465	702,805	1,132,699
<b>Expenses</b>			
Directors' and employee benefits expense	(916,698)	(845,884)	(790,072)
Business development expenses	(269,773)	(84,237)	(260,548)
Occupancy expenses	(156,197)	(143,766)	(112,592)
Professional services expenses	(325,513)	(304,521)	(227,652)
Public and investor relations expense	-	(26,823)	(113,362)
Takeover defence	-	(276,996)	-
Project evaluation	-	(6,015)	(48,795)
Doubtful debts written off	-	-	(95,609)
Depreciation	(298,164)	(201,498)	(6,605)
Other expenses	(119,000)	(141,572)	(147,779)
Drill rig and mobilisation costs	(369,525)	-	-
Loss on sale of plant and equipment	(2,826)	-	-
<b>Loss before income tax</b>	<b>(1,839,231)</b>	<b>(1,328,507)</b>	<b>(670,315)</b>
Income tax expense	-	-	-
<b>Loss for the period</b>	<b>(1,839,231)</b>	<b>(1,328,507)</b>	<b>(670,315)</b>
Other comprehensive income	-	-	-
<b>Total comprehensive loss for the year</b>	<b>(1,839,231)</b>	<b>(1,328,507)</b>	<b>(670,315)</b>

Source: Lemur's audited financial statement for the period from 1 January 2014 to 28 February 2015 and the years ended 31 December 2012 and 31 December 2013.

#### Commentary on Comprehensive Income

We note the following in relation to Lemur's Historical Statement of Comprehensive Income:

- Interest revenue has decreased over the three periods as a result of a reduction in cash held over the respective three periods.

- Professional services expenses of \$0.33 million for the 14 months ended 28 February 2015 mainly comprise of consultancy fees, company secretarial costs and costs associated in corporate compliance in relation to foreign subsidiaries.
- Takeover defence expenses of \$0.28 million for the year ended 31 December 2013 relates to the off market takeover offer from Bushveld on 13 May 2013 with the costs mainly attributable to the preparation of the target statement, technical valuation report and the independent expert's report.
- Drill rig and mobilisation costs of \$0.37 million for the 14 months ended 28 February 2015 relates to the Company relocating its drilling and exploration entity, Pan African Drilling, from Tulear, Madagascar to a compound in Kapoeta, South Sudan.

## 5.4 Capital Structure

The share structure of Lemur as at 1 June 2015 is outlined below:

	Number
Total ordinary shares on issue	181,250,001
Top 20 shareholders	158,681,004
Top 20 shareholders - % of shares on issue	87.55%

Source: Share registry

The range of shares held in Lemur as at 1 June 2015 is as follows:

Range of Shares Held	Number of Ordinary Shareholders	Number of Ordinary Shares	Percentage of Issued Shares (%)
1 - 1,000	8	165	0.00%
1,001 - 5,000	6	22,750	0.01%
5,001 - 10,000	42	406,114	0.22%
10,001 - 100,000	123	6,663,455	3.68%
100,001 - and over	82	174,157,517	96.09%
<b>TOTAL</b>	<b>261</b>	<b>181,250,001</b>	<b>100.00%</b>

Source: Share registry

The ordinary shares held by the most significant shareholders as at 1 June 2015 are detailed below:

Name	Number of Ordinary Shares Held	Percentage of Issued Shares (%)
Bushveld Minerals Limited	114,697,097	63.28%
Adam Rankine-Wilson	10,088,450	5.57%
JP Morgan Nominees Australia Limited	8,741,483	4.82%
Mr Ryan Rockwood	4,250,000	2.34%
Mr Anthony Viljoen	4,000,000	2.21%
Subtotal	141,777,030	78.22%
Others	39,472,971	21.78%
<b>Total ordinary shares on Issue</b>	<b>181,250,001</b>	<b>100.00%</b>

Source: Share registry

The unlisted options of Lemur on issue as at 29 May 2015 are outlined below:

	Number
Unlisted options exercisable on or before 15 November 2017 at \$0.15	500,000

Source: Lemur's audited financial statement for the period from 1 January 2014 to 28 February 2015

## 6. Profile of Bushveld

Bushveld Minerals Limited is a mineral exploration and development company with iron ore, vanadium and tin assets located in the Bushveld Complex in South Africa. Bushveld was incorporated on 5 January 2012 in Guernsey and obtained admission onto AIM on 26 March 2012 through the placing of 28.67 million shares at £0.20 each to raise approximately £5.46 million (before costs). Bushveld was initially incorporated to be the holding company for Bushveld Resources Limited and Greenhills Resources Limited.

Bushveld's head office is located in Guernsey, a British Crown dependency. The board of Directors comprise of the following members:

- Mr Ian Watson, Non executive Chairman;
- Mr Fortune Mojapelo, Chief Executive Officer (also a Director of Lemur);
- Mr Anthony Viljoen, Non executive Director (also a Director of Lemur);
- Mr Jeremy Friedlander, Non Executive Director; and
- Mr Geoff Sproule, Finance Director.

### Bushveld P-Q Iron Ore and Titanium Project

The P-Q Iron Ore and Titanium Project ('P-Q Project') is situated in the Limpopo Province of South Africa in the northern limb of the Bushveld Complex. It is situated approximately 65 km west of Polowane and 45 km northwest of Mokopane. The project is based on prospecting licenses, covering six farms totalling approximately 11,937 hectares in total. The project area is accessible by paved roads connecting it to Lephalale to the west, Polokwane to the east and Johannesburg to the south.

On 22 April 2013, Bushveld announced a summary of the Scoping Study for the initial development phase on its Bushveld P-Q Project.

Subsequent to the completion of the Scoping Study, Bushveld is focused on completing detailed metallurgical test work as part of its pre-feasibility studies with the aim to add a scalability proposition to production.

### Mokopane Tin Project

The Mokopane Tin Project consists of one licence covering 13,422 hectares located on the northern limb of the Bushveld Complex. The project is situated less than 10 km from the Bushveld Iron Ore Project and approximately 40 km northwest of Mokopane. Bushveld has explored and drilled one target and has plans to explore a further four targets. In September 2014, Bushveld completed a Scoping Study at the Mokopane Tin Project.

### Bushveld Vanadium Project

The Bushveld Vanadium Project is located approximately 65 km west of Polokwane and 45 km north-northwest of Mokopane in the Limpopo Province, South Africa. The project mineral resources is situated approximately 2 km east of the Bushveld's P-Q Project and is based on the same license area.

In July 2014, Bushveld completed a Scoping Study focussing on the economics for the project.

## 7. Economic analysis

In the section below we have addressed the key economic indicators and set out our assessment of the implications for Lemur.

### Interest rates

The effects of the US Federal Reserve's quantitative easing continue to keep global long-term borrowing rates down, with some major sovereigns reaching historical lows over recent months. Despite some risk spreads widening slightly, the overall financing costs for creditworthy borrowers remains very low. The RBA has maintained the cash rate at historical lows in order to stimulate the economy through a period of poor commodity prices.

Financial conditions are very accommodative globally with long term borrowing rates for several major sovereigns at all-time lows. Financing costs for credit worthy borrowers remain remarkably low.

### Credit growth

Historically low interest rates have contributed to moderate credit growth overall. Lending to business has been stronger of late with the housing market recording steady growth. In other asset markets, prices for equities and commercial property have risen, partially as a result of declining long-term interest rates.

Lemur may be positively affected by an overall increase in Australian equities as investors seek investments returning higher yields than long term interest rates can provide.

### The Australian dollar

The Australian dollar has weakened significantly against the rising US dollar, though less so against a basket of currencies. Despite remaining above most estimates of its fundamental value, a further depreciation of the Australian dollar is both likely and necessary, given the significant decline in key commodity prices.

The weak Australian dollar is likely to attract additional foreign investment in Australian assets. Lemur may benefit from the increased capital flow and resultant demand for Australian equities. Furthermore, larger mining companies may look to Australia for strategic acquisitions due to the attractive exchange rate.

### Economic growth

Information available for the Australian economy suggests growth has continued over the last six months, albeit at a below-trend pace. Trends in household demand have improved in addition to stronger employment growth. Looking ahead, private demand is likely to be hindered by reduced business capital expenditure in both the mining and non-mining sectors. Public spending is also scheduled to be subdued. The economy is therefore likely to be operating with a degree of spare capacity for some time yet. Inflation is expected to remain consistent with targets over the next one to two years, despite lower exchange rates.

### Commodity prices

Commodity prices have declined over the past year, in some cases sharply. Oil and iron ore in particular have fallen significantly. These trends can be attributed to a combination of lower growth in demand and increased supply. Low energy prices will act to strengthen global output and temporarily lower CPI inflation rates.

The decrease in the price of energy has negative implications for Lemur. Coal is a key source of energy and as such, a decrease in the price of coal may impact the economic feasibility of Lemur's projects.

Source: [www.rba.gov.au](http://www.rba.gov.au) Statement by Glenn Stevens, Governor: Monetary Policy Decision 5 May 2015 and 2 June 2015

## 8. Industry analysis

### 8.1 Overview of the coal industry

Coal deposits are found below the earth's surface with the quality of a coal deposit determined by the length of time in formation, commonly known as its 'organic maturity', temperature and pressure. The rank of coal refers to the physical and chemical properties that coals of different maturities possess. Lower rank coals such as lignite generally possess a much lower organic maturity, have a soft texture, a dull earthy appearance and are characterized by high moisture levels and low energy (carbon) content. Higher ranked coals such as Anthracite, which is the highest ranking coal, are harder, stronger, contain less moisture, and produce more energy.

To date coal has been mined by two broad methods, opencast mining and underground mining, the choice of extraction method determined by the geology of the coal deposit.

The two major coal types are coking coal and thermal coal. Coking coal is used for the production of metallurgical coke, which is used as a reductant in the production of both iron and steel. It is primarily used because of its high carbon content and coking characteristics, however it is also used for the smelting and casting of base metals. Of the different types of coking coal, hard coal is the most valuable as it produces the highest quality coke. Semi soft coking coal and Pulverised Coal Injection are used more in blending with hard coking coal to be used as an auxiliary fuel source to increase the effectiveness of blast furnaces.

Thermal coal, also referred to as steaming coal generally contains less carbon than coking coal therefore it cannot be used in the production of steel. It is therefore primarily used as an energy source for coal fired power plants. The major producers of thermal coal are China, United States of America ('US') and India, with the largest importers being China, Japan and South Korea.

### 8.2 Demand

Thermal coal is used to generate approximately 41.0% of the world's electricity, with thermal coal's share in global electricity generation accounting for double that of natural gas, the second largest source for electrical generation.

Globally, the majority of thermal coal is used in the country where it is produced with only a small proportion of traded thermal coal accounting for global consumption. The largest exporters are Australia and Indonesia, reflecting the small size of their domestic energy consumption. The largest importers of thermal coal are China and the European Union.

The market for traded thermal coal consists of two broad geographical markets as a result of the effect of transport costs. The Atlantic market consists of exports from the Americas, Russia and Europe, while the Pacific market largely comprise of coal trade from Australian and Indonesia to China, Korea and Japan. However, lower cost of freight, subdued demand from importers and an increase in the volume traded

thermal coal from both traditional and non-traditional suppliers have seen an increase in links between the Atlantic and Pacific markets.

### 8.3 Prices

Coal is a global commodity and, as such, prices are determined by global supply and demand factors. With both the international community and the world's dependency on energy growing, fuel products are the single most important input affecting global economic growth.

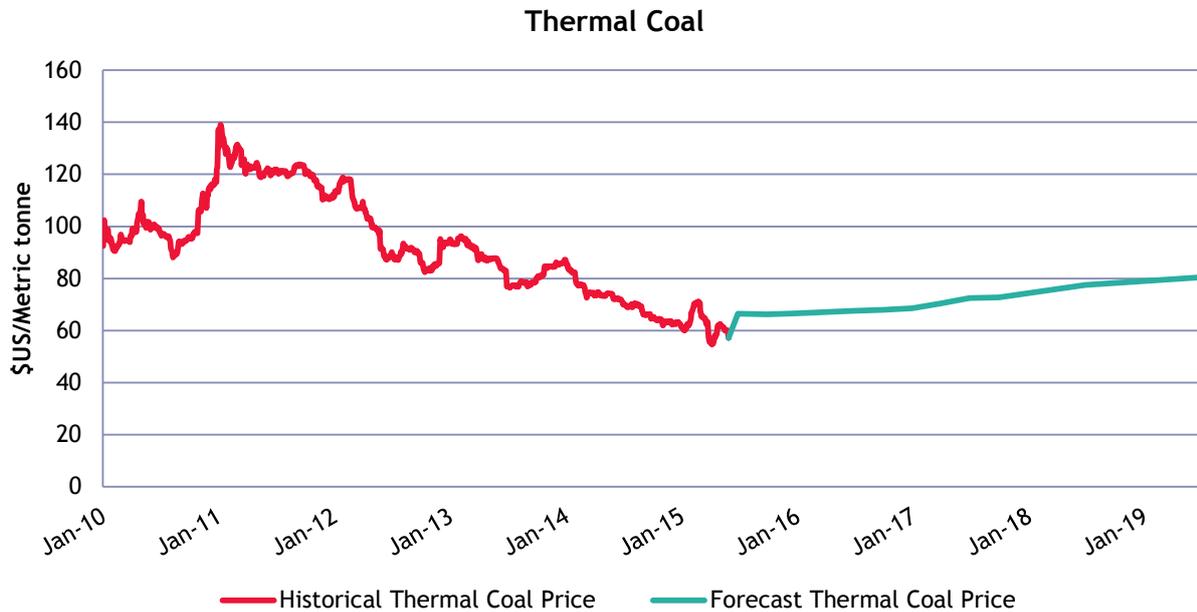
The continued growth of emerging nations such as India and China are key drivers for the coal demand. In particular, the demand for electricity in these emerging nations is considered to be a key determinant for the current performance of the industry. Currently, over 73.8% of global coal production comprise of thermal coal, with the share expanding in the last five years as a result of growing global consumption.

During early 2010, the price of thermal coal dropped off as a result of subdued demand for thermal coal from importing countries and an increase in the volume of traded coal. However, prices recovered rapidly in the second half of 2010 as China moved from being a net exporter to a net importer of thermal coal.

In 2011 and 2012, the price of thermal coal declined, with the key driver being an increase in the volume of exports from the Americas. Exports from US increased by over 50 per cent in the first half of 2012, as a result of the domestic energy consumption shifting from coal to gas. While the fall in demand for coal in the US saw production decrease, some US producers increased production, taking advantage of low global freight rates to increase their exports of thermal coal to Asia and Europe.

In 2013, prices for thermal coal remained weak as supply of thermal coal continued to increase at a faster rate than the demand for thermal coal. In November 2014, prices dropped to below US\$62 per metric tonne, representing a five year low. The price drop was primarily attributable to an increase in production from Australia, one of the world's largest coal exporters, which was up 15% compared to the same period in the previous year.

In March 2015, the price of thermal coal dropped below \$US60 per metric tonne with major players such as Rio Tinto Limited and BHP Billiton Limited expanding their operations along with the opening of new mines. The drop in thermal coal also comes as China announced plans to reduce coal consumption by 160 million tonnes over the next five years. Since the announcement to cut coal consumption in China, the largest coal fired power station in Beijing closed its operations.



Source: Bloomberg & Consensus Economics

Prices are expected to remain fairly stable at current levels as is shown by the consensus forecast in the chart above. China and India's coal demand growth is forecast to be slower in this decade than it has been in the last decade driven by efficiency improvements and a movement towards less coal intensive economic activities.

## 8.4 Outlook

Growing imports are expected to drive further expansion and integration of global coal markets. The international trade of thermal coal is expected to be at the forefront of this movement and should continue to support the demand for electricity. The coal industry is forecast to increase at an annualised rate of 6.6% over the next five years as industry participants look to increase efficiency and productivity amid weak global prices. In 2015-16, revenue is forecast to increase by 6.4%, however profitability is expected to remain low as the global industry goes through a stage of capacity adjustment.

Demand for coal will be constrained to the extent that countries, both developed and emerging, shift towards alternative sources of energy. For example countries such as Japan and other European nations are focused on reducing greenhouse gas emissions. This view is also supported by forecast pressures on downstream demand for coal as there is a push towards energy sources like natural gas. The fastest growing alternative sources of fuels are forecast to be renewable, nuclear and hydro.

The coal industry is considered to be a mature industry. This is reflected by higher levels of consolidation evident in the industry. There is an expected trend towards achieving economies of scale and extracting synergies via a merger and acquisition strategy.

Source: IBIS World & BDO Analysis

## 9. Valuation approach adopted

There are a number of methodologies which can be used to value a business or the shares in a company. The principal methodologies which can be used are as follows:

- Capitalisation of future maintainable earnings ('FME')
- Discounted cash flow ('DCF')
- Quoted market price basis ('QMP')
- Net asset value ('NAV')
- Market based assessment

A summary of each of these methodologies is outlined in Appendix 2.

Different methodologies are appropriate in valuing particular companies, based on the individual circumstances of that company and available information.

In assessing whether the Offer is fair for Shareholders; we have assessed this Offer as follows:

- A comparison between the value of Lemur shares on a control basis prior to the Offer and the value of the consideration of \$0.06 per Lemur share held.

### 9.1 Valuation of Lemur's shares prior to the Offer

In our assessment of the value of Lemur's shares we have chosen to employ the following methodologies:

- Net asset value ('NAV') as a primary methodology; and
- Quoted market price ('QMP') and the price available to Shareholders in the recent buyback as secondary methodologies.

We have chosen these methodologies for the following reasons:

- Lemur has not generated a trading income. Therefore there are no historic profits that could be used to represent future earnings. This means that the FME valuation approach is not appropriate;
- Lemur has no foreseeable net cash inflows and therefore the application of DCF is not possible. Under RG111, it is only considered appropriate to use a DCF where there are reasonable grounds to do so;
- Lemur's most significant assets are its interest in the exploration projects it holds. As such a net asset value method is appropriate, and we require a specialist valuation of the projects. We instructed Ravensgate Mining Industry Consultants ('Ravensgate') to provide an independent market valuation of all Lemur's current exploration projects. Ravensgate's full report may be found in Appendix 3;
- Lemur is listed on the ASX. This provides an indication of the market value where an observable market for the securities exists; and
- We have also considered the recent on-market buyback of 19,250,000 fully paid ordinary shares implemented by the Company.

## 10. Valuation of Lemur

### 10.1 Net Asset Valuation of Lemur

The value of Lemur assets on a going concern basis is reflected in our valuation below:

Statement of Financial Position	Note	Audited as at			
		28-Feb-15 \$	Low value \$	Preferred value \$	High value \$
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	a	14,288,322	13,239,478	13,239,478	13,239,478
Trade and other receivables		21,291	21,291	21,291	21,291
Other current assets		38,391	38,391	38,391	38,391
<b>TOTAL CURRENT ASSETS</b>		<b>14,348,004</b>	<b>13,299,160</b>	<b>13,299,160</b>	<b>13,299,160</b>
<b>NON-CURRENT ASSETS</b>					
Plant and equipment		95,253	95,253	95,253	95,253
Deferred exploration and evaluation expenditure	b	11,135,670	14,308,000	17,666,000	21,398,000
<b>TOTAL NON-CURRENT ASSETS</b>		<b>11,230,923</b>	<b>14,403,253</b>	<b>17,761,253</b>	<b>21,493,253</b>
<b>TOTAL ASSETS</b>		<b>25,578,927</b>	<b>27,702,413</b>	<b>31,060,413</b>	<b>34,792,413</b>
<b>CURRENT LIABILITIES</b>					
Trade and other payables		151,982	151,982	151,982	151,982
<b>TOTAL CURRENT LIABILITIES</b>		<b>151,982</b>	<b>151,982</b>	<b>151,982</b>	<b>151,982</b>
<b>TOTAL LIABILITIES</b>		<b>151,982</b>	<b>151,982</b>	<b>151,982</b>	<b>151,982</b>
<b>NET ASSETS</b>		<b>25,426,945</b>	<b>27,550,431</b>	<b>30,908,431</b>	<b>34,640,431</b>
Shares on issue (number)			181,250,001	181,250,001	181,250,001
<b>Value per share</b>			<b>\$0.152</b>	<b>\$0.171</b>	<b>\$0.191</b>

Source: Lemur's audited financial statement for the period from 1 January 2014 to 28 February 2015 and BDO analysis

The table above indicates the net asset value of a Lemur share is between \$0.152 and \$0.191 with a preferred value of \$0.171.

We have assessed our value of a Lemur share on an undiluted basis. Although Lemur has 500,000 options on issue with an exercise price of \$0.15, the effect of their notional exercise is not material.

We have been advised that there has not been a significant change in the net assets of Lemur since 28 February 2015 and that the above assets and liabilities represent their fair market value apart from the adjustments discussed below.

#### Note a: Cash and cash equivalents

We have adjusted cash and cash equivalents to reflect Lemur's acquisition of a 99.1% interest in Zaaiplaats Mining Proprietary Limited on 14 March 2015, with total consideration amounting to approximately \$276,000.

We have also adjusted for the share buyback implemented by Lemur. As outlined in section 5, the Company commenced a share buyback in December 2014, for up to 10% of its issued capital over the

period of 12 months. Since 28 February 2015, the Company has bought back 14,945,485 shares, with total consideration amounting to \$772,844.

Cash and Cash equivalents		\$
Cash and cash equivalents at 28-Feb-15	14,288,322	
Less: Acquisition of Zaaipplaats Project at cost	(276,000)	
Less: Cash paid for shares bought back subsequent to 28-Feb-15	(772,844)	
<b>Cash and cash equivalents</b>	<b>13,239,478</b>	

### Note b: Exploration assets

We instructed Ravensgate to provide an independent market valuation of the exploration assets held by Lemur. Ravensgate considered a number of different valuation methods when valuing the exploration assets of Lemur. In valuing Lemur's 99% interest in the Imaloto Coal Project, Ravensgate considered the DCF methodology to be inappropriate due to the early stage of the mineral asset and elected to apply the comparable transactions method. After considering a number of valuation methodologies, Ravensgate also elected to value Lemur's 99% interest in both the Ianapera Project and the Sakaraha Project using the comparable transactions methodology.

We are satisfied with the valuation methodologies adopted by Ravensgate which are in accordance with industry practices and compliant with the requirements of the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports ('the Valmin Code'). The range of values for each of Lemur's exploration assets as calculated by Ravensgate is set out below:

Lemur	Low value	Preferred value	High value
Mineral Asset Valuation	\$m	\$m	\$m
Imaloto Coal Project	13.974	17.288	20.961
Ianapera Coal Project	0.012	0.025	0.037
Sakaraha Coal Project	0.046	0.077	0.124
<b>Total</b>	<b>14.032</b>	<b>17.390</b>	<b>21.122</b>

The table above indicates a range of values between \$14.03 million and \$21.12 million, with a preferred value of \$17.39 million.

Ravensgate has provided a technical value of Lemur's mineral assets. A technical value, as defined by the Valmin Code, is an assessment of a mineral asset's future net economic benefit at the valuation date under a set of assumptions deemed most appropriate by an expert, excluding any premium or discount to account for such factors as market or strategic considerations. A market value comprises two components, being the technical value and a premium or discount relating to market, strategic or other considerations.

The values provided by Ravensgate for each project were based on the comparable transaction method. As this method is based on previous transactions in the market we believe this value already takes into account any discounts or premia relating to market or strategic considerations. In assessing the comparable transactions, Ravensgate completed a search for publicly available market transactions involving coal exploration projects without mineral resources, but included exploration targets and

transactions involving coal projects with resources within southern and eastern Africa. Ravensgate considers the comparable transactions reflect comparable tenement holdings in geological provinces that are considered prospective for similar commodities, and that are of similar prospectivity to the mineral assets being valued. We therefore have no reason to believe that the preferred technical value provided by Ravensgate does not also represent the preferred market value of Lemur's mineral assets.

Ravensgate's independent valuation report can be found at Appendix 3.

We note that Ravensgate's technical value of Lemur's assets does not include the Company's recent acquisition of a 99.1% interest in Zaaipplaats Mining Proprietary Limited which holds the Zaaipplaats Project during March 2015. Given that it was acquired recently in an arm's length transaction, we consider it reasonable to include the Zaaipplaats Project in our valuation of Lemur at cost. Total consideration for the company was approximately \$276,000, which we have adjusted to the exploration assets, set out below:

Lemur	Low value	Preferred value	High value
Mineral Asset Valuation	\$m	\$m	\$m
<b>Ravensgate's technical value of Lemur's mineral assets</b>			
Imaloto Coal Project	13.974	17.288	20.961
Ianapera Coal Project	0.012	0.025	0.037
Sakaraha Coal Project	0.046	0.077	0.124
<b>Total</b>	<b>14.032</b>	<b>17.390</b>	<b>21.122</b>
Zaaipplaats Project at cost	0.276	0.276	0.276
<b>Exploration assets</b>	<b>14.308</b>	<b>17.666</b>	<b>21.398</b>

We also note that the low end of our valuation range is approximately \$3.17 million higher than the carrying value in the Company's audited financial statement for the 14 months ended 28 February 2015. If the market value was adjusted to this level, there would be no material impact on our opinion. We note that no impairment was booked in the audited financial statement for the 14 months ended 28 February 2015.

## 10.2 Quoted Market Prices for Lemur Securities

To provide a comparison to the valuation of Lemur in Section 10.1, we have also assessed the quoted market price for a Lemur share.

The quoted market value of a company's shares is reflective of a minority interest. A minority interest is an interest in a company that is not significant enough for the holder to have an individual influence in the operations and value of that company.

RG 111.11 suggests when considering the value of a company's shares the expert should consider a premium for control. An acquirer could be expected to pay a premium for control due to the advantages they will receive should they obtain 100% control of another company. These advantages include the following:

- control over decision making and strategic direction;
- access to underlying cash flows;
- control over dividend policies; and
- access to potential tax losses.

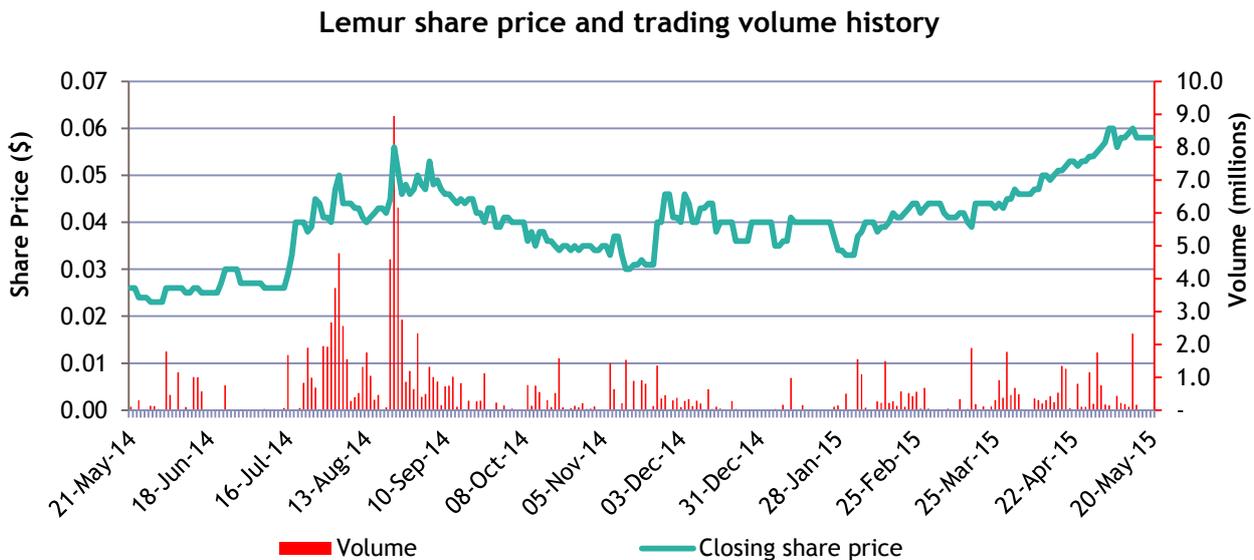
Whilst Bushveld may not obtain 100% of Lemur, RG 111 states that the expert should calculate the value of a target's shares as if 100% control were being obtained. RG 111.13 states that the expert can then consider an acquirer's practical level of control when considering reasonableness. Reasonableness has been considered in Section 13.

Therefore, our calculation of the quoted market price of a Lemur share including a premium for control has been prepared in two parts. The first part is to calculate the quoted market price on a minority interest basis. The second part is to add a premium for control to the minority interest value to arrive at a quoted market price value that includes a premium for control.

### Minority interest value

Our analysis of the quoted market price of a Lemur share is based on the pricing prior to the announcement of the Offer. This is because the value of a Lemur share after the announcement may include the affects of any change in value as a result of the Offer. However, we have considered the value of a Lemur share following the announcement when we have considered reasonableness in Section 13.

Information on the Offer was announced to the market on 21 May 2015. Therefore, the following chart provides a summary of the share price movement over the 12 months to 20 May 2015 which was the last trading day prior to the announcement.



Source: Bloomberg

The daily price of Lemur shares for the 12 months to 20 May 2015 has ranged from a low of \$0.023 on 2 June 2014 to a high of \$0.060 on 13 May 2015. From June 2014 to September 2014, the share price showed an upward trend peaking \$0.056 during August 2014. Subsequent to the peak the share price followed a relative downward trend between the period October 2014 and December 2014. Since February 2015, the share price has continued to trend upwards. The most significant trading volumes were experienced in the three months between July 2014 and September 2014. The highest single day of trading was on 22 August 2014, where 8,948,235 shares were traded.

During this period a number of announcements were made to the market. The key announcements are set out below:

Date	Announcement	Closing Share Price Following Announcement		Closing Share Price Three Days After Announcement	
		\$ (movement)		\$ (movement)	
15/05/2015	Final share buy-back notice - Appendix 3F	0.058	▶ 0.0%	0.058	▶ 0.0%
01/04/2015	Quarterly Activities and Cashflow Report	0.047	▲ 4.4%	0.046	▼ 2.1%
17/03/2015	Lemur acquires Zaaipplaats tin project	0.039	▼ 2.5%	0.044	▲ 12.8%
11/02/2015	Update on Permit 4578	0.038	▼ 5.0%	0.040	▲ 5.3%
30/01/2015	Quarterly Activities and Cashflow Report	0.033	▼ 2.9%	0.037	▲ 12.1%
24/11/2014	Lemur implements on-market share buyback	0.031	▶ 0.0%	0.046	▲ 48.4%
19/11/2014	Permit 4578 Update	0.032	▲ 3.2%	0.031	▼ 3.1%
29/10/2014	Quarterly Activities and Cashflow Report	0.035	▲ 2.9%	0.034	▼ 2.9%
31/07/2014	Quarterly Activities and Cashflow Report	0.040	▼ 2.4%	0.044	▲ 10.0%
29/07/2014	Coal Mineral Resource updated to JORC 2012	0.041	▼ 6.8%	0.047	▲ 14.6%

On 29 July 2014, the Company announced that the coal Mineral Resource at its Imaloto Coal Project has been updated to the 2012 JORC Code, which was previously reported in accordance to the 2004 JORC Code. On the day of the announcement, Lemur's share price fell 6.8% to \$0.041, however in the following three days the share price increased by 14.6% to \$0.047.

On 31 July 2014, Lemur released its quarterly report for the period ended 30 June 2014. The report outlined that the Company had cash totalling \$15.38 million and it had determined a short list of preferred service providers on both the engineering and environmental side to advance the IPP. On the day of the release, the Company's share price fell by 2.4% to \$0.040, however increased by 10% to \$0.044 in the three days subsequent.

On 24 November 2014, Lemur announced that it was implementing an on-market buyback for up to 10% of its issued capital over the period of 12 months. The Board of the Company considered the current share price did not reflect the strong underlying cash position and value within the Company's assets. On the day of the announcement, the Company's shares remained unchanged at \$0.031, however increased by 48.4% to \$0.046 in the following three days.

On 17 March 2015, Lemur announced that it had executed a binding agreement to acquire 99.1% of Zaaipplaats Mining Proprietary Limited which holds the Zaaipplaats Project. On the day of the announcement, Lemur's share price fell by 2.5% to \$0.039, however increased by 12.8% to \$0.044 in the three days subsequent.

To provide further analysis of the market prices for an Lemur share, we have also considered the weighted average market price for 10, 30, 60 and 90 day periods to 20 May 2015:

Share Price per unit	20-May-15	10 Days	30 Days	60 Days	90 Days
Closing price	\$0.058				
Volume weighted average price (VWAP)		\$0.059	\$0.054	\$0.050	\$0.047

Source: Bloomberg, BDO analysis

The above weighted average prices are prior to the date of the announcement of the Offer, to avoid the influence of any increase in price of Lemur shares that has occurred since the Offer was announced.

An analysis of the volume of trading in Lemur shares for the twelve months to 20 May 2015 is set out below:

Trading days	Share price low	Share price high	Cumulative volume traded	As a % of Issued capital
1 Day	\$0.058	\$0.058	-	0.00%
10 Days	\$0.056	\$0.060	3,433,053	1.84%
30 Days	\$0.047	\$0.060	13,286,929	6.97%
60 Days	\$0.039	\$0.060	22,193,885	11.47%
90 Days	\$0.033	\$0.060	30,589,720	15.65%
180 Days	\$0.030	\$0.060	54,248,854	27.40%
1 Year	\$0.021	\$0.061	125,933,000	63.36%

Source: Bloomberg, BDO analysis

This table indicates that Lemur's shares display a medium level of liquidity, with 27.40% of the Company's current issued capital being traded in a six month period. If Bushveld's holding of 63.6% is removed then the volume traded in the six month period represents 65.54% of the non-Bushveld's shares on issue which represents a high level of liquidity.

For the quoted market price methodology to be reliable there needs to be a 'deep' market in the shares. RG 111.69 indicates that a 'deep' market should reflect a liquid and active market. We consider the following characteristics to be representative of a deep market:

- Regular trading in a company's securities;
- Approximately 1% of a company's securities are traded on a weekly basis;
- The spread of a company's shares must not be so great that a single minority trade can significantly affect the market capitalisation of a company; and
- There are no significant but unexplained movements in share price.

A company's shares should meet all of the above criteria to be considered 'deep', however, failure of a company's securities to exhibit all of the above characteristics does not necessarily mean that the value of its shares cannot be considered relevant.

In the case of Lemur, we do consider the market for the Company's securities to be deep as a result of 65.54% of the Company's current issued non-Bushveld capital being traded over the six months prior to the announcement of the Offer.

Our assessment is that a range of values for Lemur shares based on market pricing, after disregarding post announcement pricing, is between \$0.05 and \$0.06.

## Control Premium

We have reviewed the control premiums paid by acquirers of both general mining and coal companies listed on the ASX. We have summarised our findings below:

### General Mining

Year	Number of Transactions	Average Deal Value (AU\$m)	Average Control Premium (%)
2014	22	96.48	37.54
2013	28	43.47	52.76
2012	42	109.43	44.31
2011	34	654.38	37.60
2010	41	625.97	45.72
2009	42	134.50	41.68
2008	14	435.97	36.38
2007	31	533.90	27.72
	<b>Median</b>	<b>285.24</b>	<b>39.64</b>
	<b>Mean</b>	<b>329.26</b>	<b>40.46</b>

Source: Bloomberg, BDO Analysis

### Coal

Year	Number of Transactions	Average Deal Value (AU\$m)	Average Control Premium (%)
2014	-	-	-
2013	6	35.13	39.34
2012	6	254.89	38.73
2011	7	1337.46	30.52
2010	6	1006.46	55.92
2009	4	734.57	30.17
2008	-	-	-
2007	1	858.89	35.25
2006	1	1702.46	13.09
	<b>Median</b>	<b>734.57</b>	<b>30.52</b>
	<b>Mean</b>	<b>658.87</b>	<b>27.00</b>

Source: Bloomberg, BDO Analysis

The median and mean figures above are calculated based on the average deal value and control premium for each respective year. To ensure this does not skew our results, as summarised in the table below, we have also calculated the median and mean using the entire data set of control transactions for both the general mining and coal.

Entire Data Set Metrics	Average Deal Value (AU\$m)	Average Control Premium (%)
<b>General Mining</b>		
Median	40.51	35.19
Mean	344.04	40.76
<b>Coal</b>		
Median	168.19	34.90
Mean	753.52	38.27

In arriving at an appropriate control premium to apply we note that observed control premiums can vary due to the:

- Nature and magnitude of non-operating assets;
- Nature and magnitude of discretionary expenses;
- Perceived quality of existing management;
- Nature and magnitude of business opportunities not currently being exploited;
- Ability to integrate the acquiree into the acquirer’s business;
- Level of pre-announcement speculation of the transaction;
- Level of liquidity in the trade of the acquiree’s securities.

The tables above indicate that there has been an increasing trend of control premium paid by acquirers of general mining and coal companies since 2008 and 2006, respectively. The long term average of announced control premium paid by acquirers of mining and coal targets in Australia is in excess of 38%.

In assessing the sample of transactions for general mining, which were included in the table, we’ve noted transactions within the list which appear to be extreme outliers. These outliers include 16 transactions where the announced control premium was in excess of 100% and 16 transactions where the acquirer obtained a controlling interest at a discount (i.e. less than 0%). In a sample where there are extreme outliers, the median often represents a superior measure of central tendency compared to the mean.

We note that the sample size of announced control premia for coal transactions is relatively small.

There are two transactions in the table above which we consider to be extreme outliers.

1. In December 2011 it was announced that Yanzhou Coal Mining Co Ltd, one of China’s largest coal producers, would acquire a 100% stake in Gloucester Coal Ltd. This transaction is considered to be an outlier as a Yanzhou Coal Mining Co Ltd received a discount of 17.41% to obtain a controlling interest in Gloucester Coal Ltd; and
2. In April 2011 Jindal Steel & Power Ltd made an offer to acquire an additional 12.83% stake in Rocklands Richfield Ltd, increase its total interest post-transaction to 27.29%. The transaction had an announced control premium of 106.54%.

Taking the factors above into consideration in applying a control premium to Lemur’s quoted market share price we believe an appropriate range to be between 25% and 35%.

### Quoted market price including control premium

Applying a control premium to Lemur's quoted market share price results in the following quoted market price value including a premium for control:

	Low	Midpoint	High
	\$	\$	\$
Quoted market price value	0.050	0.055	0.060
Control premium	25%	30%	35%
<b>Quoted market price valuation including a premium for control</b>	<b>0.063</b>	<b>0.072</b>	<b>0.081</b>

Source: BDO analysis

Therefore, our valuation of a Lemur share based on the quoted market price method and including a premium for control is between \$0.063 and \$0.081, with a midpoint value of \$0.072.

### 10.3 On-Market Buyback of Lemur shares

In our assessment of the value of Lemur shares, we have also considered the recent on market buyback implemented by the Company.

The buyback commenced on 8 December 2014 with the final buyback occurring on 15 May 2015. In total, 19,250,000 fully paid ordinary shares were bought back. The highest price paid for the buyback was \$0.06 per Lemur share on 13 May 2015 in which 2,071,270 shares were bought back.

We note that it took approximately five months for the maximum number of shares to be bought back and that the buyback price does not include any premium for control. However, the value implied by the buyback is broadly consistent with our QMP value.

### 10.4 Assessment of the value of a Lemur share

The results of the valuations performed are summarised in the table below:

	Low	Preferred	High
	\$	\$	\$
Net assets value (Section 10.1)	0.152	0.171	0.191
ASX market prices (Section 10.2)	0.063	0.072	0.081

Source: BDO analysis

The NAV methodology has been deemed most reliable for this purpose due to the core value of Lemur being in the cash held by the Company and the exploration assets that it holds in its balance sheet and for which we have received an independent valuation. The cash backing of Lemur alone represents \$0.079 per share in value. This is above the QMP value at both the low and midpoint level. The NAV could be realised by Shareholders by liquidating the Company's assets and returning them to shareholders.

Our valuation of a Lemur share under the NAV methodology is higher than our valuation under the QMP methodology above at both the low and midpoint level. We believe that this is a result of the NAV methodology incorporating the full analysis and independent valuation of Lemur's projects which may not have been appreciated by the market and therefore not reflected under the QMP method. The presence of

a dominant shareholder in Bushveld also serves to deter an alternative takeover offer and potentially depress the ASX market price. We also note that as at 20 May 2015, the last full trading day prior to the announcement of the Offer, the Company's market capitalisation was approximately \$10.33 million. The Company's market capitalisation is below Lemur's cash balance as at 28 February 2015 which indicates that the current market price does not accurately reflect the value of a Lemur share even on a cash backing basis.

Based on the results above we consider the value of a Lemur share to be between \$0.152 and \$0.191, with a preferred value of \$0.171.

## 11. Valuation of consideration

Bushveld is offering Shareholders \$0.06 per Lemur share in cash.

## 12. Is the Offer fair?

The value of a Lemur share as compared with the value of the consideration offered per share is compared below:

	Ref	Low \$	Preferred \$	High \$
Value of a Lemur share on a control basis	Section 10.4	0.152	0.171	0.191
Value of Offer consideration per Lemur share	Section 11	0.060	0.060	0.060

We note from the table above that the value of a Lemur share on a control basis is in excess of the consideration. Therefore, we consider that the Offer is not fair.

## 13. Is the Offer reasonable?

### 13.1 Alternative Proposal

We are unaware of any alternative proposal that might offer the Shareholders of Lemur a premium over the value ascribed to the Offer. Given that Bushveld has a relevant interest in approximately 63.6% of Lemur's issued shares, we consider it unlikely that an offer will be received from an alternative bidder.

We note that the Company's cash backing per share is \$0.079. As such it would be possible for the Company to distribute this cash to Shareholders and they would receive greater value for their shares than by accepting the Offer. However as at the date of our Report, we note that there is currently a 50% split between the Bushveld nominee directors and the Independent Directors. Therefore it is uncertain whether Lemur will be able to take such a corporate action.

In the case it does occur, the Company might need to raise funds to develop its projects at which point Shareholders could choose whether to participate or not. Our NAV assessment in section 10.1 indicates a value of \$0.152 to \$0.191 per share, when considering all of Lemur's assets and liabilities. This value could be distributed to Shareholders in an orderly realisation of assets.

As outlined in the Bidder's Statement, the offer period may be extended and the offer price of \$0.06 may be increased in accordance with the Act.

If the Offer is not successful, the only likely party to present an alternative, or superior, offer at a future date would be Bushveld.

### 13.2 Practical Level of Control

Under the conditions of the Offer there is a Minimum Acceptance Condition in which Bushveld must become entitled to compulsorily acquire any outstanding Lemur shares in accordance with the Act.

If the Offer is successful then Bushveld will hold an interest of over 90% in Lemur and will seek to gain full control through compulsory acquisition of the outstanding shares.

When shareholders are required to approve an issue that relates to a company there are two types of approval levels. These are general resolutions and special resolutions. A general resolution requires 50% of shares to be voted in favour to approve a matter and a special resolution required 75% of shares on issue to be voted in favour to approve a matter.

Should Bushveld acquire 90% or more of shares in Lemur then Bushveld's intentions include to:

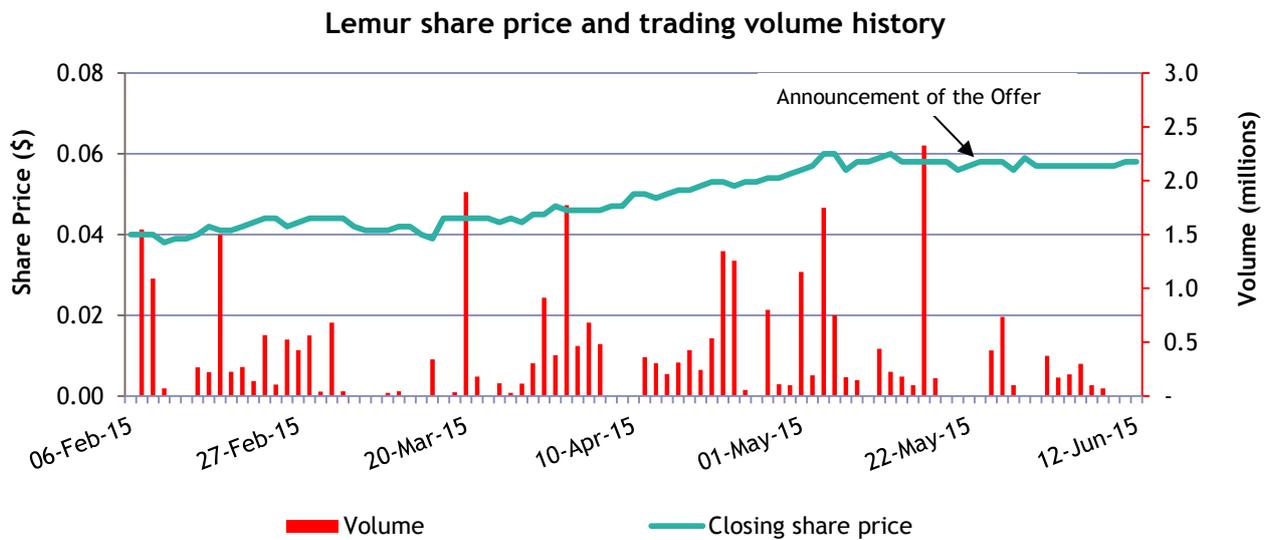
- Compulsorily acquire the outstanding Lemur shares in accordance with the Act;
- consider Lemur to be removed from the Official List of the ASX;
- review of the composition of the board of directors of Lemur;
- centralise some of the administration functions as well as the corporate office which will be located in Johannesburg, South Africa;
- undertake a detailed strategic review of Lemur's activities, assets and liabilities to evaluate their prospects, strategic relevance, funding requirements, financial performance and fit/synergies with the broader assets in Bushveld; and

consider proceeding with the compulsory acquisition of the Lemur Options which have not been exercised and that have not expired or lapsed. Alternatively, Bushveld may pursue other arrangements to acquire or cancel the Lemur Options

### 13.3 Consequences of not accepting the Offer

#### Impact on share price

We have analysed movements in Lemur’s share price since the Offer was announced. A graph of Lemur’s share price since the announcement is set out below.



Source: Bloomberg

The announcement of the Offer was made to the market on 21 May 2015. On that day approximately 0.42 million shares were traded and Lemur’s share price closed at \$0.056, a decrease of 3.6% from the closing share price of \$0.058 on the last full trading day on 20 May 2015. Lemur’s share price has traded between a low of \$0.056 and a high of \$0.060 since the announcement of the Offer. The gradual increase in Lemur’s share price prior to the announcement of the Offer is likely a result of the recent on-market buyback completed by the Company.

Given the above analysis it is possible that if the Offer is not accepted then Lemur’s share price may decline to pre-announcement levels. If Shareholders were of the view that if the Offer is unsuccessful that Bushveld may consider a higher offer in the future then there may be little or no decline in the Company’s share price.

#### Impact on ASX liquidity

As outlined in section 10.2, we consider that prior to the announcement of the Offer; the market for Lemur’s shares has historically demonstrated characteristics of a deep and active market after taking into consideration the fact that Bushveld holds approximately 63.6%.

We note that if Bushveld receives acceptances but does not reach a 90% holding, determines to waive the minimum acceptance condition of the Offer, and decides to retain Lemur's listing on the ASX, the liquidity for Lemur's shares on the ASX may decrease.

In our view, the decrease in liquidity will be caused by the decrease in the number of shares on issue which are not held by Bushveld on account of:

- Bushveld's increased holding in Lemur's issued capital following the Offer; and
- The on-market share buyback reducing existing number of shares on issue.

### Impact of delisting

As disclosed in the Bidder's Statement, even if Bushveld does not acquire the requisite relevant interests to proceed to compulsory acquisition under the Act, Bushveld may consider waiving the minimum acceptance condition noting in this case, it intends to delist Lemur's shares from the official list of the ASX.

In accordance with the ASX listing rules, shareholders of Lemur may not be provided with an opportunity to vote on a resolution to delist the Company from the official list of the ASX if, among other conditions:

- Bushveld and its related bodies corporate own or control at least 75% of the ordinary securities in Lemur (but have not met the conditions to proceed to compulsory acquisition);
- Excluding Bushveld and its related bodies corporate, the number of holders of ordinary securities having holdings with a value of at least \$500 (marketable parcel) is fewer than 150; and
- Bushveld foreshadows in its bidder's statement that it intends to cause Lemur to apply for removal from the official list.

Given that it appears Bushveld has made the requisite disclosures in the Bidder's Statement, we note that subject to satisfaction of the ASX's listing rules, Lemur may be removed from the official list of the ASX without shareholder approval. In these circumstances, it is important to note that Lemur's shares will no longer trade on a securities market.

If Lemur is delisted, given there will no longer be a market on which Lemur's shares can trade, we consider that liquidity will be significantly reduced and there will no longer be an observable price for Lemur's shares. Additionally, Lemur will no longer be subject to the listing rules of the ASX and this may have further implications on Shareholders including in relation to reduced financial reporting and company disclosure obligations.

As a public company incorporated in Australia, irrespective of listing status, Lemur will still need to comply with the Corporations Act as applicable.

## 13.4 Advantages of accepting the Offer

We have considered the following advantages when assessing whether the Offer is reasonable.

### 13.4.1 Certainty of cash consideration

The cash consideration that has been offered by Bushveld would allow Lemur Shareholders to realise cash for their investment. No dividends have been paid on Lemur shares to date.

The consideration of cash of \$0.06 is a fixed and definite amount, and is not subject to the inherent risks that will affect the quoted market price of a Lemur share, including the risk associated with a company holding resource exploration and development projects.

There may be capital gains tax implications for Shareholders, and Shareholders should consult with their own tax advisors to determine any individual tax implications from acceptance of the Offer.

#### **13.4.2 Removes future risks associated with holding shares in Lemur**

The Offer removes the risks that Shareholders bear from continuing to hold Lemur shares. These risks include, but are not limited to, the following:

- Development of projects into cash generating assets;
- Deterioration in market conditions;
- Future funding and dilution; and
- Potential loss of listed status and liquidity due to removal from ASX official list.

#### **13.5 Disadvantages of accepting the Offer**

If the Offer is successful, in our opinion, the potential disadvantages to Shareholders include:

##### **13.5.1 The Offer is not fair**

As set out in section 12, the Offer is not fair. RG 111 states that an Offer is reasonable if it is fair - in this case it is not fair.

If the Offer is successful, Bushveld will gain full control of the cash and projects of Lemur by acquiring the 66,552,904 shares it does not already own for \$0.06 per share, a payment of approximately \$4 million.

As at 28 February 2015, Lemur had approximately \$14.28 million in cash, valuing the Company's cash backing per share at \$0.079. Furthermore, we note that the Independent Technical Expert has valued the Company's mineral assets between \$14.032 million and \$21.122 million excluding the recent acquisition of the Zaaiplaats Project at \$0.276 million.

Should Shareholders accept the Offer, Bushveld will ultimately attain 100% control of Lemur's cash balance of \$14.28 million at 28 February 2015 along with its mineral assets valued between \$14.308 million and \$21.398 million for a payment of approximately \$4 million.

##### **13.5.2 Inability to benefit from the potential future upside in Lemur**

If the Offer is accepted, Shareholders will forgo their participation in potential future profits and capital growth that Lemur may be able to realise.

As at the date of this Report, the Company holds a 99% interest in the Imaloto Coal Project. During the 14 months ended 28 February 2015, the Company notes that it has undertaken advancement activities of its planned Imaloto Coal mine and coal fired power plant in Madagascar which include:

- continued discussions with Jirama and MoE in relation to the proposed IPP license and the advancement of the technical aspects of the IPP;
- updated its existing coal Mineral Resource in accordance with JORC 2012; and

- selected the experts to work on the environmental impact assessment, design & engineering and project financing of the power plant with work to commence upon the Company securing the required licenses.

As at 28 February 2015, Lemur had cash of approximately \$14.28 million, providing the Company with considerable funds to progress the Imaloto Coal Project upon receipt of the IPP license.

We also note that in the Company's audited financial report for the 14 months ended 28 February 2015, Lemur outlined that it intends to use its cash balance to acquire more value accretive assets. The profile of assets being sought are those either in production and generating cash flows or greenfield exploration assets with significant exploration upside.

The Company also acquired a 99.1% interest in Zaaiplaats Mining Proprietary Limited, a company incorporated in South Africa and the registered owner of the Zaaiplaats Project which was previously the site of the second biggest tin mining operation in South Africa.

If Shareholders accept the Offer they will no longer hold an interest in the Company, and will forgo any potential future upside from the development of the Imaloto Coal Project or any new projects the Company may acquire.

### **13.5.3 Potential taxation consequences**

The taxation consequences for Shareholders will differ depending on their individual circumstances. Shareholders who are considered Australia residents may be liable to pay capital gains tax on the disposal of their Lemur shares under the Offer.

## **13.6 Other Considerations**

Other considerations we have considered include:

### **13.6.1 On-Market share buyback implemented by Lemur**

We have also considered the recent on market buyback implemented by the Company.

The buyback commenced on 8 December 2014 with the final buyback occurring on 15 May 2015. In total, 19,250,000, being the maximum number of fully paid ordinary shares were bought back. The highest price paid for the buyback was \$0.06 per Lemur share on 13 May 2015 in which 2,071,270 shares were bought back.

We note the consideration of \$0.06 per Lemur share offered by Bushveld is on average greater than the average price in which Lemur Shareholders accepted the share buyback. This means that the Offer provides a possible exit for shareholders within the QMP value range on a minority interest basis. However given the Offer is a control transaction, and noting that the cash consideration of the Offer does not exceed our assessment of QMP value on a control basis as per section 10.2, nor our assessed value of Lemur in section 10.3 of our Report, we consider that Bushveld is not offering an appropriate control premium in recognition of the fact that Bushveld may acquire 100% ownership of Lemur.

While the maximum number of shares bought back was achieved, the buyback took approximately five months with the majority of the shares bought back subsequent to the share price trading within the higher range of our assessed QMP values on a minority basis. Furthermore, we note the buyback does not necessarily indicate shareholders' liquidating their entire interest in Lemur, given they may have accepted the on-market buyback in varying degrees while still holding an interest in Lemur and the potential upside

associated with the value of Lemur. Shareholders may consider that they require a higher payment to relinquish complete exposure to the upside from holding a share in Lemur.

### **13.6.2 Shareholders in Lemur intend accepting the Offer**

As disclosed in the Bidder's Statement, Bushveld is confident that the Minimum Acceptance Condition will be satisfied as a result of Bushveld having a 63.6% relevant interest in Lemur. Furthermore, certain Lemur shareholders who collectively own approximately 10% of Lemur's current ordinary shares on issue, have advised that they will accept the Offer in respect of all shares that they hold, in the absence of a superior offer.

Therefore, the prospects of another bidder emerging may be low.

### **13.6.3 Compulsory acquisition**

Should Bushveld acquire 90% or more of shares in Lemur, the intentions of Bushveld are to proceed with the compulsory acquisition of the outstanding Lemur shares in accordance to Part 6A of the Act.

Any Shareholders that form this remaining 10% will receive the same consideration that has been offered per share as Shareholders that accept the Offer.

## **14. Conclusion**

We have considered the terms of the Offer as outlined in the body of this report and have concluded that the Offer is not fair but reasonable to the Shareholders of Lemur.

## **15. Sources of information**

This report has been based on the following information:

- Draft Target's Statement on or about the date of this Report;
- Audited financial statements of Lemur for the 14 months ended 28 February 2015 and the years ended 31 December 2013 and 31 December 2012;
- Independent Valuation Report of Lemur Resources Limited's mineral assets dated 27 May 2015 performed by Ravensgate Mining Industry Consultants;
- Share registry information;
- Information in the public domain; and
- Discussions with Directors and Management of Lemur Resources Limited.

## **16. Independence**

BDO Corporate Finance (WA) Pty Ltd is entitled to receive a fee of \$ 20,000 (excluding GST and reimbursement of out of pocket expenses). The fee is not contingent on the conclusion, content or future use of this Report. Except for this fee, BDO Corporate Finance (WA) Pty Ltd has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this report.

BDO Corporate Finance (WA) Pty Ltd has been indemnified by Lemur in respect of any claim arising from BDO Corporate Finance (WA) Pty Ltd's reliance on information provided by the Lemur, including the non provision of material information, in relation to the preparation of this report.

Prior to accepting this engagement BDO Corporate Finance (WA) Pty Ltd has considered its independence with respect to Lemur and Bushveld and any of their respective associates with reference to ASIC Regulatory Guide 112 'Independence of Experts'. In BDO Corporate Finance (WA) Pty Ltd's opinion it is independent of Lemur and Bushveld and their respective associates.

A draft of this report was provided to Lemur and its advisors for confirmation of the factual accuracy of its contents. Our opinion was changed from neither fair nor reasonable to not fair but reasonable following this review following our consideration of factual matters raised. These matters relate to the intentions of Bushveld regarding to Lemur's listing on the Official List of the ASX. We updated our analysis of reasonableness in light of the intentions, which resulted in a change in our opinion.

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## 17. Qualifications

BDO Corporate Finance (WA) Pty Ltd has extensive experience in the provision of corporate finance advice, particularly in respect of takeovers, mergers and acquisitions.

BDO Corporate Finance (WA) Pty Ltd holds an Australian Financial Services Licence issued by the Australian Securities and Investment Commission for giving expert reports pursuant to the Listing rules of the ASX and the Corporations Act.

The persons specifically involved in preparing and reviewing this report were Sherif Andrawes and Adam Myers of BDO Corporate Finance (WA) Pty Ltd. They have significant experience in the preparation of independent expert reports, valuations and mergers and acquisitions advice across a wide range of industries in Australia and were supported by other BDO staff.

Sherif Andrawes is a Fellow of the Institute of Chartered Accountants in England & Wales and a Member of the Institute of Chartered Accountants in Australia. He has over twenty five years experience working in the audit and corporate finance fields with BDO and its predecessor firms in London and Perth. He has been responsible for over 250 public company independent expert's reports under the Corporations Act or ASX Listing Rules and is a CA BV Specialist. These experts' reports cover a wide range of industries in Australia with a focus on companies in the natural resources sector. Sherif Andrawes is the Chairman of BDO in Western Australia, Corporate Finance Practice Group Leader of BDO in Western Australia and the Natural Resources Leader for BDO in Australia.

Adam Myers is a member of the Institute of Chartered Accountants in Australia. Adam's career spans 18 years in the Audit and Assurance and Corporate Finance areas. Adam has considerable experience in the preparation of independent expert reports and valuations in general for companies in a wide number of industry sectors.

## 18. Disclaimers and consents

This report has been prepared at the request of Lemur for inclusion in the Target's Statement which will be sent to all Lemur Shareholders. Lemur engaged BDO Corporate Finance (WA) Pty Ltd to prepare an

independent expert's report to consider the off-market takeover offer from Bushveld to acquire all of the shares in Lemur it does not own.

BDO Corporate Finance (WA) Pty Ltd hereby consents to this report accompanying the above Target's Statement. Apart from such use, neither the whole nor any part of this report, nor any reference thereto may be included in or with, or attached to any document, circular resolution, statement or letter without the prior written consent of BDO Corporate Finance (WA) Pty Ltd.

BDO Corporate Finance (WA) Pty Ltd takes no responsibility for the contents of the Target's Statement other than this report.

We have no reason to believe that any of the information or explanations supplied to us are false or that material information has been withheld. It is not the role of BDO Corporate Finance (WA) Pty Ltd acting as an independent expert to perform any due diligence procedures on behalf of the Company. The Directors of the Company are responsible for conducting appropriate due diligence in relation to Bushveld. BDO Corporate Finance (WA) Pty Ltd provides no warranty as to the adequacy, effectiveness or completeness of the due diligence process.

The opinion of BDO Corporate Finance (WA) Pty Ltd is based on the market, economic and other conditions prevailing at the date of this report. Such conditions can change significantly over short periods of time.

With respect to taxation implications it is recommended that individual Shareholders obtain their own taxation advice, in respect of the Offer, tailored to their own particular circumstances. Furthermore, the advice provided in this report does not constitute legal or taxation advice to the Shareholders of Lemur, or any other party.

BDO Corporate Finance (WA) Pty Ltd has also considered and relied upon independent valuations for mineral assets held by Ravensgate Mining Industry Consultants.

The valuer engaged for the mineral asset valuation, Ravensgate Mining industry Consultants possess the appropriate qualifications and experience in the industry to make such assessments. The approaches adopted and assumptions made in arriving at their valuation is appropriate for this report. We have received consent from the valuer for the use of their valuation report in the preparation of this report and to append a copy of their report to this report.

The statements and opinions included in this report are given in good faith and in the belief that they are not false, misleading or incomplete.

The terms of this engagement are such that BDO Corporate Finance (WA) Pty Ltd has no obligation to update this report for events occurring subsequent to the date of this report.

Yours faithfully

**BDO CORPORATE FINANCE (WA) PTY LTD**



**Sherif Andrawes**  
Director



**Adam Myers**  
Director

# Appendix 1 - Glossary of Terms

Reference	Definition
The Act	The Corporations Act
AIM	Alternative Investments Market
APES 225	Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services'
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
BDO	BDO Corporate Finance (WA) Pty Ltd
Bushveld	Bushveld Minerals Limited
The Company	Lemur Resources Limited
DCF	Discounted Future Cash Flows
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
FME	Future Maintainable Earnings
FOS	Financial Ombudsman Services
FSG	Financial Services Guide
the Independent Directors	Mr Ryan Rockwood and Ms Shannon Coates
IPP	Independent Power Plant
JORC Code	The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves
Lemur	Lemur Resources Limited
Lemur Options	The 0.5 million options Lemur currently has on issue.
MoE	Ministry of Energy
NAV	Net Asset Value

Reference	Definition
the Offer	Off-market takeover from Bushveld to acquire all the ordinary shares in Lemur that it does not already own.
Our Report	This Independent Expert's Report prepared by BDO
P-Q Project	The P-Q Iron Ore and Titanium Project
QMP	Quoted market price
Ravensgate	Ravensgate Mining Industry Consultants
RG 111	Content of expert reports (March 2011)
RG 112	Independence of experts (March 2011)
Shareholders	Shareholders of Lemur not associated with Bushveld
US	United States of America
Valmin Code	The Code of Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports
Valuation Engagement	An Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.
VWAP	Volume Weighted Average Price
Zaaiplaats Project	The two properties registered by Zaaiplaats Mining Proprietary Limited

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# Appendix 2 - Valuation Methodologies

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Methodologies commonly used for valuing assets and businesses are as follows:

## 1 *Net asset value ('NAV')*

Asset based methods estimate the market value of an entity's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- Orderly realisation of assets method
- Liquidation of assets method
- Net assets on a going concern method

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

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the entity may not be contemplated, these methods in their strictest form may not be appropriate. The net assets on a going concern method estimates the market values of the net assets of an entity but does not take into account any realisation costs.

Net assets on a going concern basis are usually appropriate where the majority of assets consist of cash, passive investments or projects with a limited life. All assets and liabilities of the entity are valued at market value under this alternative and this combined market value forms the basis for the entity's valuation.

Often the FME and DCF methodologies are used in valuing assets forming part of the overall Net assets on a going concern basis. This is particularly so for exploration and mining companies where investments are in finite life producing assets or prospective exploration areas.

These asset based methods ignore the possibility that the entity's value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill. Asset based methods are appropriate when an entity is not making an adequate return on its assets, a significant proportion of the entity's assets are liquid or for asset holding companies.

## 2 *Quoted Market Price Basis ('QMP')*

A valuation approach that can be used in conjunction with (or as a replacement for) other valuation methods is the quoted market price of listed securities. Where there is a ready market for securities such as the ASX, through which shares are traded, recent prices at which shares are bought and sold can be taken as the market value per share. Such market value includes all factors and influences that impact upon the ASX. The use of ASX pricing is more relevant where a security displays regular high volume trading, creating a 'deep' market in that security.

## 3 *Capitalisation of future maintainable earnings ('FME')*

This method places a value on the business by estimating the likely FME, capitalised at an appropriate rate which reflects business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach relies on the availability and analysis of comparable market data.

The FME approach is the most commonly applied valuation technique and is particularly applicable to profitable businesses with relatively steady growth histories and forecasts, regular capital expenditure requirements and non-finite lives.

The FME used in the valuation can be based on net profit after tax or alternatives to this such as earnings before interest and tax ('EBIT') or earnings before interest, tax, depreciation and amortisation ('EBITDA'). The capitalisation rate or 'earnings multiple' is adjusted to reflect which base is being used for FME.

#### **4 Discounted future cash flows ('DCF')**

The DCF methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows, discounted to their present value at an appropriate discount rate (often called the weighted average cost of capital). This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks.

Considerable judgement is required to estimate the future cash flows which must be able to be reliably estimated for a sufficiently long period to make this valuation methodology appropriate.

A terminal value for the asset or business is calculated at the end of the future cash flow period and this is also discounted to its present value using the appropriate discount rate.

DCF valuations are particularly applicable to businesses with limited lives, experiencing growth, that are in a start up phase, or experience irregular cash flows.

#### **5 Market Based Assessment**

The market based approach seeks to arrive at a value for a business by reference to comparable transactions involving the sale of similar businesses. This is based on the premise that companies with similar characteristics, such as operating in similar industries, command similar values. In performing this analysis it is important to acknowledge the differences between the comparable companies being analysed and the company that is being valued and then to reflect these differences in the valuation.

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# Appendix 3 - Independent Valuation Report prepared by Ravensgate

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Sent under a separate cover



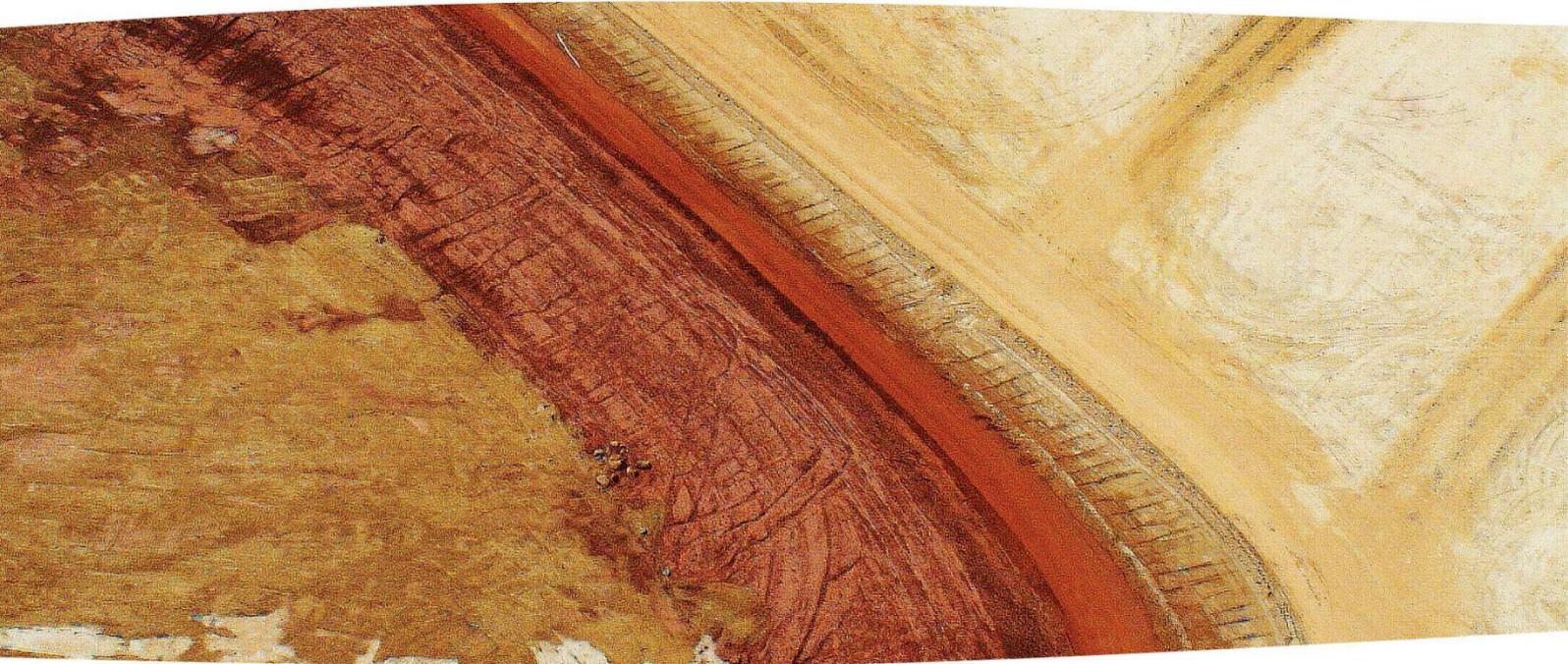
**TECHNICAL PROJECT REVIEW**  
and  
**INDEPENDENT VALUATION REPORT**

**LEMUR RESOURCES LIMITED**  
**MADAGASCAN COAL MINERAL ASSETS**

for

**LEMUR RESOURCES LIMITED**  
and  
**BDO CORPORATE FINANCE (WA) PTY LTD**

**27 May 2015**



RESOURCEFUL



TECHNICAL



PARTNERS



# TECHNICAL PROJECT REVIEW and INDEPENDENT TECHNICAL VALUATION

Prepared by RAVENSGATE on behalf of:

**Lemur Resources Limited and BDO Corporate Finance (WA) Pty Ltd**

---

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<b>Date:</b> 27 May 2015		
<b>Copies:</b> Lemur Resource Limited	(2)	
Ravensgate	(1)	

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Sam Ulrich  
For and on behalf of:  
**RAVENSGATE**



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Neal Leggo  
For and on behalf of:  
**RAVENSGATE**

*This report has been commissioned from and prepared by Ravensgate for the exclusive use of Lemur Resources Limited.*

*Each statement or opinion in this report is provided in response to a specific request Lemur Resources Limited to provide that statement or opinion. Each such statement or opinion is made by Ravensgate in good faith and in the belief that it is not false or misleading.*

*Each statement or opinion contained within this report is based on information and data supplied by Lemur Resources Limited to Ravensgate, or otherwise obtained from public searches conducted by Ravensgate for the purposes of this report.*



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## 1. EXECUTIVE SUMMARY

Corvidae Pty Ltd as trustee for the Ravensgate Unit Trust trading as Ravensgate (Ravensgate) has been commissioned by BDO Corporate Finance (WA) Pty Ltd (BDO) and Lemur Resources Limited (LMR) to provide a Technical Project Review on LMR's Madagascan Coal Mineral Assets and an Independent Technical Valuation over these licences. This Technical Project Review and Independent Valuation Report were prepared by Ravensgate for inclusion in the Independent Expert's Report (IER) prepared by BDO. LMR's Madagascan coal mineral assets consist of three projects. The projects included in this report are listed below.

<u>Mineral Asset</u>	<u>LMR's Ownership %</u>
Imaloto	99%
Ianapera	99%
Sakaraha	99%

LMR's coal licences are located in the country of Madagascar. Tenement licence details have been compiled for detailed review and are appended at the end of this report. Further exploration work remains to be carried out in order to help improve geological understanding, to generate exploration targets, to investigate exploration targets, to estimate mineral resources and to undertake economic studies (where defined and as further work progresses) within the licence areas. Ravensgate's considered opinion is that the projects are of merit and worthy of further exploration.

The valuation presented in this report was completed on behalf of LMR. The valuation has been completed with information provided by, and with the full support of LMR. The applicable valuation date is 27 May 2015. The Madagascan coal projects can be classified as Exploration Area Mineral Assets and Pre Development Project Mineral Assets. A mineral resource and/or exploration target as defined by the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code - 2012 Edition) has been defined for the Imaloto project (Table 1).

**Table 1** *Imaloto Coal Resource (after Lemur Resources 29 July 2014)*

Seam	Resource Category Gross Tonnes In Situ (Millions)			Total
	Measured	Indicated	Inferred	
Main	50.8	8.4	4.2	63.4
Upper	23.1	12.7	5.3	41.1
Top	17.7	10.3	3.2	31.2
<b>Total</b>	<b>91.6</b>	<b>31.5</b>	<b>12.6</b>	<b>135.7</b>

*The resource has been compiled to an appropriate level of precision and minor rounding errors may occur*

Ravensgate did not carry out a site visit to LMR's projects in Madagascar. Mr Sam Ulrich of Ravensgate has had prior experience with the Imaloto project. Ravensgate is satisfied that there is sufficient current information available to allow an informed appraisal to be made. Ravensgate is of the opinion that no significant additional benefit would have been gained through an additional site visit to the project area at this stage. Ravensgate has concluded that the Madagascan projects are of technical merit and are worthy of conducting further review and exploration.

A summary of LMR's coal projects valuation in respective ownership percentage terms is provided in Table 2. The applicable valuation date is 27 May 2015 and is derived from using the Comparable Transactions valuation method. The value of LMR's coal projects is considered to lie in a range from \$14.033M to \$21.122M, within this range Ravensgate has selected a preferred value of \$17.390, which is approximately the middle of the range.



**Table 2 Summary LMR's Coal Projects Technical Valuation in Respective Ownership Percentage Terms**

Project	Mineral Asset	Ownership %	Area km <sup>2</sup>	Valuation		
				Low \$M	Preferred \$M	High \$M
Imaloto	Pre Development Project	99%	81.25	13.974	17.288	20.961
Ianapera	Exploration Area	99%	25	0.012	0.025	0.037
Sakaraha	Exploration Area	99%	62.5	0.046	0.077	0.124
<b>TOTAL</b>	<b>Exploration Area</b>	<b>99%</b>	<b>168.75</b>	<b>14.033</b>	<b>17.390</b>	<b>21.122</b>

*The valuation has been compiled to an appropriate level of precision and minor rounding errors may occur.*

In determining the valuation Ravensgate used the average 21 May 2015 South African Richards Bay export coal price of US\$60.80 per tonne which equated to A\$76.95 using the 21 May 2015 exchange rate of 0.791.



## 2. INTRODUCTION

The objectives of this report are to firstly provide a Technical Project Review of the Madagascan coal projects in which Lemur Resources Limited (LMR) has a 99% equity interest and secondly to provide a valuation and technical assessment of these projects prepared in accordance with the guidelines of the VALMIN Code. The work has been commissioned by BDO Corporate Finance (WA) Pty Ltd (BDO) and LMR. The Independent Expert's Report (IER) will be included in LMR's Target Statement.

This report does not provide a valuation of LMR as a whole, nor does it make any comment on the fairness and reasonableness of any proposed transaction between any two companies. The conclusions expressed in this Technical Project Review and Independent Technical Valuation are valid as at the Valuation Date (27 May 2015). The review and valuation is therefore only valid for this date and may change with time in response to changes in economic, market, legal or political factors, in addition to ongoing exploration results. All monetary values included in this report are expressed in Australian dollars (A\$) unless otherwise stated.

This report has been prepared in accordance with the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports (The VALMIN Code) as adopted by the Australasian Institute of Mining and Metallurgy (AusIMM) in April 2005. The report has also been prepared in accordance with ASIC Regulatory Guides 111 (Contents of Expert Reports) and 112 (Independence of Experts). The Technical Project Review and Independent Technical Valuation report has been compiled based on information available up to and including the date of this report.

### 2.1 Terms of Reference

Corvidae Pty Ltd as trustee for the Ravensgate Unit Trust trading as Ravensgate (Ravensgate) has been commissioned by BDO and LMR to provide an Independent Technical Project Review on LMR's Madagascan coal Mineral Assets and an Independent Technical Valuation over these licences.

This report has been prepared in accordance with the Code and Guidelines for Assessment and Valuation of Mineral Assets and Mineral Securities for Independent Expert Reports (The VALMIN Code) and the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code, 2012).

### 2.2 Tenement Status Verification

Ravensgate has not independently verified the status of the tenements that are referred to in this report as set out in the Tenement Schedule in

Table 16 of this report, which is a matter for independent legal experts. LMR commissioned an independent review of LMR's mineral permits status. Legal firm John W. Ffooks & Co (Ffooks) completed this review and identified the following material issues that would impact on Ravensgate's valuation.

Ffooks indicated that three of the tenements (3196, 26904 and 27163) are still registered in the names of the original applicants. These tenements have been purported to have been transferred to Coal Mining Madagascar SARL (CMM). In Ffooks' legal opinion, Lemur is the rightful owner of these tenements holding a 99% interest through its 100% ownership of Coal of Madagascar Limited which in turn has a 99% interest in CMM.

Ravensgate is satisfied, based on Ffook's review, that the tenements are in good standing and the values assigned to the tenements correctly reflect LMR's ownership.

### 2.3 Site Investigation

Ravensgate did not carry out a site visit to LMR's projects in Madagascar. Mr Sam Ulrich of Ravensgate has had prior experience with the Imaloto project. Ravensgate is satisfied that there is sufficient current information available to allow an informed appraisal to be made. Ravensgate is of the opinion that no significant additional benefit would have been gained through an additional site visit to the project area at this stage. Ravensgate has concluded that the Madagascan projects are of technical merit and are worthy of conducting further review and exploration.



## 2.4 Qualifications, Experience and Independence

Ravensgate has been consulting to the mining industry since 1997 with its services that include valuations, independent technical reporting, exploration management and resource estimation. Our capabilities include reporting for all the major securities exchanges and encompass a diverse variety of commodity types.

**Author:** Sam Ulrich, Principal Consultant, BSc (Hons) Geology, GDipAppFin, MAusIMM, MAIG, FFin.

**Sam Ulrich** is a geologist with over 19 years' experience in near mine and regional mineral exploration, resource development and the management of exploration programs. He has worked in a variety of geological environments in Australia, Indonesia, Laos and China primarily in gold, base metals and uranium. Prior to joining Ravensgate Sam worked for Manhattan Corporation Ltd, a uranium exploration and resource development company in a senior management position. Mr Ulrich holds the relevant qualifications and experience as well as professional associations required by the ASX, JORC and VALMIN Codes in Australia to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. He is a Qualified Person under the rules and requirements of the Canadian Reporting Instrument NI43-101.

**Co-Author:** Neal Leggo, Principal Consultant, BSc (Hons) Geology, MAIG, MSEG

**Neal Leggo** has over 28 years' experience in minerals geology including senior management, consulting, exploration, development, underground mining and open pit mining. He has extensive experience with a wide variety of commodities including gold, copper, iron ore, silver, lead and zinc, uranium and manganese across numerous geological terrains within the Asia-Pacific region.

Prior to joining Ravensgate, Neal worked for FMG leading a large field team undertaking fast-track exploration, delineation and feasibility study of a major new iron ore discovery in the Pilbara of WA. Previous to this Neal was Exploration Manager at Crescent Gold where he led a successful exploration team and also managed feasibility study and development work on seven gold deposits in preparation for mining. At Hatch he undertook numerous geological consulting assignments including scoping, prefeasibility and review studies, geological audit and due diligence. At BHP he modelled mineral resources including the Cannington, Mt Whaleback and Yandi world-class deposits. Previous to this Neal worked 8 years in Mt Isa for MIM where roles included chief geologist for the Hilton underground lead zinc mine and exploration manager for Isa District. During the 1980s he worked as a field geologist across northern Australia on a wide variety of exploration projects and mines.

Neal offers extensive knowledge of available geological, geophysical, geochemical and exploration techniques and methodologies, combined with strong experience in feasibility study, development and mining of mineral deposits. Neal completed an Honours degree in Geology at the University of Queensland in 1980 and holds the relevant qualifications, experience and professional associations required by the ASX, JORC and VALMIN Codes in Australia. He is a Qualified Person under the rules and requirements of the Canadian Reporting Instrument NI43-101.

**Peer Reviewer:** Alan Hawkins, Principal Consultant, BSc (Hons) Geology, MSc (Ore Deposit Geology), MAIG RPGeo, FSEG

**Alan Hawkins** is a geologist with over 18 years' experience in near mine and regional mineral exploration, resource development and the management of exploration programs. He has worked in a variety of geological environments in Australia and Indonesia, primarily in gold and copper. Prior to joining Ravensgate, Alan worked for Newmont Mining Corporation as a Principal Geologist in their exploration, corporate and business development divisions, providing technical support, due diligence and rapid first-filter geological and economic analysis to M&A teams in the Asia Pacific region as well as US and African EBD teams. This role also included project and non-core asset divestments including commercial negotiations with junior exploration companies, stakeholders and land & legal teams.



Previous to this, Alan held various principal and senior regional exploration management roles in WA and NT. In the 1990's Alan worked as a near mine exploration geologist for Eagle Mining Corporation NL, Great Central Mines Ltd and Normandy Mining Ltd at the Jundee-Nimary Gold Mine and was part of the team that discovered the +2Moz Au Westside deposit, where he also worked as a resource modelling geologist before joining Newmont's regional exploration team. Alan holds the relevant qualifications and professional associations required by the ASX, JORC and VALMIN Codes in Australia to qualify as a Competent Person as defined in the JORC Code. He is a Qualified Person under the rules and requirements of the Canadian Reporting Instrument NI43-101 and is a Registered Professional Geoscientist in the field of Mineral Exploration with the Australian Institute of Geoscientists.

## **2.5 Disclaimer**

The Authors of this report, and Ravensgate, have had a prior association with LMR in regard to the mineral assets, but have no interest in the outcome of this technical assessment.

Ravensgate has previously completed an independent technical project review and valuation on LMR's Madagascan mineral assets dated 29 May 2013.

Ravensgate is independent of LMR, its directors, senior management and advisors and has no economic or beneficial interest (present or contingent) in any of the mineral assets being reported on. Ravensgate is remunerated for this report by way of a professional fee determined in accordance with a standard schedule of commercial rates, which is calculated based on time charges for work carried out, and is not contingent on the outcome of this report. Fees arising from the preparation of this report are in the order of \$4,000 to \$7,000.

The relationship with LMR is solely one of professional association between client and independent consultant. None of the individuals employed or contracted by Ravensgate are officers, employees or proposed officers of LMR or any group, holding or associated companies of LMR.

The report has been prepared in compliance with the Corporations Act and ASIC Regulatory Guides 111 and 112 with respect to Ravensgate's independence as experts. Ravensgate regards RG112.31 to be in compliance whereby there are no business or professional relationships or interests which would affect the expert's ability to present an unbiased opinion within this report.

This report has been compiled based on information available up to and including the date of this report. The statements and opinions are based on the reference date of 18 August 2014 and could alter over time depending on exploration results, mineral prices and other relevant market factors.

## **2.6 Consent**

Ravensgate consents to this report being distributed, in full, in the form and context in which the technical assessment is provided, for the purpose for which this report was commissioned. Ravensgate provides its consent on the understanding that the assessment expressed in the individual sections of this report will be considered with, and not independently of, the information set out in full in this report.

## **2.7 Principal Sources of Information**

The principal sources of information used to compile this report comprise technical reports and data variously compiled by LMR and their partners or consultants, publically available information such as ASX releases, government reports and discussions with LMR's technical and corporate management personnel. With the consent of LMR, other general report contents describing the regional geology, historical exploration and current exploration have been reproduced verbatim from a number of LMR internal and publically available reports. A listing of the principal sources of information is included in the references attached to this report.

Ravensgate has endeavoured, by making all reasonable enquiries, to confirm the authenticity, accuracy and completeness of the technical data upon which this report is based. A final draft of this report was also provided to LMR prior to finalisation by Ravensgate, requesting that LMR identify any material errors or omissions prior to its final submission. Ravensgate does not accept responsibility for any errors or omissions in the data and information upon which



the opinions and conclusions in this report are based, and does not accept any consequential liability arising from commercial decisions or actions resulting from errors or omissions in that data or information.

## 2.8 Competent Persons Statement

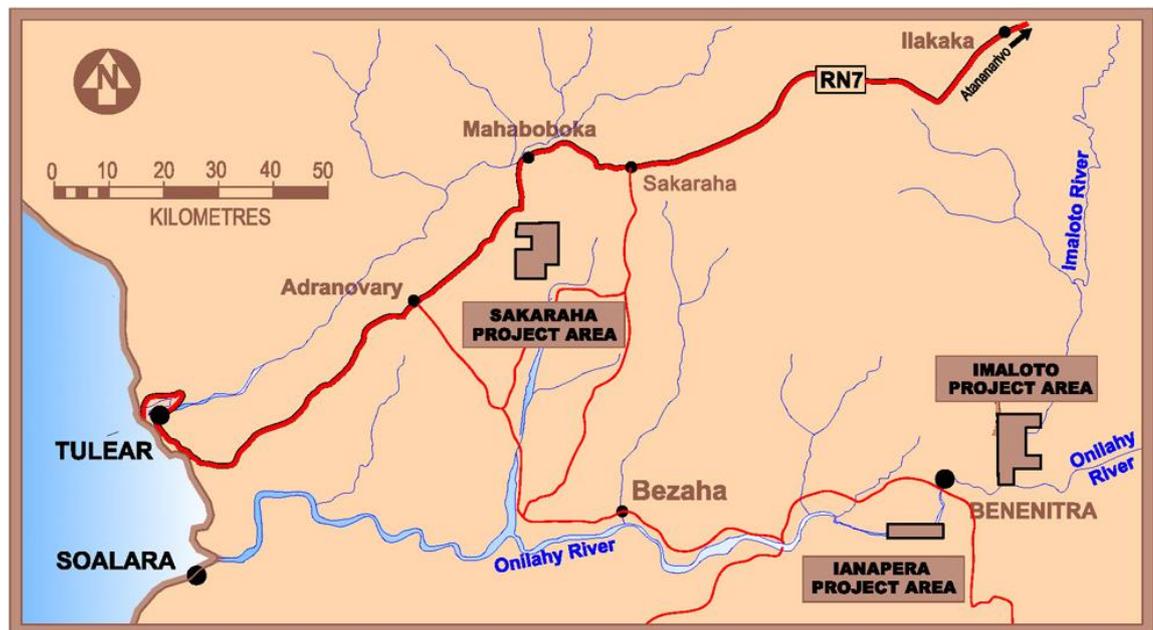
The information in this report that relates to Mineral Resources at the Imaloto project as described in Section 3 is based on information compiled by Mr Johan Erasmus. Mr Erasmus is a Qualified Geologist (Bachelor of Science - Geology and Chemistry, Bachelor of Science (Hons.) -Geology - University of Port Elizabeth - 1989, 1990) and is also a Professional Natural Scientist (Pr.Sci. Nat.), registered with the South African Council for Natural Scientific Professions, a 'Recognised Overseas Professional Organisation' (ROPO) included in a list promulgated by the ASX from time to time. Mr Erasmus is the owner of Sumsare Consulting CC. Mr Erasmus has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Erasmus consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

## 2.9 Background Information

The projects discussed in this report are located in the country of Madagascar. A locality map of the Madagascan coal projects is presented in Figure 1 below. A summary of the tenement details is listed in

Table 16 at the end of this report. Report file references and a glossary of terms are also included at the end of this report. Ravensgate understands that the project tenements in Madagascar are held in good standing. A brief overview of the projects is outlined in Sections 3, 4 and 5. The Independent Valuation of the projects is outlined in Section 6.

**Figure 1** Location of LMR's Madagascan Coal Projects



### 3. IMALOTO COAL PROJECT, MADAGASCAR

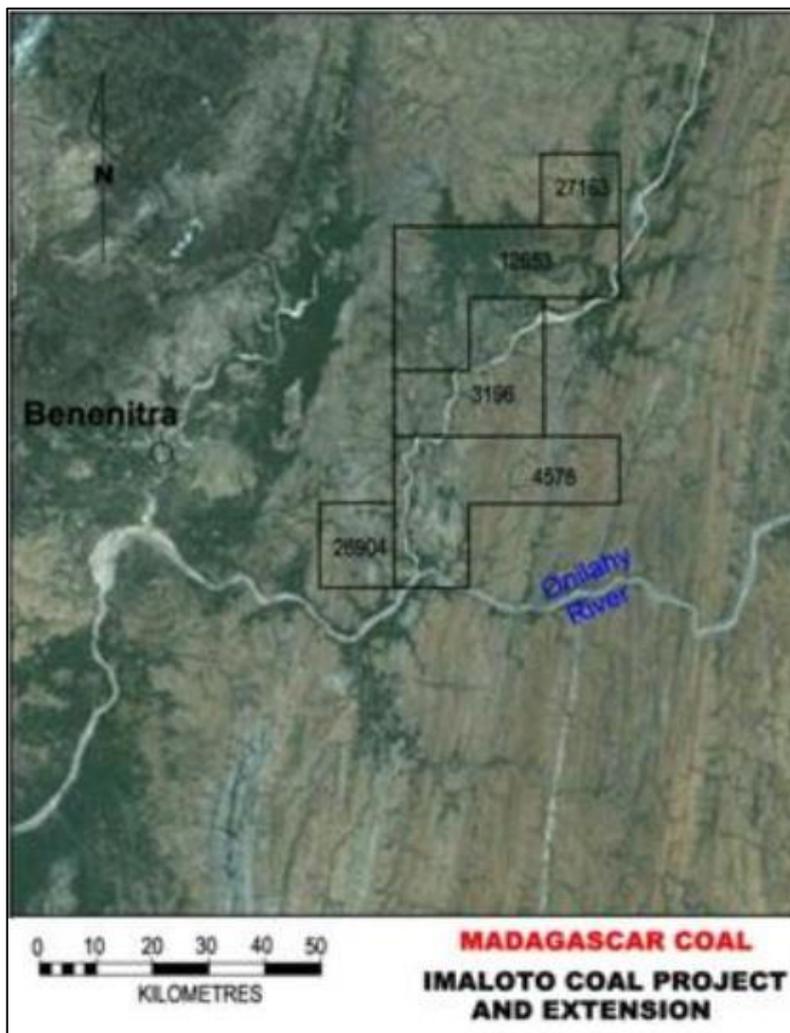
Note: Competent Person statements are listed in Section 2.8

#### 3.1 Introduction

The Imaloto Coal Project is located in the Imaloto Coal Basin, which is the northern-most coal field in the greater Sakoa Basin of southwest Madagascar. The Imaloto Coal Project area lies approximately 20km northwest of the town of Benenitra and 158km from the coastal city of Tulear, between the north-south flowing Imaloto River and the west-east flowing Onilahy River. The project is located within the Toliara Province of Madagascar.

The Project can be accessed from Tulear along the paved road to Antananarivo (Route 7) for 70km as far as the town of Andranovory; then by rural dirt roads for about 150km to Benenitra; and finally by dirt track for the last 15km to the site itself. Typical current travel time in the dry season is about seven hours. As far as Benenitra, all but one of the major rivers is crossed by sturdy, high-level, bridges; and a single river requires to be forded in the last section. In the rainy season, the track from Benenitra to site can be expected to be impassable for much of the time. The road from Benenitra to Andranovory may be subject to periodic closure (Wadley and Hall, 2011).

Figure 2 Imaloto Coal Project, after Lemur Resources Limited, 2011



### 3.2 Tenure

The Imaloto Coal Project area consists of five licences comprising one mining licence and four exploration licences with a total area of approximately 81.5km<sup>2</sup>. The licence details can be found in

Table 16 at the end of this report.

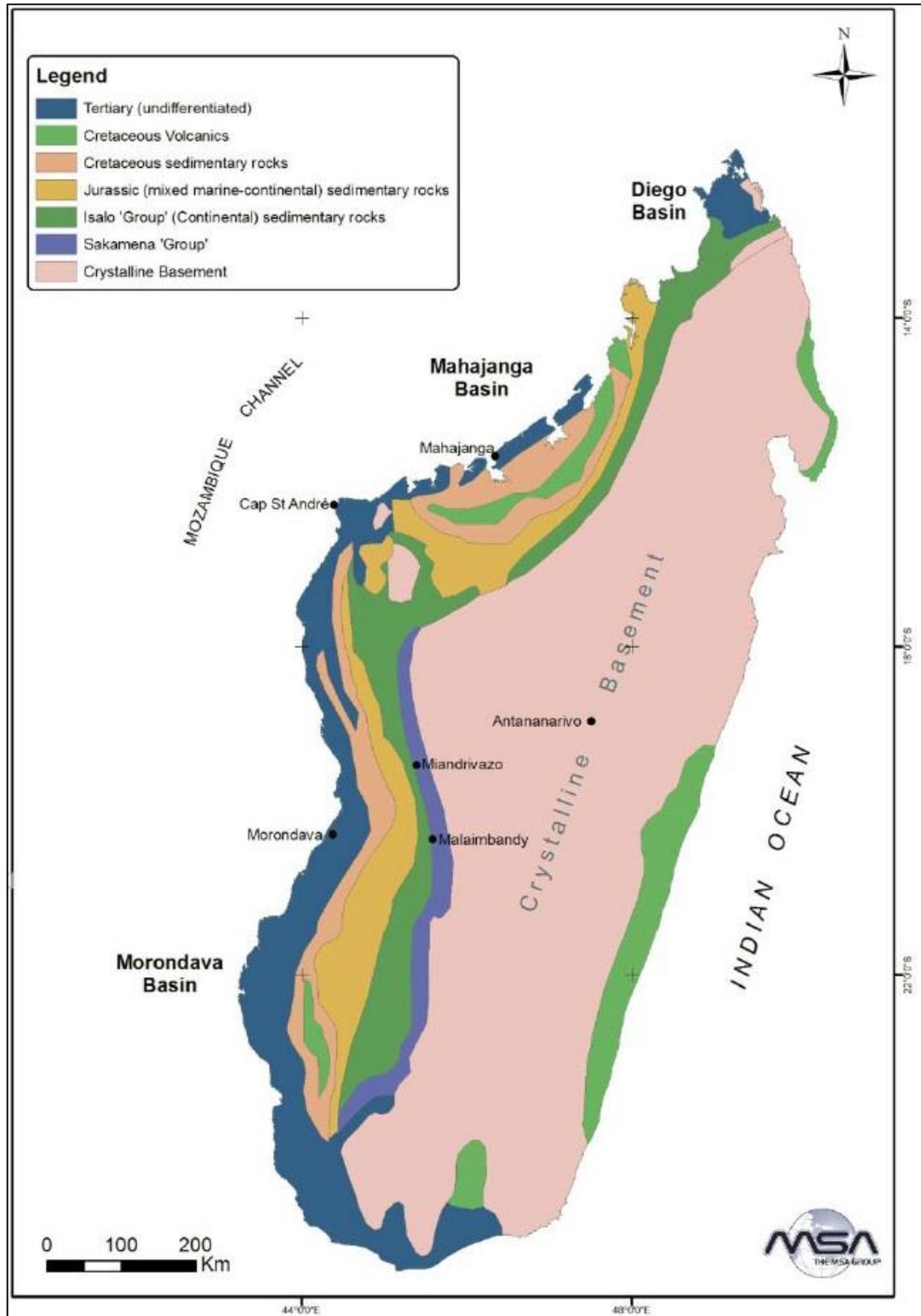
### 3.3 Regional Geology

Madagascar comprises a fragment of the African Plate, rifted from the vicinity of Tanzania at the time of the breakup of Gondwana some 200 million years ago. The eastern two-thirds of Madagascar is composed of Precambrian basement complex of Archaean to Neoproterozoic age (the Malagasy Shield). Unconformably overlying the crystalline rocks of the Malagasy Shield is a sequence of Upper Palaeozoic to Middle Mesozoic sedimentary units. These unmetamorphosed sedimentary units comprise the western third of the country and are dominated by the Karoo Supergroup, so named due to its similarity and correlation to the Karoo Supergroup in South Africa. Various components of the Karoo sedimentary units host the bulk of known coal occurrences in Madagascar.

Madagascar is interpreted as having undergone several periods of structural deformation in the mid-Proterozoic to early Paleozoic; this process was associated with the intrusion of granite and later pegmatite. A major resultant feature of this deformational process is the northwest-southeast striking Bongolava - Ranotsara Shear Zone, which truncates the Malagasy Shield. Subsequent rifting associated with the separation of India and Madagascar in the late Mesozoic resulted in numerous volcanic events. A regional geological map of Madagascar is provided as Figure 3 (Malagasy Minerals, 2012).



Figure 3 Geology of Madagascar, after Wadley and Hall, 2011



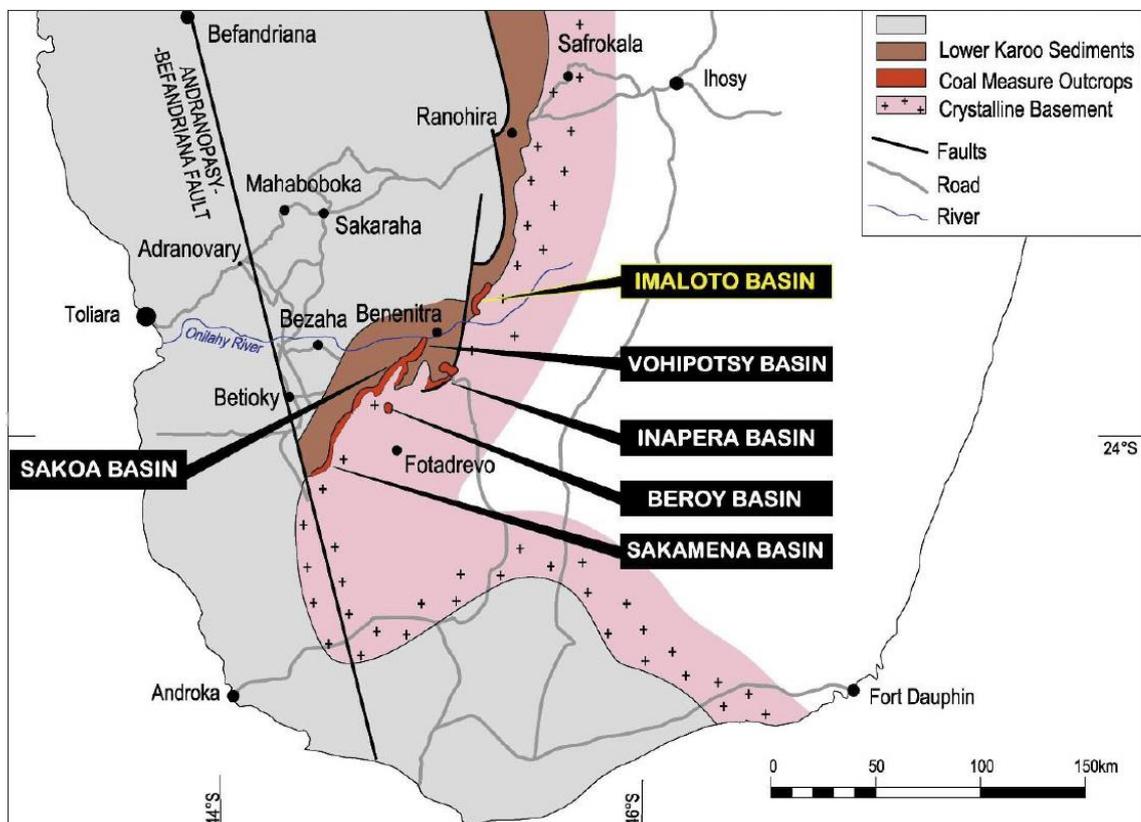
Depositional sequences equivalent to the Permian Karoo Supergroup of continental Africa are found along the entire western and northwestern coast of Madagascar. They are generally subdivided into the Morondava Basin, the Mahajanga Basin and the Diego Basin (Morel, 2008). The coal deposits of Madagascar are contained in the southern most of three large



sedimentary basins, which developed in association with the separation of Madagascar from the northeast African mainland. This separation occurred in Permian to Jurassic times as part of the break-up of Gondwana (Wadley and Hall, 2011). The succession is subdivided into three lithostratigraphic units, which in ascending order are the Sakoa Group, the Sakamena Group and the Isalo Group. The Sakoa and Sakamena Groups are time equivalents of the Karoo Supergroup on the African continent and were deposited in individual graben structures. The sequence commences with glacial deposits, which are overlain by a coal bearing succession of fine-grained clastic sedimentary rocks. The succeeding sedimentary strata rest in some places disconformably on the latter or overstep onto basement. The overlying Jurassic Isalo Group drapes across the Permian sequence. The Isalo Group consists predominantly of coarse-grained sandstones deposited by braided streams with the coarse detritus derived from a structural uplift in the east (Wescott and Diggins, 1998).

The coalfields of Madagascar occur within six elongated fault bounded sub-basins along the southern and southeastern margin of the Morondava Basin (Morel, 2008). From south to north the principal sub-basins are Sakamena, Beroy, Inapera, Sakoa, Vohipotsy and Imaloto for a total distance of approximately 150km (Figure 4).

**Figure 4** Simplified Regional Geology for the Coal Basins of Southwest Madagascar, after Wadley et al., 2011



### 3.4 Local Geology

The Imaloto Coalfield is situated in the northernmost part of the Morondava basin, and the stratigraphy as documented in the Imaloto exploration programs generally corresponds with the sequence stratigraphy as described in the literature (Erasmus, 2013).

Approximately 50km<sup>2</sup> or two-thirds of the tenement area is underlain by Karoo Sequence sedimentary rocks, including Permian sedimentary rocks of the Coal Measures Formation of the Sakoa Group. The strata in this sub-basin dips to the north, and is faulted into discrete structural blocks. The faulting has a north-south orientation. The sedimentary package thickens to the north, with the sandstones, mudstones and siltstones of the Red Series and the Vohitolia Limestone Formations sequentially overlying the Coal Measures Formation. The



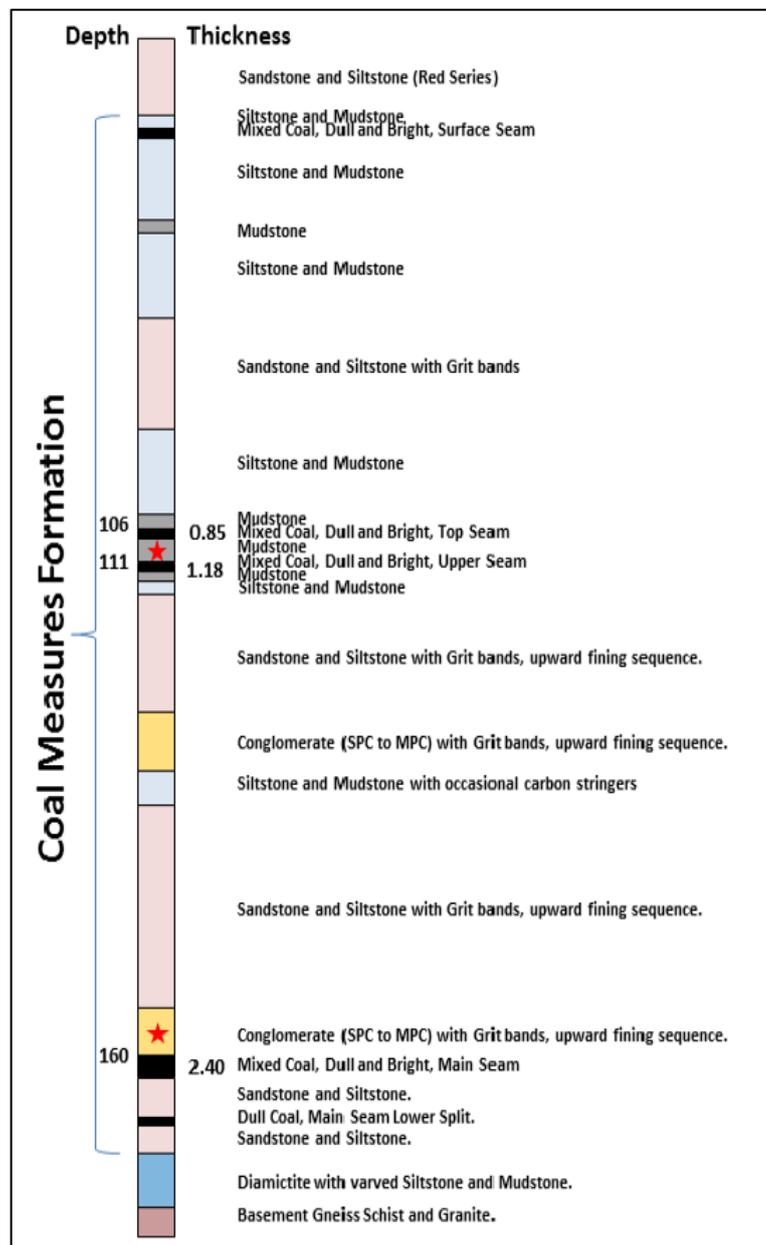
coal bearing sedimentary rocks rest conformably on glacial sediments. The underlying basement consists of gneisses, schists and granites of Precambrian age.

The coal measure stratigraphy defined by the Imaloto exploration programs includes from the base upwards the following seams;

- Main Seam Lower Split
- Main Seam
- Upper Seam
- Top Seam
- Surface Seam

The complete stratigraphy including the location and thickness of these coal seams is provided as Figure 5. Towards the north, the surface topography is elevated and the younger Red Series Formation sedimentary rocks overly the Coal Measures Formation, while in the south the Coal Measures Formation outcrops.

**Figure 5** General Coal Stratigraphy for the Imaloto Project



Interpretation of drilling logs produced correlations of the three seams across the field. Independent review by Wadley and Hall (2011) of an initial drilling interpretation found the correlations to be robust and credible, with support from reliable marker horizons, including the footwall and hanging wall sandstone and a persistent conglomerate unit above the main seam.

The average depth of weathering is approximately 10m.

The local geology is characterised by northerly trending sub-vertical faults which have broken the sub-horizontal strata into fault blocks downthrown to the west as illustrated in Figure 6. These blocks were defined during resource modelling (refer Section 3.7.2). Block 1 is near horizontal, dipping to the north at less than 1°. The relative displacement between Blocks 2 and 3 varies between 30 and 40m. Block 2 dips to the north at 1°. Block 3 dips to the west-northwest at 2°. The vertical separation between blocks 3 and 4 is also 30m. The strata in Block 4 dip to the north at less than 1°. The coal seams are shallower in the southern parts and deeper in the northern areas (Erasmus, 2013). The relative elevation difference between Blocks 4 and 5 is estimated to be 25m, with other fault throws estimated between 20m and 110m. The extent of the estimated displacement of these faults will effectively divide the coal resource into separate elongate mining blocks.

The Main Seam Lower Split occurs on average 11.5m below the Main Seam. The Surface Seam occurs on average 40m above the Top Seam. These two seams are on average less than 30cm in thickness and hence are not considered to be of economic significance. Two important marker horizons useful for correlation and structural interpretation are the small to medium sized pebble conglomerate occurring immediately above the Main Seam and the mudstone and carbonaceous rocks that constitute the Top and Upper Seam package (Erasmus, 2013).

The Main Seam maintains a potentially mineable thickness (0.4 to 4.4m) across most of the basin. It is thinnest in the south and west, thickening markedly towards the north. It varies in depth below surface from outcrop in the south and east to over 220m depth in the north. It is overlain by a predominately sandstone zone over 40m in thickness separating it from the overlying Upper Seam. The immediate hanging wall and footwall of the Main Seam are both laterally persistent sandstone units, with generally sharp top and bottom contacts. Sandstones typically provide favourable floor and roof lithologies in terms of underground rock mechanics. In some areas along the margin of the basin, the Main Seam is absent due to non-deposition or erosion. Geological logs describe the Main Seam as comprising intermediate to bright or dull coal commonly characterised by mudstone or siltstone intercalations. Calcite veining is ubiquitous with rare chalcopyrite and pyrite nodules noted (Wadley and Hall, 2011).

Approximately 50m higher in the stratigraphy, a coal zone 7 to 14m thick contains two distinct but thin coal seams named the Upper Seam and the Top Seam. The remainder of the zone comprises shale and mudstone intercalations with other minor lenticular coal seams. This zone is only preserved in the northern half of the project area due to the effects of recent erosion stripping off this portion of stratigraphy. The average thickness of the Upper Seam is 1.36m, while the average thickness of the Top Seam is 0.81m. The inter-burden or parting separation of the two seams is an average of 5.21m (Wadley and Hall, 2011).

## **3.5 Exploration**

### **3.5.1 Historic Exploration**

The occurrence of coal in the Imaloto Basin has long been known from surface mapping. In a 1987 report describing the coal resources of Madagascar (UNDPI-World Bank 1987) references were made to work dating back to the 1950s: “The four coal seams were described in 1954 as mainly carbonaceous mudstone. A later report (1957) describes one seam with an average thickness 1m, as having 15% raw ash.” These references were however not cited.

In a 1984 report, BP Coal noted that the Imaloto Basin was prospective for shallow coal because of known coal outcrops and that the coal bearing formations were shallower and more gently dipping here than in the southern Sakoa basin. The following year BP Coal undertook a surface exploration program consisting of trenching and sampling coal outcrops along the edges of the basin in collaboration with OMNIS, an agency of the government. The program confirmed the existence of coal in surface trenches (although weathered) with



thicknesses up to 2m, giving encouragement for potential economic coal deposits existing down dip. However, no drilling was undertaken to follow up these results (Uranio, 2008).

Wadley and Hall (2011) reported the existence of an old adit into the Main Seam of unknown origin, with no mapping or data available from this underground mining.

### 3.5.2 Diamond Drilling

Coal Mining Madagascar SARL (CMM) commenced exploration in the area in 2008 with a detailed interpretation of high resolution satellite imagery and airborne magnetics, which concluded that drilling was warranted and recommended ground-based mapping. Limited mapping was undertaken which confirmed the satellite interpretation, but detailed mapping remained incomplete until 2011.

The Phase 1 exploration program commenced after the final granting of all the Mining and Prospecting Rights in February 2009. The initial planning of the first phase of exploration included drilling 36 boreholes spaced on a 1km grid over the whole area underlain by Permian Age sedimentary rocks. Drilling was managed in-house and was manned by Indonesian operators. CMM established a tented camp on the western bank of the Imaloto River. This property was equipped as an exploration base and all the field activity, logging of core and sampling of core was managed from this base camp.

Following positive results from Phase 1, further programs of exploration were designed to provide closer spaced drill data and more detailed and comprehensive analytical data. The boreholes were initially spaced on an approximate 1,000 x 1,000m grid, which was subsequently reduced to approximately 300m. The subsequent second and third phases of exploration were again managed in-house and included the drilling of an additional 123 boreholes. Drilling occurred in three phases from March 2009 until October 2009 (Phase 1), August to December 2011 (Phase 2) and April 2012 to December 2012 (Phase 3). The main emphasis of the exploration program was to focus on the Main Seam, due to its greater thickness and better quality coal.

Mr Johan Erasmus, an external independent consultant, has taken responsibility as Competent Person for the exploration data and mineral resource estimation. He was present on site for four periods of approximately 10 days each during the execution of the Phase 2 and 3 drilling programs. Drilling and recovery of core on this site is verified by him. He reported witnessing the drilling first-hand on site, and also witnessing the sampling and dispatching of samples from the exploration camp in Imaloto via Tulear, to the coal laboratory (M&L Inspectorate) in Middelburg in South Africa.

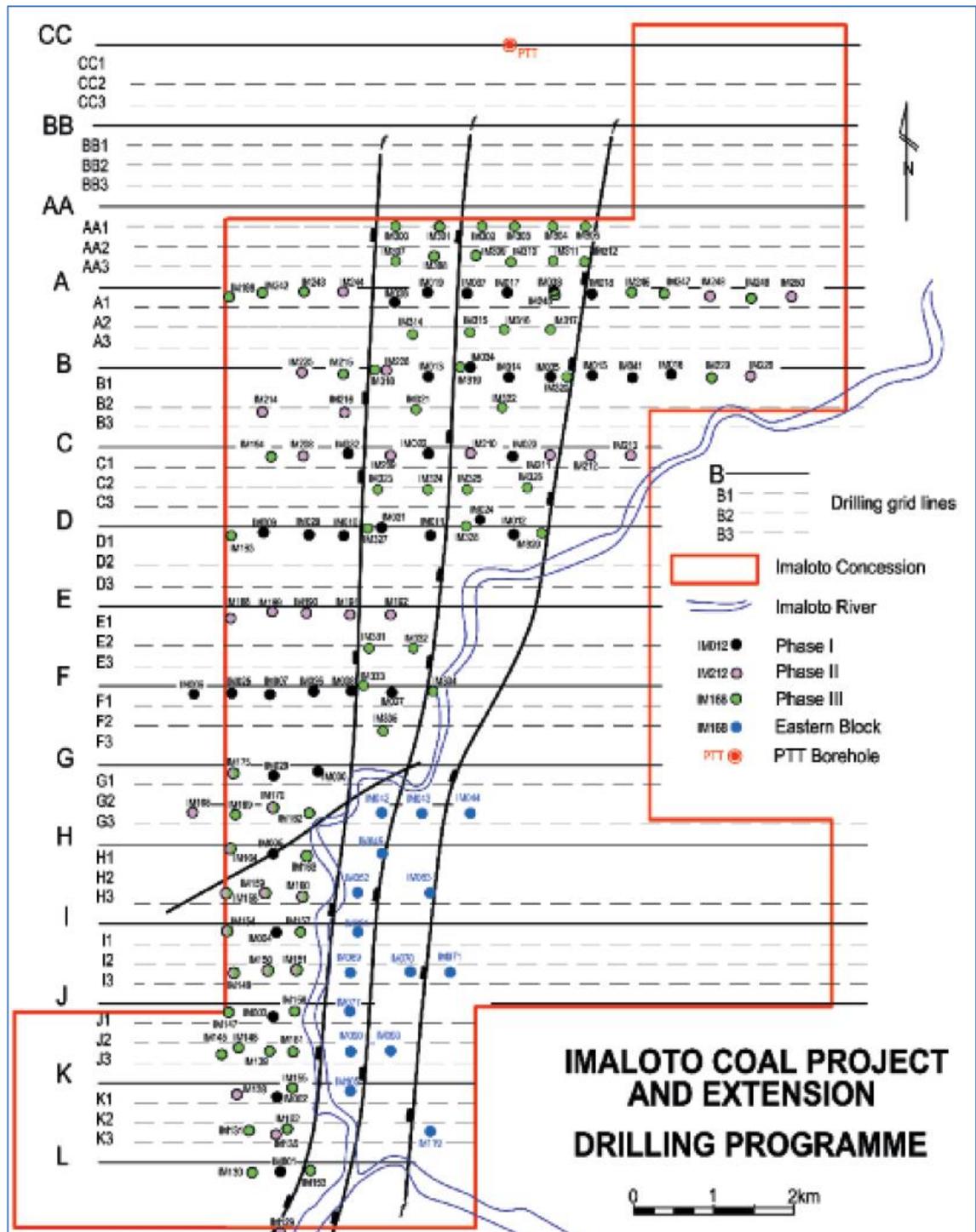
Drilling recoveries were good. Three holes were re-drilled because recoveries were below 97% in the coal seams. The measured recoveries were acceptable and within the required standard. The 159 boreholes were drilled producing 19,572m of core giving an average depth per hole of 122m. The maximum depth drilled was on borehole IM244 at 389.5m. The seams were sampled as units, which were defined by high resolution sampling during the first phase of drilling (Erasmus, 2013 and Lemur, 2013).

The coal resource is estimated on the basis of the 159 boreholes that were drilled between February 2009 and December 2012 (Figure 6). Since the resource orientation is near horizontal, all the drilling was planned to be vertical. Mr Erasmus undertook a random check on borehole orientation which showed the audited holes to vary between -89.0° and 88.94°. All of the boreholes were drilled with two similarly equipped Boart-Longyear LF 70 rigs. These rigs are the property of LMR and are staffed by Indonesian operators. All drilling was cored diamond drilling and was drilled in HQ size producing a recovered core of 63.5mm in diameter. This size core produces a sample mass of 4.75kg of coal per running metre at a default density of 1.500t/m<sup>3</sup>. All drilled boreholes were surveyed after the completion of drilling by Mada Topo, a Madagascan survey company. All coordinates were supplied in WGS84 and UTM 38S format. All the collar elevations were reported as metres above mean sea level.

During the first phase of the project (first 36 boreholes), sampling was detailed and included the sampling of non-coal roof and floor sedimentary material. The core was split in half, and sent to the laboratory for analyses and the remaining half was retained on site. Phase 2 and 3 boreholes were sampled as full core with lithological contacts as sample boundaries. The minimum seam width for sampling is 30cm. All the residue material is in the custody of the laboratory for future analyses.



Figure 6 Imaloto coal project drilling program



### 3.6 Coal Quality

Calculating the actual usefulness of coal as a fuel requires determining its proximate and ultimate analysis. The quality of the three principal seams at Imaloto have been determined from the submission of samples for proximate analysis and the estimation of calorific value and total sulphur content. Results from Phase 1 drilling indicated that the Main Seam contains 18.9Mt of coal amenable to open cast mining of sufficiently good quality to warrant the execution of a series of float and sink tests to ascertain the potential quality enhancement that would be derived from beneficiation (Wadley and Hall, 2011).

Analyses were performed on 391 samples, covering the three phases of drilling. The laboratory used for sample analyses is M&L Inspectorate in Johannesburg, South Africa. The samples were bagged and tagged in the field, and taken by road to Tulear in Madagascar. From Tulear, the samples were shipped by DHL to Johannesburg by air freight. The following analyses were requested as a standard on all samples:

- Sample preparation
- As received density
- Screening out < 0.5mm, ISO 1953
- Sink and float analyses, ISO 7936
- Sulphur % content per float and final sink, C030-402-W (Based on ASTM:D4239)
- Moisture % content per float and final sink, C030-403-W (Based on SANS 5925)
- Volatile % content per float and final sink, C030-404-W (Based on ISO 562)
- Ash % content per float and final sink, C030-401-W (Based on ISO 1171)
- Free swelling index per float below 1.400t/m<sup>3</sup>, ISO 540
- Gross CV(MJ/kg) per float and final sink, C030-405-W (Based on ISO 1928)

Results of the coal quality test work have been released in a series of market announcements and technical reports, most recently Lemur (2012), Erasmus (2013) and Lemur (2013). Table 3 summarises the number of core samples by seam that have undergone proximate analysis (after Lemur, 2012).

**Table 3 Samples Submitted for Proximate Analysis by Seam and Batch**

Core samples that have undergone wash table analysis:	Phase I & II 2009	Batch 1	Batch 2	Batch 3	Batch 4	Phase III Batch 5	Batch 6	Batch 7	Batch 8	Batch 9	Sub-Total	Project to date Total
Total												
Surface Seam	0	0	0	0	1	0	0	0	0	1	2	2
Main Seam	39	12	5	6	4	21	4	2	1	46	101	140
Top seam	22	0	6	5	5	0	7	3	1	26	53	75
Upper Seam	24	0	6	7	5	0	7	2	1	27	55	79
Lower Seam	0	0	0	1	1	7	2	0	0	1	12	12
Sub-coal intersections	83	0	0	0	0	0	0	0	0	0	0	83
	168	12	17	19	16	28	20	7	3	101	223	391

Tables detailing the compilation of analytical results on the main quality characteristics from the three main coal seams are provided in the section on mineral resources of this report. These results of coal quality test work are summarised in the sections below.



### 3.6.1 Main Seam Coal Quality

Erasmus (2013) reported “the Main Seam is anticipated to return a good quality raw feed for power generation with a CV of 20.74MJ/kg (ADB), an Ash content of 28.8%, and an elevated Total Sulphur value of 1.96%. If the Main Seam is to be considered for a 5,600kcal/kg NAR product, the cut-point density of 1.500t/m<sup>3</sup> will result in a product with an Ash content of 17.2%, Volatiles at 30.3%, Total Sulphur at 1.03% and a theoretical Yield of 66.1%.”

### 3.6.2 Top Seam Coal Quality

Erasmus (2013) reported “The Top Seam is anticipated to return a raw feed for power generation with a CV of 17.95MJ/kg (ADB), an Ash content of 36.9%, and an elevated Total Sulphur value of 2.10%. If the Top Seam is to be considered for a 5,600kcal/kg NAR product, the cut-point density of 1.400t/m<sup>3</sup> will result in a product with an Ash content of 14.1%, Volatiles at 31.9%, Total Sulphur at 1.03% and a theoretical Yield of 30.2%.”

### 3.6.3 Upper Seam Coal Quality

Erasmus (2013) reported “The Upper Seam is anticipated to return a raw feed for power generation with a CV of 15.70MJ/kg (ADB), an Ash content of 42.6%, and an elevated Total Sulphur value of 1.85%. If the Upper Seam is to be considered for a 5,600kcal/kg NAR product, the cut-point density of 1.400t/m<sup>3</sup> will result in a product with an Ash content of 16.4%, Volatiles at 32.9%, Total Sulphur at 1.23% and a theoretical Yield of 24.0%.”

### 3.6.4 Further Coal Quality Test Work

Petrographic studies, chemical analysis of coal ash, ash fusion tests, ultimate analysis (including carbonate, chlorine, phosphorus, iron and sulphur) for coal from the various seams at Imaloto has either not been undertaken, or the results are not available to Ravensgate. Therefore, no comments can be made by Ravensgate with regard to these aspects of coal quality.

## 3.7 Mineral Resources

### 3.7.1 Global Resource

On the 29 July 2014 LMR re-reported the Imaloto Coal Deposit in accordance with the JORC Code 2012. The resource estimate was unchanged to the estimate reported 28 March 2013 under the JORC Code 2004.

The estimated coal resource is contained in three seams and amounts to a gross tonnage in situ (GTIS) of 135.7Mt. This has been classified as 91.6Mt at Measured, 31.5Mt at Indicated, with the balance of 12.6Mt at the Inferred level of confidence. The current coal resource for the Imaloto coal project is provided in Table 4 below in summary form.

**Table 4 Imaloto Coal Resource (after Lemur Resources 29 July 2014)**

Seam	Resource Category Gross Tonnes In Situ (Millions)			Total
	Measured	Indicated	Inferred	
Main	50.8	8.4	4.2	63.4
Upper	23.1	12.7	5.3	41.1
Top	17.7	10.3	3.2	31.2
<b>Total</b>	<b>91.6</b>	<b>31.5</b>	<b>12.6</b>	<b>135.7</b>

*The resource has been compiled to an appropriate level of precision and minor rounding errors may occur*



Average Coal quality parameters for each seam comprising the reported resources shown here are reported on a 'raw' material basis.

Raw Main Seam parameters ('air dried basis') are:

- 28.1% ash, 40.7% fixed carbon, 1.98% sulphur, and a gross calorific value of 21.15MJ/kg.

Raw Upper Seam parameters ('air dried basis') are:

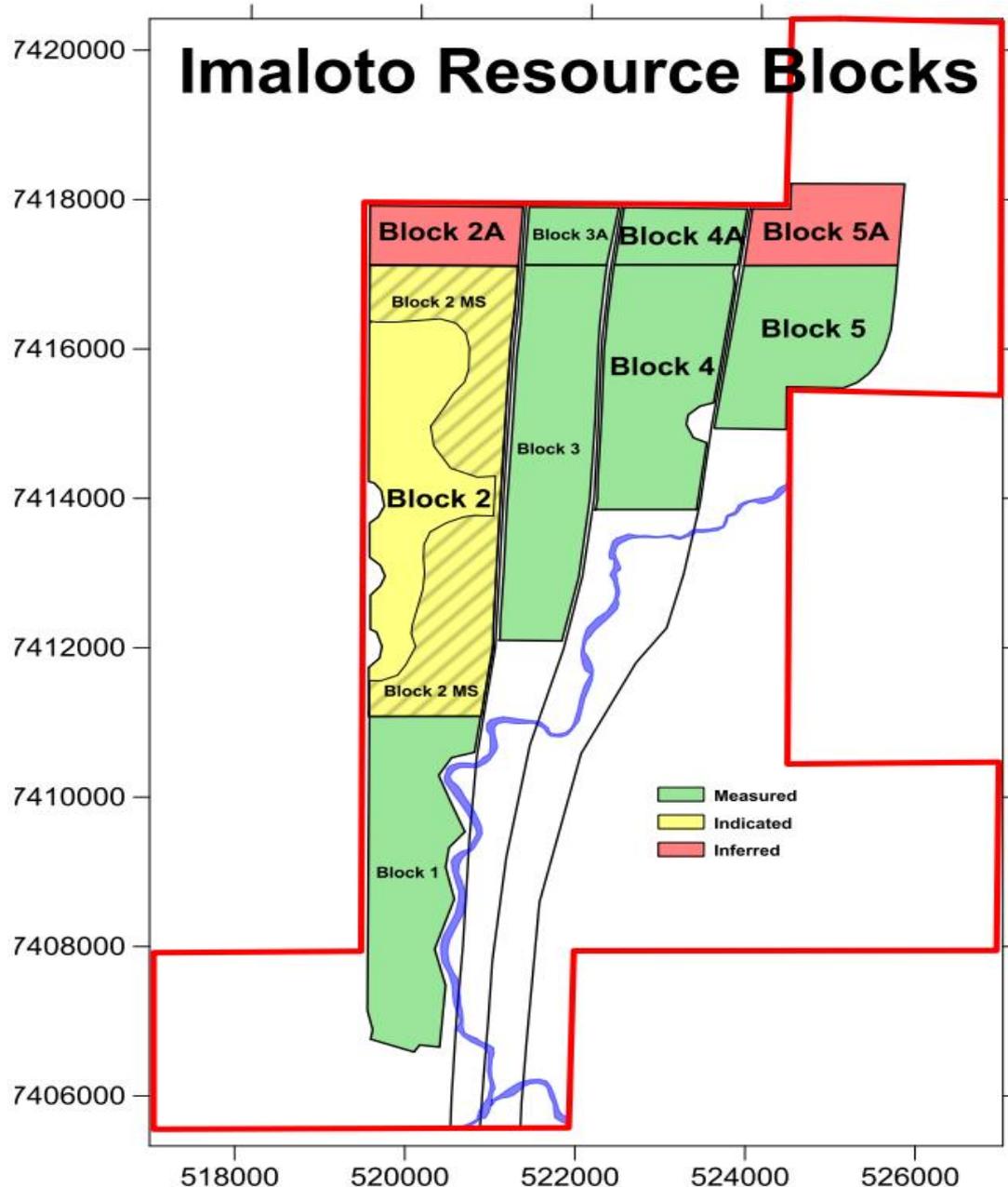
- 40.6% ash, 31.1% fixed carbon, 1.80% sulphur, and a gross calorific value of 16.59MJ/kg.

Raw Top Seam parameters ('air dried basis') are:

- 35.0% ash, 34.2% fixed carbon, 2.16% sulphur, and a gross calorific value of 18.68MJ/kg.

### 3.7.2 Detailed Resource Breakdown

Figure 7 Map of Imaloto Coal Project faults and resource blocks



**Table 5 Detailed Coal Resource - Imaloto Coal Project**

Block	Seam	Ply	Thick (m)	Area (m <sup>2</sup> )	Volume (m <sup>3</sup> )	Density	GTIS	Drill Grid	Confidence level	Geological Loss	TTIS
1	Main	Main	1.35	3940874	5320180	1.468	7.810	331	Measured	10	7.029
<b>Total</b>							<b>7.810</b>				<b>7.029</b>
2	Top	Top	0.98	6999660	6849535	1.509	10.336	519	Indicated	15	8.786
2	Upper	Upper	1.12	6999660	7839424	1.622	12.716	519	Indicated	15	10.808
2	Main	Main	1.90	2959047	5630147	1.500	8.445	519	Indicated	15	7.178
<b>Total</b>							<b>31.497</b>				<b>26.772</b>
3	Top	Top	0.88	4273073	3760304	1.539	5.787	371	Measured	10	5.208
3	Upper	Upper	1.07	4273073	4572188	1.590	7.270	371	Measured	10	6.543
3	Main	Main	2.85	4272813	12176950	1.467	17.864	371	Measured	10	16.077
<b>Total</b>							<b>30.920</b>				<b>27.828</b>
4	Top	Top	0.83	3761367	3121935	1.580	4.933	373	Measured	10	4.439
4	Upper	Upper	1.31	3761367	4927391	1.608	7.923	373	Measured	10	7.131
4	Main	Main	2.94	3357197	9863333	1.514	14.933	353	Measured	10	13.440
<b>Total</b>							<b>27.789</b>				<b>25.010</b>
5	Top	Top	0.72	3052761	2827001	1.598	4.518	424	Measured	12	3.975
5	Upper	Upper	1.12	2802195	3138458	1.590	4.990	406	Measured	12	4.391
<b>Total</b>							<b>9.508</b>				<b>8.367</b>
2A	Top	Top	0.50	1397766	698883	1.509	1.055	1182	Inferred	20	0.844
2A	Upper	Upper	0.75	1397766	1048325	1.622	1.700	1182	Inferred	20	1.360
2A	Main	Main	1.98	1397766	2767577	1.500	4.151	1182	Inferred	20	3.321
<b>Total</b>							<b>6.906</b>				<b>5.525</b>
3A	Top	Top	0.79	777559	614271	1.555	0.955	441	Measured	12	0.841
3A	Upper	Upper	0.80	777559	622047	1.631	1.015	441	Measured	12	0.893
3A	Main	Main	3.98	777559	3094683	1.510	4.673	441	Measured	12	4.112
<b>Total</b>							<b>6.643</b>				<b>5.846</b>

Block	Seam	Ply	Thick (m)	Area (m <sup>2</sup> )	Volume (m <sup>3</sup> )	Density	GTIS	Drill Grid	Confidence level	Geological Loss	TTIS
4A	Top	Top	0.87	1092459	950440	1.581	1.503	370	Measured	10	1.352
4A	Upper	Upper	1.06	1092459	1158007	1.620	1.876	370	Measured	10	1.688
4A	Main	Main	3.38	1092459	3692513	1.507	5.565	370	Measured	10	5.008
<b>Total</b>							<b>8.943</b>				<b>8.049</b>
5A	Top	Top	0.75	1795637	1346728	1.598	2.152	1340	Inferred	20	1.722
5A	Upper	Upper	1.25	1795637	2244546	1.590	3.569	1340	Inferred	20	2.855
<b>Total</b>							<b>5.721</b>				<b>4.577</b>
Gross Indicated Tonnage in Situ					31.497	Total Indicated Tonnage in Situ					26.772
Gross Measured Tonnage in Situ					91.613	Total Measured Tonnage in Situ					82.129
Gross Inferred Tonnage in Situ					12.627	Total Inferred Tonnage in Situ					10.102
Gross Total Tonnage in Situ					135.737	Total Tonnage in Situ					119.003
Gross Top Seam Tonnage in Situ					31.238	Total Top Seam Tonnage in Situ					27.167
Gross Upper Seam Tonnage In Situ					41.058	Total Upper Seam Tonnage In Situ					35.670
Gross Main Seam Tonnage In Situ					63.441	Total Main Seam Tonnage In Situ					56.166
Gross Main Seam Inferred Tonnage					4.151						3.321
Gross Main Seam Indicated Tonnage					8.445						7.178
Gross Main Seam Measured Tonnage					50.844						45.666

**Table 6 Weighted average coal quality for the Main, Top and Upper Seams**

Sample Mass	Wash R.D.	Moisture %	Ash %	Volatile %	F.C. %	Sulphur %	Gross C.V. MJ/kg	Yield %	DAVF	GAR kcal/kg @ 8% TM	NAR kcal/kg @ 8% TM
<b>Main Seam - Cumulative Results (Air-dried Base)</b>									<b>Calculated</b>		
99728	F1.35	5.0	12.1	34.1	48.8	1.05	27.42	21.2	41.1	6345	6105
170294	F1.40	5.0	14.0	32.7	48.3	0.99	26.69	40.9	40.4	6176	5936
232788	F1.50	5.0	16.8	30.4	47.8	0.95	25.60	67.4	38.9	5921	5681
118038	F1.60	5.0	19.3	29.1	46.6	0.99	24.68	78.6	38.5	5706	5465
57101	F1.70	4.9	20.9	28.7	45.5	1.01	24.02	84.2	38.7	5549	5308
30708	F1.80	4.9	22.3	28.2	44.6	1.07	23.50	87.8	38.7	5428	5187
13069	F1.90	4.8	23.5	28.0	43.7	1.03	23.23	90.6	39.1	5362	5121
65804	S1.90	4.6	28.2	26.7	40.6	2.00	21.13	100.0	39.6	4866	4625
39477	< 0.5	4.8	26.8	26.4	41.9	1.67	21.38		38.7	4935	4694
827007	Raw	4.6	28.1	26.7	40.7	1.98	21.15		39.6	4870	4628
<b>Top Seam - Cumulative Results (Air-dried Base)</b>									<b>Calculated</b>		
25390	F1.35	5.5	11.2	35.1	48.2	1.06	27.32	19.4	42.1	6354	6114
28992	F1.40	5.4	13.9	34.2	46.5	1.02	26.44	31.4	42.4	6142	5902
52694	F1.50	5.2	18.8	32.0	44.0	1.07	24.78	57.0	42.2	5745	5504
40424	F1.60	5.1	22.5	30.4	42.0	1.16	23.52	74.9	42.0	5445	5204
13869	F1.70	5.0	23.8	30.0	41.3	1.23	22.98	78.3	42.1	5313	5071
6410	F1.80	4.9	24.7	29.5	40.8	1.26	22.62	81.7	42.0	5230	4988
4697	F1.90	4.9	25.8	29.3	40.1	1.15	22.51	85.8	42.2	5199	4958
31836	S1.90	4.6	35.1	26.1	34.2	2.19	18.67	100.0	43.3	4302	4059
11609	< 0.5	4.8	33.2	26.2	35.7	1.76	18.78		42.3	4337	4094
215921	Raw	4.6	35.0	26.1	34.2	2.16	18.68		43.3	4304	4061

Sample Mass	Wash R.D.	Moisture %	Ash %	Volatile %	F.C. %	Sulphur %	Gross C.V. MJ/kg	Yield %	DAVF	GAR kcal/kg @ 8% TM	NAR kcal/kg @ 8% TM
Upper Seam - Cumulative Results (Air-dried Base)									Calculated		
16699	F1.35	5.3	12.5	33.9	48.3	1.25	26.90	11.8	41.2	6239	5999
47410	F1.40	5.2	15.9	33.3	45.6	1.12	25.68	25.2	42.3	5952	5711
90377	F1.50	5.1	20.1	31.8	42.9	1.16	24.22	53.3	42.6	5609	5368
41607	F1.60	5.0	22.1	31.0	41.9	1.24	23.47	63.5	42.5	5428	5187
21485	F1.70	4.9	23.9	30.1	41.1	1.24	22.86	69.9	42.3	5280	5039
14054	F1.80	4.7	25.8	29.4	40.2	1.25	22.24	74.2	42.2	5127	4885
8294	F1.90	4.8	27.1	29.2	39.0	1.12	21.91	79.1	42.8	5056	4815
76277	S1.90	4.1	40.6	24.2	31.0	1.82	16.56	100.0	43.8	3797	3554
19040	< 0.5	4.5	39.1	23.9	32.5	1.48	16.97		42.5	3905	3662
335243	Raw	4.2	40.6	24.2	31.1	1.80	16.59		43.7	3803	3560

A detailed breakdown by area block and incorporating tabulations for seam, thickness, area, volume, density, GTIS, drill grid, confidence level, geological loss and TTIS is presented as Table 5. Figure 7 is provided to illustrate the location of the area blocks into which the resource has been divided as part of the resource estimation process. This map also shows the location of each borehole, the river and the tenement boundary. Table 6 details the results of coal quality testing, providing the weighted average coal quality for the Main, Top and Upper Seam in terms of sample mass, wash RD, moisture, ash, volatile, FC, sulphur, gross CV, yield, NAR, calculated DAVF and GAR NAR.

From more detailed previous reporting carried out in January 2013 it was observed that the analytical coal gross specific energy content (Air Dried Basis) reported at that time for the Main Seam is 20.74MJ/kg and for the for the Top Seam is 17.95MJ/kg which could then be classified as *medium energy* thermal coal in their raw form and for the Upper Seam the specific energy content is 15.70MJ/kg which can be classified as *low energy* coal.

For comparison, Typical Queensland *high energy* Production Thermal coals range from 21-32MJ/kg and Indonesian INDO A, B and C grades are in the order of 25, 23 and 19MJ/kg, respectively.

Sulphur levels are at moderate levels and range from 1.03% for Main Seam, 2.10% for the Top Seam and 1.50% for the Upper Seam. (For comparison Typical Queensland *high energy* Thermal coals range from 0.3-1.3% sulphur and Indonesian INDO A, B and C grades are typically less than 1% sulphur).

Ash contents are 17.2% for the Main Seam, 14.1% for the Top Seam, and 16.4% for the Upper Seam. This compares with Queensland Production Coals which have ash contents ranging from 8-20% on an 'air dried basis'; whilst Indonesian Coals, as shipped, typically have an ash levels ranging up to 15%.

LMR has carried out a series of test work on material for each seam to evaluate the potential to upgrade seam products.

The Main Seam with a *single stage wash* is seen to have coal quality improved significantly. Ash content decreases from 40.7% down to 17.0% and the calorific value increases from 21.15MJ/kg to 23.55MJ/kg.

The Top Seam, similarly with a *single stage wash*, is seen to have coal quality improved significantly. Ash content decreases from 35.0% down to 19.0% and the calorific value increases from 18.68MJ/kg to 22.65MJ/kg.

The Upper Seam material when subjected to a *single stage wash* is seen to have coal quality improved significantly. Ash content decreases from 40.6% down to 20.3% and the calorific value increases from 16.59MJ/kg to 22.19MJ/kg.

### 3.7.3 Minor Coal Seams

Several thinner seams are present in the Coal Measures Formation including the Surface Seam and the Main Seam Lower Split. Both these seams average less than 30cm in thickness and were therefore not considered to be economically feasible from an exploitation perspective and were thus excluded from the resource estimation (Lemur, 2013).

### 3.7.4 Resource Estimation Methods and Assumptions

The resource estimation was undertaken by Mr Johan Erasmus of Sumsare Consulting CC, an external independent consultant, who has taken responsibility as Competent Person for the mineral resource estimation. The estimate was publicly reported by LMR on 29 July 2014.

The coal resource is estimated on the basis of the 159 boreholes which provided 19,572m of core. The average drilling density comes to one borehole per 424m<sup>2</sup> for the total deposit. The coal seams were sampled using high resolution sampling during the first phase of drilling which defined units which were sampled in the second and third phases of drilling. Samples were tested for coal quality as described in Section 3.6.

The bulk densities were derived from laboratory raw density determinations which were weighted for sample mass calculated for each seam. Densities used for the resource estimation range from 1.47 to 1.51t/m<sup>3</sup> and are within the expected range given the ash content reflecting the higher density *stone discard* observed during washing tests.



A geological model was created by breaking the resource area down into resource blocks based on a series of north trending vertical faults (refer Section 3.5.2). For resource modelling and volume estimation, Erasmus has used a calculation of volume between seam roof and floors using Surfer Software (version 10.7.972). This method of seam volume in Ravensgate's opinion is adequate. A seam minimum cut-off thickness of 0.50m was applied to the Top and Upper Seams for resource reporting. Adjustment for true calculation thickness was not necessary, given the observed gentle coal seams dips of 1-3 degrees, the drill holes being close to vertical and also because the between surface volume estimation method uses true elevations to generate the roof and floor grid surfaces containing the seam volume. The topographic surface used at Imaloto was derived from a Government issued topographic map with 5m contours. The Top and Upper Seams span the central and northern Imaloto concessions and in the central area the seams sit at an average depth of 75m with an average thickness of 0.85m, therefore giving them the potential to be mined using open-cut methods. The seams tend to increase in thickness as they deepen towards the north. In the northern concession, the seams sit at an average depth of 125m, with an average thickness of 0.99m. The Top and Upper Seams are separated on average by a parting of 5.5m.

A gridded surface was generated for the roof and floor of each individual seam per resource block. The modelling algorithm used was inverse distance squared. The lateral continuity of the grid surface was limited by a blanking file. Blanking file boundaries are fixed by structure, seam thickness limits, physical boundaries (river course, weathering, sub-outcrop) and lease limits. The seam thickness limits are 0.5m for the Top and Upper Seams and 1.4m for the Main Seam. For Block 1 the Main Seam cut-off was 1.0m due to the relatively shallow geometry.

Geological loss was assigned on a sliding scale according to the level of confidence in the resource estimation. Essentially it was a measure of drilling density and reduced potential variability in seam geometry. The following geological losses were applied per resource category; Measured resource - 10 to 12% geological loss; Indicated resource - 15% geological loss; and Inferred resource - 20% geological loss.

### **3.7.5 Comments about the Resource Estimation**

It is not clear whilst reviewing LMR's reporting information whether the coal quality data at localised borehole points of observation have been applied to specific areas in order to more accurately account for spatial variation of coal quality access to a given seam. This sort of information in a resource model would be of some benefit when considering future pit planning and mine production schedules as well as assisting with any decision making related to coal shipment blending.

The resource classification approach used the average grid spacing to assign the appropriate level of confidence. Measured resources were assigned with grid spacing's of typically less than 500x500m. Indicated resources used typical grid spacing's of greater than 500x500m and less than 800x800m. Inferred resources were assigned for grid spacing's greater than 800x800m and out to 1,340m. Ravensgate's opinion is that this approach to resource classification is appropriate and in line with the JORC Code 2012 guidelines.

As reported by LMR, the Upper and Top Seams contain 72.3Mt for 53% of the total Imaloto Coal Resource. A significant proportion of the Upper and Top Seams are in the Measured and Indicated categories and given the seams are sited at average depths from 75 to 125m below surface, there is the potential for them to be mined using open-cut methods.

A more accurate topographic surface perhaps using LiDAR will be of benefit in refining any future pit optimisation and mine planning studies.

### **3.8 Mining and Associated Studies**

In September 2013 LMR announced the results of three separate scoping studies that it had been undertaking in relation to Mining, Infrastructure & Land Logistics and Port. The objective of these scoping studies was to understand the operating, capital and process requirements in order to commence an economically viable mining operation producing up to 1Mtpa of saleable export product and 400Ktpa of saleable domestic product from Imaloto. A brief summary of these scoping studies have been provided below.



The results of the scoping studies have been used by Hindsight Financial and Commercial Solutions (Pty) Ltd to construct a financial model, using a life of mine export price of US\$3.40 per GJ, equating to US\$81 per tonne. An overview of the scoping study is as follows:

- 21 year life of mine
  - First 10 years being opencast and providing feedstock to power station at 400Ktpa
  - Underground operations expected to commence in year 11 and ramping up to 1.5Mtpa ROM (1Mt of export product and 0.5Mt of power station product)
- 25.5Mj/kg export product and low grade residual product for power generation
- Export sales targeted at 1Mtpa, starting in year 11
- Low initial Capex of US\$11.9M, with modular scaling of project in second phase:
  - Phase 1: Capex of US\$9M in years 0 to 2 with 0.5Mtpa ROM production
  - Phase 2: Capex of US\$81M in years 10 to 12 with ramp up to 1.5Mtpa ROM production
- NPV of US\$36.2M (10% discount rate) achieved in scoping study released in September 2013 and subsequent optimisation work led to an estimated NPV of up to US\$49M.

It should be noted that the scoping studies are:

- Based on lower-level technical and economic assessments, and are insufficient to support estimation of Ore Reserves or to provide assurance of an economic development case at this stage, and also insufficient to provide certainty that the conclusions of the scoping studies will be realised. There is a low level of confidence associated with the mineral resources and there is no certainty that the production target itself will be realised;
- Contain scoping study results and production targets which are preliminary in nature. The life of mine (LOM) run of mine (ROM) production target of 21Mt is based on the exploitation of the Measured and Indicated portions only of the JORC mineral resource. The Measured and Indicated portions represent 91% of the resource equating to a total 123Mt;
- Contains outputs relating to 100% of the project; and
- Contains cash flows which, unless otherwise stated are in US dollars which are undiscounted and are not subject to inflation/escalation factors and all years are calendar years.

### 3.8.1 Mining Scoping Study

The mining scoping study was prepared by Badger Mining & Consulting (Pty) Ltd. The objective of the study was to provide a high level indication on the viability of early stage production based on an initial 1Mtpa of saleable export product from the project.

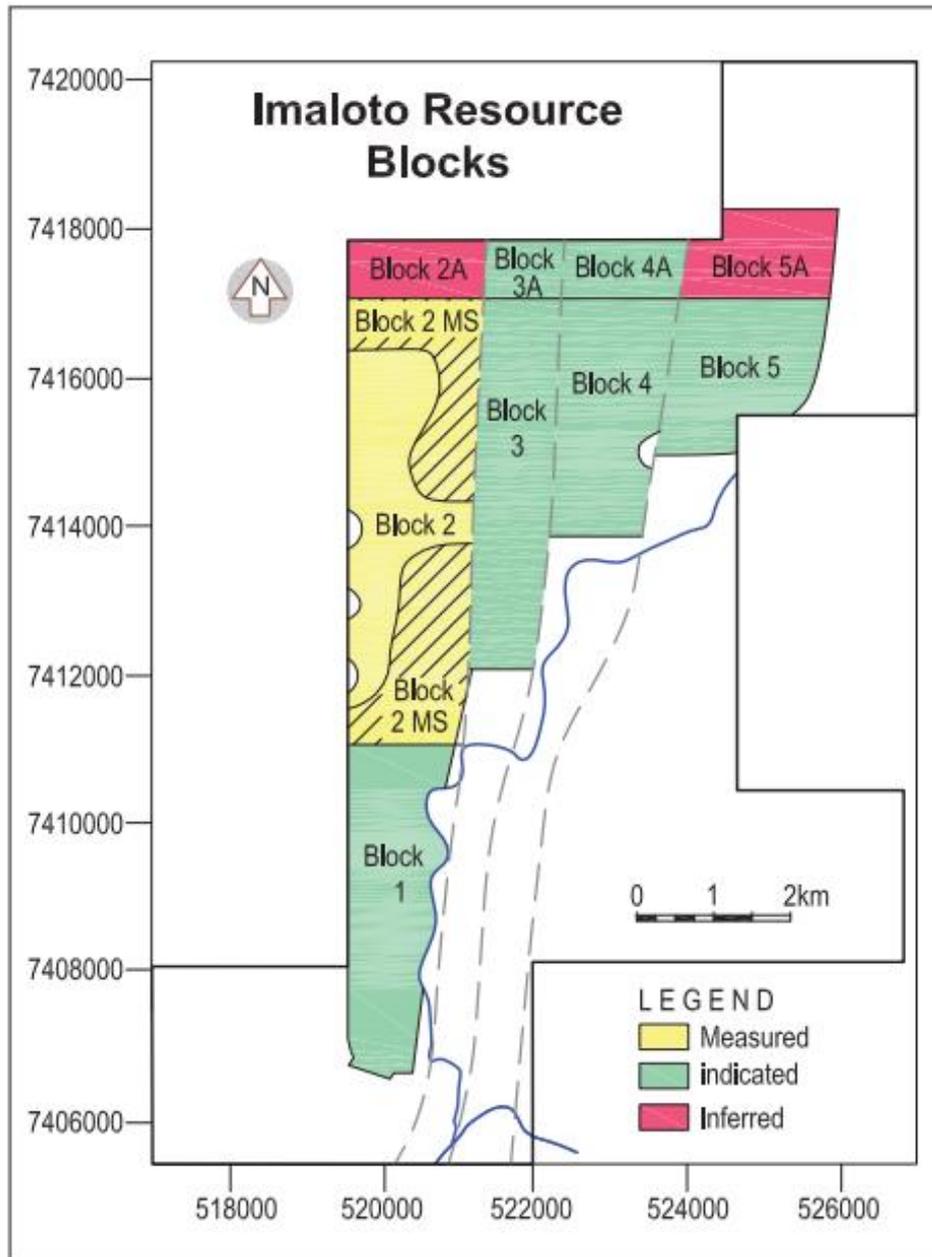
The project has been broken into the following five mining blocks (Table 7 and Figure 8).

**Table 7 Scoping Study Mining Blocks**

Block	Gross Tonnes in Situ (millions)	Suitable to:
1	7.8	Open Pit and Underground
2	38.4	Not suitable to either
3	37.6	Underground
4	36.7	Underground
5	15.2	Not suitable to either
<b>Total</b>	<b>135.7</b>	



**Figure 8** *Imaloto Mining Resource Blocks*



**Phase 1 - Open Cast Operations**

The scoping study contemplates open cast operations will be a contract mining operation with a conventional truck and shovel system being used. The open pit operation will commence in Block 1 (Figure 8). The Main Seam will be mined, crushed, screened and sold raw to a proposed Independent Power Producer (IPP), which is planned to be located adjacent to the mine. Initial capital for Phase 1 is estimated at approximately US\$11.9M with a LOM of 10 years. No IPP exists at this time however, LMR has been working towards being issued an IPP Concession that would provide LMR the right to operate and construct a coal fired power station in near proximity to the Imaloto Coal Project.

**Phase 2 - Underground Operations**

The scoping study contemplates that underground operations will be a contract mining operation. Construction of the underground operation is scheduled to commence 9 years after the commencement of the open pit operation with related production occurring in Year 11.



The portal and ventilation shaft are to be constructed in Block 4 (Figure 8) where the underground operation will commence. Production in Block 4 will be balanced with production from Block 1 and 3 over the LOM. A mechanised Bord and Pillar mining approach will be adopted utilising unmanned mobile machines. As the depth of the underground mining increases so do the pillar sizes. These pillars have been scheduled for removal on retreat. The underground's ROM coal will be beneficiated for the purposes of producing a primary export grade product which will be trucked to the Port of Tulear. The discard coal will be sold to the IPP as referred to in Phase 1. Capital required for Phase 2 is estimated at US\$81M and will have a LOM of 10 years.

The key Imaloto project physicals are summarised in Table 8 below.

**Table 8 Mining Scoping Study Imaloto Project Physicals**

Imaloto Physicals	Phase 1 (Years 0 to 10)	Phase 2 (Years 11 to 21)	Total
<b>Coal Resource</b>			
Gross Tonnes in Situ			135.7Mt
Mineable Tonnes			20.7Mt
Life of Mine			21 years
<b>Production - Run of Mine (ROM)</b>			
Open Pit	3.2Mt	0.2Mt	3.4Mt
Underground	0.0Mt	17.3Mt	17.3Mt
<b>Total</b>	<b>3.2Mt</b>	<b>17.5Mt</b>	<b>20.7Mt</b>
<b>Coal Sales</b>			
Domestic Coal Power Station	3.2Mt	5.9Mt	9.1Mt
Export	0.0Mt	10.7Mt	10.7Mt
<b>Total</b>	<b>3.2Mt</b>	<b>16.6Mt</b>	<b>19.8Mt</b>

### 3.8.2 Infrastructure and Land Logistics Scoping Study

The infrastructure and land logistics scoping study was prepared by DRA Mineral Projects Ltd. The object of the Study was to assess the viability of initially producing and transporting 1Mtpa of saleable export product by truck to the port of Tulear and covers all aspects from the ROM stockpile through to delivery at port.

The scoping study contemplates Phase 1 production will be crushed and screened only. Only the underground ROM tonnes produced during Phase 2 will be washed in preparation for the seaborne market. The Main, Upper and Top Seams in their raw form are suitable as power station feed stock for a circulating fluidised combustor configured power station.

Coal beneficiation studies indicate that the optimal wash will be single stage and will result in an export quality primary product with the secondary product having specification making it suitable for power station feedstock.

The scoping study has allowed for capital and operational costs associated with residential and administration mine site facilities, general plant and related infrastructure.

The movement of up to 1Mtpa of export grade thermal product from mine gate to the Port of Tulear is contemplated with the export operation to commence in year 9.

The scoping study allows for the construction of a new 60km gravel haul road including four bridges to connect the project with the existing highway between Tulear and Antananarivo. The highway links directly to the Port of Tulear a further 150km away. The export product is



to be hauled using 34 tonne Interlink side tipper trucks. This selection was governed by Madagascar's road legislation in terms of haul truck sizes and axel loads.

### **3.8.3 Port Scoping Study**

The port scoping study was prepared by Ports of Africa (Pty) Ltd. The object of the report was to provide a high level understanding of costing, viability and required upgrades in order to utilise the existing Port of Tuléar to facilitate the export initially of up to 1Mtpa saleable export product.

Results of the study determined that the most suitable and economical port operation would involve the coal being delivered from the mine to a stockyard south of the city by road. The export product would then be placed on a conveyor belt that runs out to the jetty and loaded by radial stackers on to barges to be delivered by tug to a 50,000 tonne dead weight ocean going vehicle anchored off the main quay.

### **3.8.4 Coal Fired Power Station Study**

F-Tech International has completed the following studies in relation to assessing the economic, environmental and social viability of constructing and operating a coal fired power station in near proximity to the Imaloto project:

- Scoping study and business case designed to assess whether prima facie, an opportunity exists for a coal fired power station on or around Imaloto and involves a detailed transmission study, business case analysis, load definition assessment, order of magnitude costing and fatal flaw analysis.
- Site pre-feasibility and technical development study designed to understand the technical specifications of a future power plant and its related transmission and a preliminary assessment of the impact that each of these components may have on the environment. A preliminary budget was determined and financial model constructed along with plant location, fuel source management, identification of and preliminary discussion with EPC contractors and a high level project risk assessment.

LMR has entered into a Memorandum of Understanding with Jiro sy Rano Malagasy (Jirama), the Madagascar Government's state owned electricity company. LMR has been working towards being issued an Independent Power Producing (IPP) Concession that would provide LMR with the right to operate and construct a coal fired power station in near proximity to the Imaloto Coal Project. The proposed Imaloto thermal power station comprises construction, commissioning and operating of a 45MW (3 x 15MW) coal fired thermal power station.

## **3.9 Project Potential**

Development of the Imaloto coal resources would be a Greenfields project. Wadley and Hall (2011) noted in an Independent Expert's Report the remoteness of the Imaloto project area and the almost absolute absence of relevant infrastructure for coal mining.

LMR's recent Infrastructure & Land Logistics and Port scoping studies outline a scenario of delivering a 5,600 kcal/kg NAR product to the seaborne market and a secondary quality coal for domestic supply to a regional coal fired power station (the concession for which is still yet to be issued).

Based on the scoping studies the possible future development of the Imaloto project largely depends on LMR being granted an IPP concession and the construction of a thermal coal power plant to take the low grade coal to provide cash flow for development of the export quality coal. An IPP development gives the project favourable economics by substantially reducing the capital expenditure required, as well as turning pre strip cost into revenue.



#### 4. IANAPERA COAL PROJECT, MADAGASCAR

##### 4.1 Introduction

The Ianapera coal project is located as shown in Figure 1 approximately 17km southwest of the Imaloto Project. The project outline and locality is indicated in Figure 9.

*Figure 9 Locality of the Ianapera Coal Project, after Lemur Resources Limited, 2011*



#### **4.2 Tenure**

The lanapera Coal Project comprises one exploration licence with an area of 25km<sup>2</sup>. The licence details can be found in Table 16 at the end of this report.

#### **4.3 Regional Geology**

The regional geology for Madagascar is described in section 3.3.

#### **4.4 Local Geology, Exploration and Project Potential**

The lanapera coalfield lies in an isolated fault trough in the basement 9km southeast of Vohibory and 20km due east of Andranomaninty (the Sakoa mine). The trough measures 7km by 11km and coal measures outcrop in several separate short (approximately 1km) strips limited by faults. The fault direction is mainly northerly, with a secondary north-northeasterly set. Dips vary significantly in amount and direction and are clearly affected by the faulting. There has been no drilling but four sites have been trenched. There is a conflict in two sources of data as to the number of seams and there are no logs of the trenches. A 1928 report describes five seams totalling 8.5m of which one seam is 3m thick. This is contradicted by a 1959 report which describes only one very banded seam with only 0.10 to 0.60m of coal containing 29% ash (UNDPI-World Bank, 1987).

In its annual report for 2012, LMR announced that they had drilled a single borehole into its lanapera coal project reaching a depth of 360m. The company reported that no coal was encountered and a decision was made to abandon all further drilling (Lemur, 2012). The location of the hole was not disclosed. Ravensgate has not been provided any technical data on this borehole or the lanapera coal project in general.

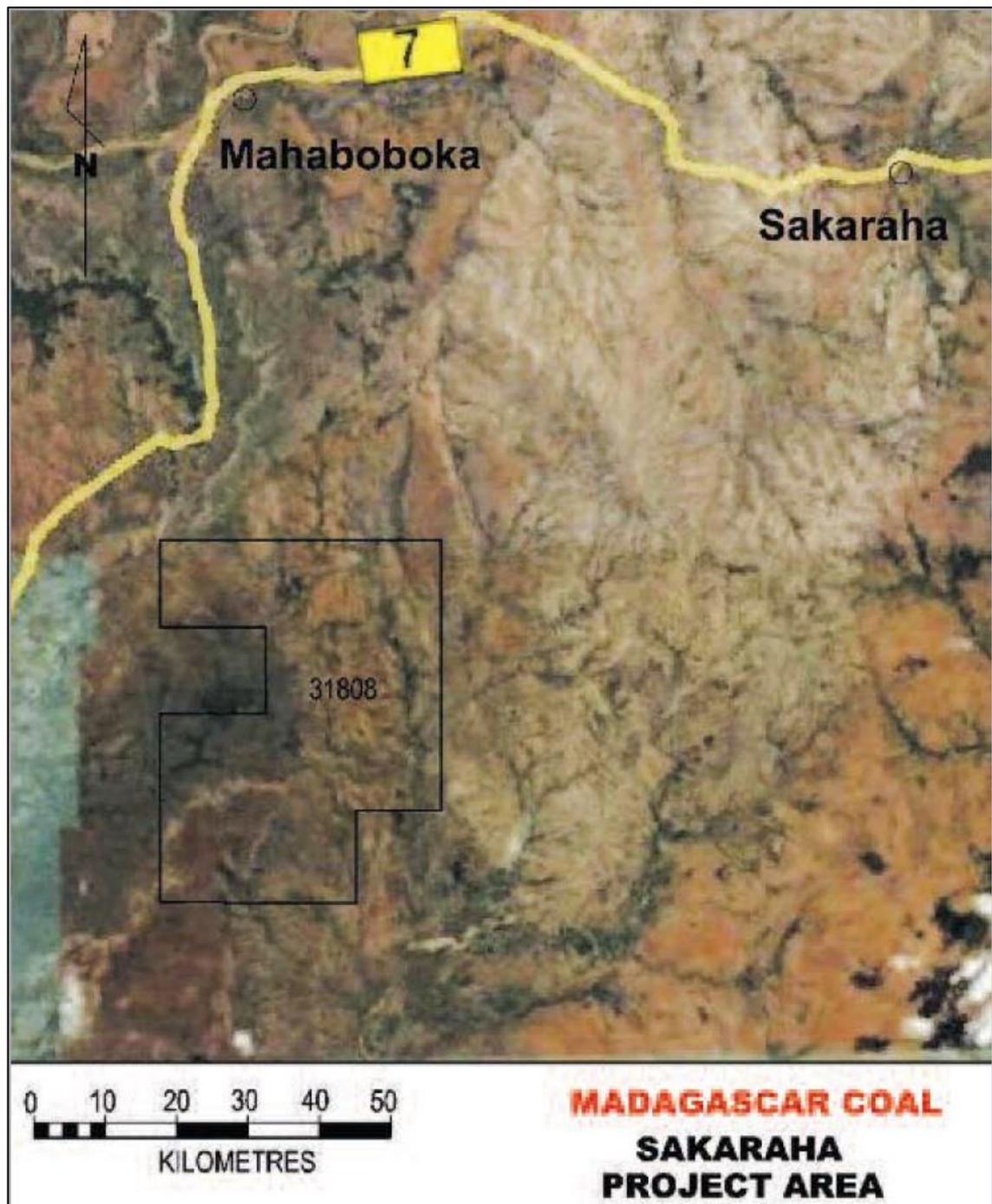


## 5. SAKARAHA COAL PROJECT, MADAGASCAR

### 5.1 Introduction

The Sakaraha coal project is located as shown in Figure 1 approximately 90km northwest of the Imaloto Project. The project outline and locality is indicated in Figure 10.

*Figure 10 Location of the Sakaraha Coal Project, after Lemur Resources Limited, 2011*



## 5.2 Tenure

The Sakaraha Coal Project consists of one exploration licence with an area of 62.5km<sup>2</sup>. The licence details can be found in Table 16 at the end of this report.

## 5.3 Regional Geology

The regional geology for Madagascar is described in section 3.3.

## 5.4 Local Geology

Ravensgate were unable to locate a description of the local geology or a geological map of the project area.

## 5.5 Exploration

LMR have reported that they have discovered evidence of bituminous coal deposits in the Sakaraha Project area, which they propose to investigate during the Phase III Exploration Program (Lemur, 2013). Ravensgate has not been provided any technical data on the Sakaraha coal project.

## 5.6 Project Potential

LMR has proposed to investigate the project using a variety of exploration methods including:

- comprehensive field mapping program to define stratigraphic markers, coal seam outcrop and sub outcrop positions and accurate position of fault traces;
- interpretation of high resolution satellite imagery to establish and confirm major geological stratigraphic and structural features related to the coal measures and adjacent rock formations;
- interpretation of available airborne radiometric and magnetic data to aid in the geological and structural synthesis and interpretation on the project area. (Lemur, 2013)



## 6. VALUATION

### 6.1 Introduction

There are a number of recognised methods used in valuing mineral assets. The most appropriate application of these various methods depends on several factors, including the level of maturity of the mineral asset, and the quantity and type of information available in relation to the asset. All monetary values included in this report are expressed in Australian dollars (A\$) unless otherwise stated.

The VALMIN Code, which is binding upon Experts and Specialists involved in the valuation of mineral assets and mineral securities, classifies mineral assets in the following categories:

- Exploration Areas refer to properties where mineralisation may or may not have been identified, but where specifically a mineral resource has not been identified.
- Advanced Exploration Areas refer to properties where considerable exploration has been undertaken and specific targets have been identified that warrant further detailed evaluation, usually by some form of detailed geological sampling. A mineral resource may or may not have been estimated but sufficient work will have been undertaken that provides a good understanding of mineralisation and that further work will elevate a prospect to the resource category. Ravensgate considers any identified mineral resources in this category would tend to be of relatively lower geological confidence.
- Pre-Development Projects are those where mineral resources have been identified and their extent estimated, but where a positive development decision has not been made. This includes projects at an early assessment stage, on care and maintenance or where a decision has been made not to proceed with immediate development.
- Development Projects refers to properties which have been committed to production, but which have not been commissioned or are not operating at design levels.
- Operating Mines are those mineral properties, which have been fully commissioned and are in production.

Various recognised valuation methods are designed to provide the most accurate estimate of the asset value in each of these categories of project maturity. In some instances, a particular mineral property or project may include assets that comprise one or more of these categories. When valuing Exploration Areas and therefore by default where the potential is inherently more speculative than more advanced projects, the valuation is largely dependent on the informed, professional opinion of the valuer. There are a number of methods available to the valuer when appraising Exploration Areas.

The Multiple of Exploration Expenditure (MEE) method can be used to derive project value, when recent exploration expenditure is known or can be reasonably estimated. This method involves applying a premium or discount to the exploration expenditure or Expenditure Base (EB) through application of a Prospectivity Enhancement Multiplier (PEM). This factor directly relates to the success or failure of exploration completed to date, and to an assessment of the future potential of the asset. The method is based on the premise that a *grass roots* project commences with a nominal value that increases with positive exploration results from increasing exploration expenditure. Conversely, where exploration results are consistently negative, exploration expenditure will decrease along with the value. The following guidelines are presented on selection of the PEM:

- PEM = 1. Exploration activities and evaluation of mineralisation potential justifies continuing exploration.
- PEM = 2. Exploration activities and evaluation of mineralisation potential has identified encouraging drill intersections or anomalies, with targets of noteworthy interest generated.
- PEM = 3. Exploration activities and evaluation of mineralisation potential has identified significant grade intersections and mineralisation continuity.

Where transactions including sales and joint ventures relating to mineral assets that are comparable in terms of location, timing, mineralisation style and commodity, and where the terms of the sale are suitably arm's length in accordance with the VALMIN Code, such transactions may be used as a guide to, or a means of valuation. This method (termed



Comparable Transactions) is considered highly appropriate in a volatile financial environment where other cost based methods may tend to overstate value.

The Joint Venture Terms valuation method may be used to determine value where a Joint Venture Agreement has been negotiated at *arm's length* between two parties. When calculating the value of an agreement that includes future expenditure, cash and/or shares payments, it is considered appropriate to discount expenditure or future payments by applying a discount rate to the mid-point of the term of the earn-in phase. Discount factors are also applied to each earn-in stage to reflect the degree of confidence that the full expenditure specified to completion of any stage will occur. The value assigned to the second and any subsequent earn-in stages always involves increased risk that each subsequent stage of the agreement will not be completed, from technical, economic and market factors. Therefore, when deriving a technical value using the Joint Venture Terms method, Ravensgate considers it appropriate to only value the first stage of an earn-in Joint Venture Agreement. Ravensgate have applied a discount rate of 10.0% per annum to reflect an average company's cost of capital and the effect of inflation on required exploration spends over the timeframe required.

The total project value of the initial earn-in period can be estimated by assigning a 100% value, based on the deemed equity of the farm-inor, as follows:

$$V_{100} = \frac{100}{D} \left[ CP + \left( CE * \frac{1}{(1+I)^{\frac{t}{2}}} \right) + \left( EE * \frac{1}{(1+I)^{\frac{t}{2}}} * P \right) \right]$$

where:

- $V_{100}$  = Value of 100% equity in the project (\$)
- $D$  = Deemed equity of the farm-inor (%)
- $CP$  = Cash equivalent of initial payments of cash and/or stock (\$)
- $CE$  = Cash equivalent of committed, but future, exploration expenditure and payments of cash and/or stock (\$)
- $EE$  = Uncommitted, notional exploration expenditure proposed in the agreement and/or uncommitted future cash payments (\$)
- $I$  = Discount rate (% per annum)
- $t$  = Term of the Stage (years)
- $P$  = Probability factor between 0 and 1, assigned by the valuer, and reflecting the likelihood that the Stage will proceed to completion.

Where mineral resources remain in the Inferred category, reflecting a lower level of technical confidence, the application of mining parameters using the more conventional DCF/NPV approach may be problematic or inappropriate and technical development studies may be at scoping study level. In these instances it is considered appropriate to use the *in-situ* Resource method of valuation for these assets. This technique involves application of a heavily discounted valuation of the total in-situ metal or commodity contained within the resource. The level of discount applied will vary based on a range of factors including physiography and proximity to infrastructure or processing facilities. Typically and as a guideline, the discounted value is between 1% and 5% of the in-ground value of the metal in the mineral resource.

In the case of Pre-development, Development and Mining Projects, where Measured and Indicated mineral resources have been estimated and mining and processing considerations are known or can be reasonably determined, valuations can be derived with a reasonable degree of confidence by compiling a discounted cash flow (DCF) and determining the net present value (NPV).

The Australasian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC code, 2004), sets out minimum standards, recommendations and guidelines. A mineral resource defines a mineral deposit with reasonable prospects of economic extraction. Mineral resources are sub-divided into Inferred, Indicated and Measured



to represent increasing geological confidence from known, estimated or interpreted specific geological evidence and knowledge. An Ore Reserve is the economically minable part of a Measured or Indicated Resource after appropriate studies. An Inferred Resource reflecting insufficient geological knowledge, cannot translate into an Ore Reserve. Measured Resources may become Proved (highest confidence) or Probable Reserves. Indicated Resources may only become Probable Reserves.

## 6.2 Previous Mineral Asset Valuations

Ravensgate completed a VALMIN valuation of LMR's mineral assets dated 29 May 2013, which valued LMR's mineral assets between \$9.91M and \$16.73M with a preferred value of \$12.24M. Ravensgate is not aware, nor have we been made aware, of any other valuations over LMR's coal projects. Exploration tenements have not been included in the valuation where tenure or permits have not been granted (except on an assumed 100% equity basis) to the relevant company and the company does not therefore have any ownership over the tenement's mineral assets or any exploration value within the tenement.

## 6.3 Material Agreements

Ravensgate has been commissioned by BDO and LMR to provide an Independent Technical Project Review and Valuation Report. The Technical Project Review and Valuation report encompasses LMR's Coal Projects. The Technical Valuation report provides an assessment of LMR's Exploration Area and Advanced Exploration mineral assets listed below. Brief details of the LMR's ownership are listed as follows.

<u>Mineral Asset</u>	<u>LMR Ownership %</u>
Imaloto	99%
Ianapera	99%
Sakaraha	99%

Ravensgate understands all active mining and exploration permits are granted at this point in time and are in good standing.

Ravensgate is not aware, nor have been made aware, of any other agreements that have a material effect on the provisional valuations of the mineral assets, and on this basis have made no adjustments on this account.

## 6.4 Comparable Transactions

Ravensgate has completed a search for publicly available market transactions involving coal exploration projects without mineral resources, but includes exploration targets and transactions involving coal projects with resources within southern and eastern Africa. Transactions from this region of Africa were considered the closest comparison as most coal from this region of Africa is hosted in Karoo Supergroup sedimentary rocks, the same sedimentary rocks that are found at LMR's projects in Madagascar. Transactions reflect comparable tenement holdings in geological provinces that are considered prospective for similar commodities, and that are of similar prospectivity to the mineral assets being valued. In Ravensgate's opinion and experience, it is understood that individual market transactions are rarely completely identical to the relevant project area or may not necessarily contain all the required information for compilation. In practice, a range of implied values on a dollar per coal resource tonne or dollar per square kilometre of licence holding will be defined as suitable for use. The transactions identified along with the implied cash-equivalent values are summarised in Section 6.4.1 by commodity and region.

Publicly available market transactions have been separated to reflect transactions on a dollar per square kilometre of licence holding or on a dollar per coal resource tonne for a more advanced exploration target or mineral resource. This was undertaken to reflect the varying levels of geological exploration carried out within the various project licences. In general terms, exploration projects may start with a relatively large licence holding where a lack of detailed geological sampling and knowledge renders the use of the in-situ yardstick valuation method inappropriate (i.e. an Exploration Area Mineral Asset). For these



particularly early-stage exploration areas, comparable transactions on a dollar per square kilometre basis are more relevant. As the project advances and as geological sampling and knowledge increase, licence areas tend to decrease to match a narrowing focus on more prospective areas. For these areas where specific, drill sample supported Exploration Targets have been identified that warrant further detailed evaluation or mineral resources require estimation, comparable transactions on a dollar per coal resource tonne basis may be more appropriate (i.e. an Advanced Exploration Area Mineral Asset or Pre-Development Project at early stage of assessment).

#### **6.4.1 Reported Market Transactions**

##### **6.4.1.1 *Reported Market Transactions Involving Coal Resources in Southern and Eastern Africa***

Ravensgate's analysis of market transactions for coal projects with resources in southern and eastern African (Mozambique, Tanzania, Botswana and South Africa) (Table 9) indicates an implied value between \$0.010 and \$0.655 per resource tonne of coal. The implied value per tonne is dependent on the resource category (Measured, Indicated or Inferred), the quality of the coal and average coal seam thicknesses. The implied value was also affected by the strategic importance of the resources to the purchaser.

To take into account the change in the coal price over time, for each transaction in Table 9 the implied value per tonne of coal has been divided by the monthly average coal price in Australian dollars at the time of the transaction then expressed as a percentage (Table 10) and ranked from highest to lowest in terms of percentage.

##### **6.4.1.2 *Reported Market Transactions Involving Exploration Area Coal Projects in Southern and Eastern Africa***

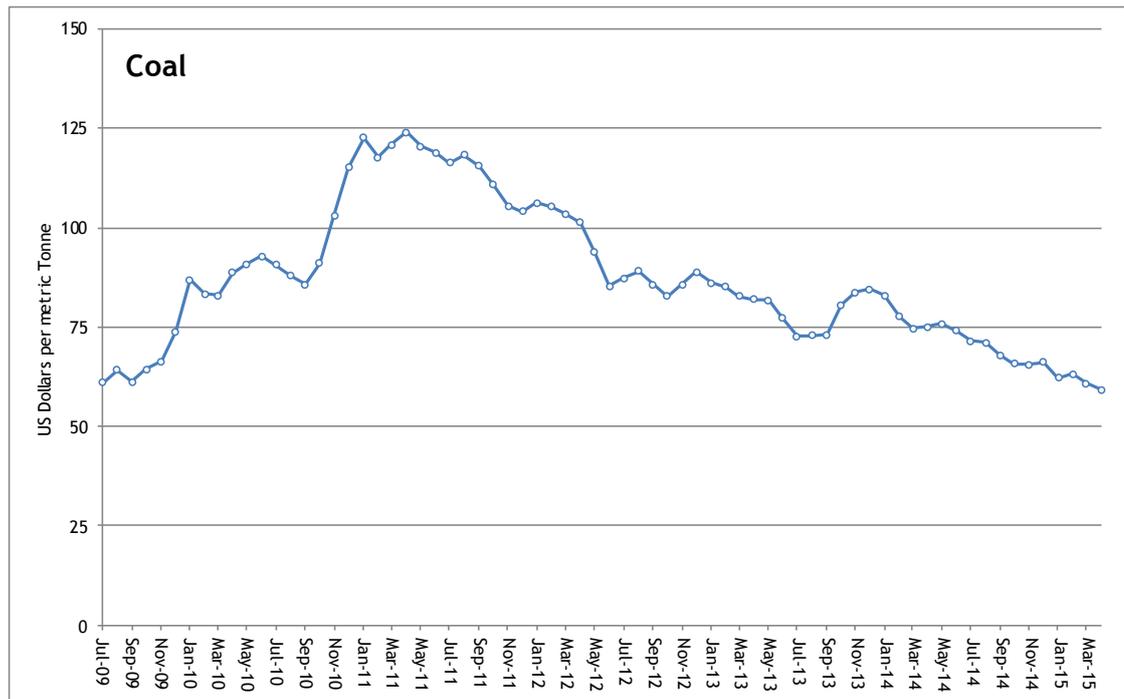
Ravensgate's analysis of southern and eastern African (Mozambique, Tanzania, Botswana and South Africa) market transactions for Exploration Area Mineral Asset coal projects (Table 11) indicates an implied value between \$311 and \$93,313 per km<sup>2</sup> for Exploration Area Mineral Assets. The implied value per km<sup>2</sup> is dependent on the existence of coal, how much exploration has been conducted and whether that exploration was successful. The implied value was also affected by the strategic importance of the licences and the presence of known mineralisation or historical mining activities upon them and the grade of the respective mineralisation present.

#### **6.4.2 Commodity Prices**

Ravensgate has examined the historical commodity chart for South African export thermal coal (Figure 11) for general trends over time. A general analysis of the price chart for coal in Figure 11 shows the price increasing slowly to January 2011 where it remained stable for a few months before slowly declining until July 2013, a brief price rebound until January 2014 and since then a 16 month period of decline. Ravensgate has taken into consideration the general commodity trend as an influence on deriving a final project valuation.



Figure 11 Coal Five Year Monthly Average Price Chart to April 2015



Source: Indexmundi.com



**Table 9 Market Transactions Involving Coal Projects with JORC Resources/Reserves in Southern and Eastern Africa**

Project	Transaction Details & Type	Coal (Mt)	Purchase Price 100% Basis (A\$)	Implied Value / Coal Tonne (A\$)
Mooiplaats Colliery, South Africa	22 September, 2014: Blackspear Holdings Proprietary Limited entered into an acquisition agreement with Coal of Africa Limited for 100% of the Mooiplaats Colliery for a gross consideration of ZAR250 million in cash. This underground operation had been on care and maintenance since October 2013. The project has coal resources of 45.0Mt. Assuming the terms of the agreement were met the implied discounted cash equivalent on a 100% equity basis is \$24.7M (notional \$0.548 A\$/coal resource tonne on 100% terms).	45	\$24.7M	\$0.548
Holfontein Coal Project, South Africa	31 January 2014: An undisclosed company has entered into an acquisition agreement with Coal of Africa Limited for 100% of the Holfontein coal project for ZAR50M. The project has coal resources of 60Mt. Assuming the terms of the agreement were met the implied discounted cash equivalent on a 100% equity basis is \$5.2M (notional \$0.086 A\$/coal resource tonne on 100% terms).	60	\$5.2M	\$0.086
Woestalleen Coal Project, South Africa	3 December 2013: Blue Falcon 212 Trading Pty Ltd entered into an acquisition agreement with Coal of Africa Limited for 100% of the Woestalleen coal project for ZAR100.8M. The project has coal resources of 29Mt (Measured and Indicated). Assuming the terms of the agreement were met the implied discounted cash equivalent on a 100% equity basis is \$10.8M (notional \$0.375 A\$/coal resource tonne on 100% terms).	29	\$10.8M	\$0.375
Eloff Coal Project, South Africa	26 March 2013: An undisclosed company has entered into an acquisition agreement with Homeland Energy Group Ltd for 50% of the Eloff coal project for ZAR110M. The project has coal resources of 60Mt. Assuming the terms of the agreement were met the implied discounted cash equivalent on a 100% equity basis is \$22.7M (notional \$0.304 A\$/coal resource tonne on 100% terms).	75	\$22.7M	\$0.304



Project	Transaction Details & Type	Coal (Mt)	Purchase Price 100% Basis (A\$)	Implied Value / Coal Tonne (A\$)
Moabsvelden Coal Project, South Africa	11 July 2012: Thebe Mining Resources (Pty) Ltd entered into an acquisition agreement with Xceed Resources Ltd for 30% of the Moabsvelden coal project for \$7.75M in cash. The project has coal resources of 66Mt (64Mt Measured and 2Mt Indicated) and coal reserves of 44Mt (31Mt Proved and 13Mt Probable). Assuming the terms of the agreement were met the implied discounted cash equivalent on a 100% equity basis is \$25.5M (notional \$0.378 A\$/coal resource tonne or \$0.570 A\$/coal reserve tonne on 100% terms).	66 44	\$25.5M \$25.5M	\$0.386 \$0.581
Revuboe Coal Project, Mozambique	24 July 2012: Anglo American PLC entered into an acquisition agreement with the Talbot Estate for 58.9% of the Revuboe coal project for \$540M in cash. The project has coal resources of 1,396Mt (1,067Mt Measured and 329Mt Indicated). Assuming the terms of the agreement were met the implied discounted cash equivalent on a 100% equity basis is \$916.8M (notional \$0.657 A\$/coal tonne on 100% terms).	1,396	\$916.8M	\$0.657
Sakoa Coal Project, Madagascar	2 March 2012: PTT Public Company Limited entered into an acquisition agreement with Red Island Minerals Ltd for 66.5% of the Sakoa coal project for \$US50.16M. The project has coal resources of 180Mt. Assuming the terms of the agreement were met the implied discounted cash equivalent on a 100% equity basis is \$69.9M (notional \$0.388 A\$/coal tonne on 100% terms)	180	\$69.9M	\$0.388
Mbila Coal Project, South Africa	20 September 2011: Zyl Limited entered into an acquisition agreement with Mbila Resources (Pty) Limited for 44% of the Mbila coal project for US\$27M in cash and shares. The project has coal resources of 89Mt (25Mt Measured, 62Mt Indicated and 2Mt Inferred). Assuming the terms of the agreement were met the implied discounted cash equivalent on a 100% equity basis is \$58.3M (notional \$0.655 A\$/coal tonne on 100% terms).	89	\$58.3M	\$0.655
Moatize Coal Basin, Mozambique	4 April 2011: BHR Mining Limited entered into an acquisition agreement with Global Minerals & Metals Pte Limited for 100% of a coal project in the Moatize basin for US\$42M in cash. The project has a coal resources of 450Mt. Assuming the terms of the agreement were met the implied discounted cash equivalent on a 100% equity basis is \$40.4M (notional \$0.090 A\$/coal tonne on 100% terms).	450	\$40.4M	\$0.090

Project	Transaction Details & Type	Coal (Mt)	Purchase Price 100% Basis (A\$)	Implied Value / Coal Tonne (A\$)
Coal Project in Southern Tanzania	24 March 2011: Edenville Energy PLC entered into an acquisitions agreement with a private vendor for an initial interest of 50.1% of coal project in southern Tanzania for US\$5.2M in cash and shares. The project has coal reserves of 49Mt. Assuming the terms of the agreement were met the implied discounted cash equivalent on a 100% equity basis is \$10.1M (notional \$0.207 A\$/coal tonne on 100% terms).	49	\$10.1M	\$0.207
Moruple Coal Project, Botswana	15 March 2011: Hodges Resources Limited entered into an option to earn in agreement with a private vendor, where they can earn an initial 75% interest in the Moruple coal project for an upfront payment of US\$0.5M and an exploration spend of US\$3.0M over two years. The project has inferred coal resources of 414Mt. Assuming the terms of the agreement were met the implied discounted cash equivalent on a 100% equity basis is \$4.3M (notional \$0.010 A\$/coal tonne on 100% terms).	414	\$4.3M	\$0.010
Chapudi Coal Project, South Africa	29 November 2010: Coal of Africa Limited entered into an acquisition agreement with Rio Tinto for 100% of the Chapudi coal project for US\$75M. The project has a total coal resource of 1,040Mt (90Mt Measures, 220Mt, Indicated and 730Mt Inferred). Assuming the terms of the agreement were met the implied discounted cash equivalent on a 100% equity basis is \$74.9M (notional \$0.072 A\$/coal tonne on 100% terms).	1,040	\$74.9M	\$0.072
Lubu Coal Field, Zimbabwe	1 June 2010: Sable Mining Africa Ltd entered into an acquisition agreement with Monaf Investments (Private) Ltd for 80% of the Lubu coal project for US\$6M in cash and shares. The project has an inferred coal resource of 334Mt. Assuming the terms of the agreement were met the implied discounted cash equivalent on a 100% equity basis is \$8.9M (notional \$0.027 A\$/coal tonne on 100% terms).	334	\$8.9M	\$0.027

*Note: Differences may occur due to rounding errors*



**Table 10 Summary of Market Transactions Involving Coal Resources/Reserves in Southern and Eastern Africa - Australian Dollars**

Transaction Date	Property Value A\$M	Contained Coal Mt	A\$/t Coal	Coal Price on Trans Date A\$/t Coal	A\$/t as % of Coal Price	Normalised <sup>1</sup> A\$/t Coal
15-Mar-11	4.3	414	0.010	119.79	0.0087	0.007
01-Jun-10	8.9	334	0.027	108.87	0.0246	0.019
29-Nov-10	75.0	1,040	0.072	103.93	0.0694	0.053
04-Apr-11	40.4	450	0.090	117.55	0.0765	0.059
31-Jan-14	5.2	60	0.086	90.15	0.0956	0.074
24-Mar-11	10.1	49	0.207	119.79	0.1727	0.133
26-Mar-13	22.7	75	0.304	78.62	0.3861	0.297
03-Dec-13	10.8	29	0.375	92.91	0.4033	0.310
02-Mar-12	69.9	180	0.388	95.85	0.4051	0.312
11-Jul-12 <sup>2</sup>	25.5	66	0.386	85.08	0.4533	0.349
20-Sep-11	58.3	89	0.655	113.22	0.5788	0.445
11-Jul-12 <sup>2</sup>	25.5	44	0.581	85.08	0.6834	0.526
22-Sep-14	24.7	45	0.548	75.54	0.7259	0.559
24-Jul-12	916.8	1,396	0.657	82.44	0.7966	0.613

Notes: The table shows the market transactions described in Table 9 ordered from lowest to highest based on the normalised Australian dollar per tonne of coal.

<sup>1</sup>The normalised cost per tonne of coal was done using the current South African Richards Bay export coal price of A\$76.95 (21 May 2015).

<sup>2</sup>The transaction by Thebe Mining Resources (Pty) Ltd and Xceed Resources Ltd for the Moabsvelden coal project had both resources and reserves stated which appears as two separate rows in the above table.

**Table 11 Market Transactions Involving Coal Projects at the Exploration Stage in Southern and Eastern Africa**

Project	Transaction Details & Type	Area (km <sup>2</sup> )	Purchase Price 100% Basis (A\$)	Implied Value / km <sup>2</sup> (A\$)
Mhukuru, Rukwa Basin, Ruhuhu and Selous Coal Projects, Tanzania	December 2011: Select Vaccines Limited entered into an acquisition agreement with Indigo Metals Limited for 100% of the Mhukuru, Rukwa Basin, Ruhuhu and Selous coal projects for \$4.60M in cash and shares. The projects are prospective for coal and uranium and have a total area of 5,412km <sup>2</sup> . Assuming the terms of the agreement were met the implied discounted cash equivalent on a 100% equity basis is \$4.600M (notional \$850 A\$/km <sup>2</sup> on 100% terms).	5,412	\$4.600M	\$850
Takatokwane South Coal Project, Botswana	October 2011: Nimrodel Resources entered into a joint venture/farm-in agreement with Triprop Energy Pty Ltd to earn an initial 20% of the Takatokwane South project for \$1.00M in cash, shares and exploration expenditure. The project is prospective for thermal coal and has a total area of 1,500km <sup>2</sup> . Assuming the terms of the agreement were met the implied discounted cash equivalent on a 100% equity basis is \$5.000M (notional \$3,333 A\$/km <sup>2</sup> on 100% terms).	1,500	\$5,000M	\$3,333
Waterburg Coal Project, South Africa	September 2011: Ikwezi Resources (Pty) Limited entered into an acquisition agreement with a private vendor for 100% of the Waterburg Project for \$0.452M in cash. The project is prospective for coal having an exploration target of 2 to 4 billion tonnes of coal and has a total area of 57.14km <sup>2</sup> . Assuming the terms of the agreement were met the implied discounted cash equivalent on a 100% equity basis is \$0.452M (notional \$7,910 A\$/km <sup>2</sup> on 100% terms).	57	\$0.452M	\$7,910
Zambeze Coal Project, Mozambique	July 2011: Mozambi Coal Limited entered into an acquisition agreement with Xiluva Mineral Resource Limitada for 80% of the Zambeze coal project for \$1.525M in cash. The project is prospective for coal having an exploration target of 1.86 to 2.32 billion tonnes of coal and has a total area of 224km <sup>2</sup> . Assuming the terms of the agreement were met the implied discounted cash equivalent on a 100% equity basis is \$1.906M (notional \$8,510 A\$/km <sup>2</sup> on 100% terms).	224	\$1.906M	\$8,510
Roodepoort and Bankfontein Coal Projects, South Africa	June 2011: Xceed Resources Limited's wholly owned subsidiary Focus Coal Investments Pty Ltd entered into a joint venture/farm-in agreement with Hampfuna Mining & Exploration Pty Limited to earn an initial 34% of the Roodepoort and Bankfontein coal projects for \$0.645M in cash and exploration spend. The projects are prospective for coal and have a total area of 20.33km <sup>2</sup> . Assuming the terms of the agreement were met the implied discounted cash equivalent on a 100% equity basis is \$1.897M (notional \$93,313 A\$/km <sup>2</sup> on 100% terms).	20	\$1.897M	\$93,313
Kiwira-Songwe Coal Project, Tanzania	April 2011: Edenville International (Tanzania) Limited entered into an acquisition agreement with a private vendor for 100% of the Kiwira-Songwe coal project for	495	\$0.154M	\$311



	\$0.154M in cash. The project is prospective for coal and has a total area of 494.99km <sup>2</sup> . Assuming the terms of the agreement were met the implied discounted cash equivalent on a 100% equity basis is \$0.154M (notional \$311 A\$/km <sup>2</sup> on 100% terms).			
Rukwa Coal Project, Tanzania	August 2010: Edenville Energy PLC entered into an acquisition agreement with Upendo Group Ltd for 70% and 100% interest in various prospecting licences in the Rukwa coal project for \$0.084M. The project is prospective for coal and has a total area of 338.47km <sup>2</sup> . Assuming the terms of the agreement were met the implied discounted cash equivalent on a 100% equity basis is \$0.109M (notional \$322 A\$/km <sup>2</sup> on 100% terms).	338	\$0.109M	\$322
Zambeze Coal Project, Mozambique	March 2010: RTL Corporation Limited entered into an acquisition agreement with Dugal Pty Ltd for 70% of the Zambeze coal project for total staged cash payments of \$1.099M. The project is prospective for coal and has a total area of 623km <sup>2</sup> . Assuming the terms of the agreement were met the implied discounted cash equivalent on a 100% equity basis is \$1.569M (notional \$2,519 A\$/km <sup>2</sup> on 100% terms).	623	\$1.569M	\$2,519

*Note: Differences may occur due to rounding errors*

## 6.5 Mineral Asset Valuation

### 6.5.1 Imaloto Project, Madagascar

Ravensgate has valued the Imaloto project solely based on the present coal resource and has not valued tenements surrounding the coal resource separately.

#### 6.5.1.1 Selection of Valuation Method

The Imaloto project, in which LMR has a 99% equity interest can be classified as an Advanced Exploration Area mineral asset as defined in Section 6.1.

A coal resource as defined in the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code - 2012 Edition) has been reported (Measured, Indicated and Inferred coal resource of 135.7Mt (Gross Tonnes In Situ)). In valuing the Imaloto project under the VALMIN Code, Ravensgate considers the DCF/NPV method inappropriate, due to the stage of the mineral asset with no defined Ore Reserves and with it not expected to be in production in the short term.

Ravensgate has elected to apply the Comparable Transaction method to value the Imaloto project after consideration of the various valuation methods outlined in Section 6.1.

#### 6.5.1.2 Project Analysis - Comparable Transactions Method

Ravensgate's analysis of coal market transactions in southern and eastern Africa (Table 9) indicates that the implied value of advanced exploration projects with coal resources and or reserves generally range from \$0.010 to \$0.657 per contained resource tonne of coal. Removing the transactions involving coking coal, metallurgical coal, coal Reserves and collieries, left an implied range of \$0.010 to \$0.386 per contained resource tonne of thermal coal. Analysing the transactions of these remaining projects, taking into account the change in the coal price over time and expressing the dollar value per tonne of coal as a percentage of the coal price (Table 10), the average of these transactions is 0.20%, which equates to \$0.154 per resource tonne of coal using the 21 May 2015 South African Richards Bay export coal price of \$76.95 (US\$60.80).

Ravensgate has derived an implied range of \$0.120 to \$0.180 with a preferred value of \$0.150 per tonne of contained coal to apply to the Main Seam of the Imaloto project coal resource listed in Section 3.7 using the average 21 May 2015 South African Richards Bay export coal price of \$76.95 (US\$60.80). These derived values are based on the dollar value per tonne of coal expressed as a percentage of the coal price, where a range from 0.16% to 0.23% has been applied and the preferred value is based on 0.19%. This above average range reflects the confidence in the coal resource with most coal classified as Measured and Indicated. It also takes into account the results of the scoping studies.

Ravensgate has derived an implied range of \$0.090 to \$0.135 with a preferred value of \$0.110 per tonne of contained coal to apply to the Upper and Top Seams of the Imaloto project coal resource listed in Section 3.7 using the average 21 May 2015 South African Richards Bay export coal price of \$76.95 (US\$60.80). These derived values are based on the dollar value per tonne of coal expressed as a percentage of the coal price, where a range from 0.12% to 0.18% has been applied and the preferred value is based on 0.14%. This range reflects the lower coal quality of the Upper and Top Seams compared to the Main Seam in the coal resource with the coal quality indicating that it would only be useable as domestic power station feed.

These values relate to approximately \$13.97M to \$20.96M for the contained coal within the current mineral resource estimates (135.7Mt of coal) for LMR's 99% interest in the Imaloto project. From this range a preferred value of \$17.29M has been selected which reflects a average value of \$0.127 per contained resource tonne of coal.

A summary of the valuation for the Imaloto project can be found below in Table 12.



**Table 12 Comparative Transactions Valuation for the Imaloto Project (LMR's 99% Interest)**

Coal Seam	Mineral Asset	Tonnes (Mt)	Value per tonne			Valuation		
			Low \$	Preferred \$	High \$	Low \$M	Preferred \$M	High \$M
Main	Advanced Exploration Area	63.4	0.120	0.150	0.180	7.532	9.415	11.298
Upper	Advanced Exploration Area	41.1	0.090	0.110	0.135	3.662	4.476	5.493
Top	Advanced Exploration Area	31.2	0.090	0.110	0.135	2.780	3.398	4.170
<b>All Seams</b>	<b>Advanced Exploration Area</b>	<b>135.7</b>	<b>0.103</b>	<b>0.127</b>	<b>0.154</b>	<b>13.974</b>	<b>17.288</b>	<b>20.961</b>

*The valuation has been compiled to an appropriate level of precision and minor rounding errors may occur.*

## 6.5.2 Ianapera Project, Madagascar

### 6.5.2.1 Selection of Valuation Method

The Ianapera project in which LMR has a 99% equity interest can be classified as Exploration Area mineral assets as defined in Section 6.1.

A mineral resource as defined in the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code - 2012 Edition) has not been reported for the Ianapera project. In valuing the Ianapera project, Ravensgate considers the DCF/NPV method inappropriate, due to the early stage of the mineral asset.

Ravensgate has elected to apply the Comparable Transaction to value the Ianapera project after consideration of the various valuation methods outlined in Section 6.1 and the geological / exploration information outlined in Section 4.

### 6.5.2.2 Project Analysis - Comparable Transactions Method

Ravensgate's analysis of southern and eastern African market transactions for Exploration Area Mineral Asset coal projects (Table 11) suggests an implied value between \$311 and \$93,133 per km<sup>2</sup> for Exploration Area Mineral Assets. Within this range, more Greenfields exploration projects with geophysical anomalies but no known drilling or geochemical anomalies range from \$311 to \$2,519 per km<sup>2</sup>, more advanced projects with some drilling and or the presence of coal where prospects have been defined, range from \$2,519 to \$8,510 per km<sup>2</sup> and most advanced brownfields projects with defined drill targets and coal typically range from \$8,510 to \$93,313 per km<sup>2</sup>. Assets of strategic value sit at the higher end of this range.

Ravensgate has derived implied ranges and preferred values per km<sup>2</sup> based on the interpreted prospectivity of the project, to apply to the area of the project (Table 13) on LMR's 99% ownership interest.



**Table 13 Comparative Transactions Valuation for the lanapera Project (LMR's 99% Interest)**

Project	Mineral Asset	Area km <sup>2</sup>	Value per km <sup>2</sup>			Valuation		
			Low \$	Preferred \$	High \$	Low \$M	High \$M	Preferred \$M
Ianapera	Exploration Area	25	500	1,000	1,500	0.012	0.025	0.037

*The valuation has been compiled to an appropriate level of precision and minor rounding errors may occur.*

The value for the lanapera project relates to approximately \$0.012M to \$0.037M. From this range a preferred value of \$0.025M has been selected. The low implied ranges and preferred values attributed to the lanapera project reflects that, at present, recent exploration by LMR has not been successful for coal, with only one hole drilled to a depth of 360m returning no coal shows, leading to the abandonment of further drilling on the project. The project is still at an early stage of exploration with many areas largely unexplored requiring exploration. Ravensgate considers the lanapera project is of merit and worthy of further exploration.

### 6.5.3 Sakaraha Project, Madagascar

#### 6.5.3.1 Selection of Valuation Method

The Sakaraha project, in which LMR has a 99% equity interest, can be classified as an Exploration Area mineral asset as defined in Section 6.1.

A mineral resource as defined in the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code - 2012 Edition) has not been reported for the Sakaraha project. In valuing the Sakaraha project, Ravensgate considers the DCF/NPV method inappropriate, due to the early stage of the mineral asset.

Ravensgate has elected to apply the Comparable Transaction to value the Sakaraha project after consideration of the various valuation methods outlined in Section 6.1 and the geological / exploration information outlined in Section 5.

#### 6.5.3.2 Project Analysis - Comparable Transactions Method

Ravensgate's analysis of southern and eastern African market transactions for Exploration Area Mineral Asset coal projects (Table 11) suggests an implied value between \$311 and \$93,133 per km<sup>2</sup> for Exploration Area Mineral Assets. Within this range, more Greenfields exploration projects with geophysical anomalies, but no known drilling or geochemical anomalies range from \$311 to \$2,519 per km<sup>2</sup>, more advanced projects with some drilling and or the presence of coal where prospects have been defined, range from \$2,519 to \$8,510 per km<sup>2</sup> and most advanced brownfields projects with defined drill targets and coal typically range from \$8,510 to \$93,313 per km<sup>2</sup>. Assets of strategic value sit at the higher end of this range.

Ravensgate has derived implied range and preferred value per km<sup>2</sup> based on the interpreted prospectivity of the project, to apply to the area of the project (Table 14) on LMR's 99% ownership interest.

The value for the Sakaraha project relates to approximately \$0.046M to \$0.124M. From this range a preferred value of \$0.077M has been selected. This value reflects the stage of exploration at the project and the quality of the exploration ground. The project is still at an early stage of exploration with LMR having completed no drilling on the project thus far with many areas largely unexplored and requiring exploration. Ravensgate considers the Sakaraha project is of merit and worthy of further exploration.



**Table 14 Comparative Transactions Valuation for the Sakaraha Project (LMR's 99% Interest)**

Project	Mineral Asset	Area km <sup>2</sup>	Value per km <sup>2</sup>			Valuation		
			Low \$	Preferred \$	High \$	Low \$M	Preferred \$M	High \$M
Sakaraha	Exploration Area	62.5	750	1,250	2,000	0.046	0.077	0.124

*The valuation has been compiled to an appropriate level of precision and minor rounding errors may occur.*

## 6.6 Valuation Summary

Ravensgate has concluded that LMR's coal projects in Madagascar are of merit and worthy of further exploration.

A summary of LMR's coal projects valuation in respective ownership percentage terms is provided in Table 15. The applicable valuation date is 27 May 2015 and is derived from using the Comparable Transactions valuation method. The value of LMR's coal projects is considered to lie in a range from \$14.033M to \$21.122M, within this range Ravensgate has selected a preferred value of \$17.390M, which is approximately the middle of the range.

**Table 15 Summary LMR's Coal Projects Technical Valuation in Respective Ownership Percentage Terms**

Project	Mineral Asset	Ownership %	Area km <sup>2</sup>	Valuation		
				Low \$M	Preferred \$M	High \$M
Imaloto	Advanced Exploration Area	99%	81.25	13.974	17.288	20.961
Ianapera	Exploration Area	99%	25	0.012	0.025	0.037
Sakaraha	Exploration Area	99%	62.5	0.046	0.077	0.124
<b>TOTAL</b>	<b>Exploration Area</b>	<b>99%</b>	<b>168.75</b>	<b>14.033</b>	<b>17.390</b>	<b>21.122</b>

*The valuation has been compiled to an appropriate level of precision and minor rounding errors may occur.*

The improvement in the value of LMR's coal projects from this valuation to the one dated 29 May 2013 is due to the improved understanding of the Imaloto project through the various scoping studies completed. The optimised scoping study gave a resultant NPV of US\$49M, it should be noted that this NPV is not based on Ore Reserves, but Mineral Resources and is contingent on LMR being granted an IPP concession and construction of a thermal coal power station able to utilise the low grade coal as feedstock to produce revenue, prior to producing export grade thermal coal. At present LMR is progressing towards obtaining an IPP concession. Ravensgate considers that the following three major risks would act as discounting factors to the scoping study NPV in its present form:

- An IPP concession were not to be granted to LMR;
- Funding or a strategic partner for the funding, construction and operation of the thermal power station could not be found;
- Mineral resource risks and the conversion of Measured and Indicated Mineral Resources to Ore Reserves.



## 7. TENEMENT DETAILS

**Table 16 LMR's Tenement Details**

Tenement	Status	Holders	Expiry Date	Area (km <sup>2</sup> )	LMR Equity %
<b>Imaloto</b>					
12653	Granted	CMM <sup>1</sup>	18/04/2017	25	99%
3196	Granted	4 <sup>th</sup> Island Investments <sup>2</sup>	06/11/2016	18.75	99%
4578	Granted	CMM <sup>1</sup>	28/11/2045	25	99%
27163	Granted	Genyus Sarl(u) <sup>2</sup>	22/10/2015	6.25	99%
26904	Granted	Genyus Sarl(u) <sup>2</sup>	22/10/2015	6.25	99%
<b>Ianapera</b>					
31892	Granted	CMM <sup>1</sup>	18/04/2017	25	99%
<b>Sakaraha</b>					
31808	Granted	CMM <sup>1</sup>	07/09/2016	62.5	99%

<sup>1</sup> Coal Mining Madagascar SARL (CMM). Lemur Resources Limited holds 100% of Coal of Madagascar Limited, which in turn holds 99% of CMM.

<sup>2</sup> These permits are purported to have been transferred to CMM



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## 9. GLOSSARY

<i>carbonate</i>	Rock of sedimentary or hydrothermal origin, composed primarily of calcium, magnesium or iron and CO <sub>3</sub> . Essential component of limestones and marbles.
<i>coal</i>	Readily combustible rock containing carbonaceous material formed from plant remains that have been compacted, indurated, chemically altered, and metamorphosed by heat and pressure during geologic time.
<i>clastic</i>	Pertaining to a rock made up of fragments or pebbles (clasts).
<i>geochemical</i>	Pertains to the concentration of an element.
<i>geophysical</i>	Pertains to the physical properties of a rock mass.
<i>granite</i>	A coarse-grained igneous rock containing mainly quartz and feldspar minerals and subordinate micas.
<i>intrusions</i>	A body of igneous rock which has forced itself into pre-existing rocks.
<i>joint venture</i>	A business agreement between two or more commercial entities.
<i>metamorphic</i>	A rock that has been altered by physical and chemical processes involving heat, pressure and derived fluids.
<i>Mt</i>	Million Tonnes.
<i>NAR</i>	Net as Received
<i>outcrops</i>	Surface expression of underlying rocks.
<i>pegmatite</i>	A very coarse grained intrusive igneous rock which commonly occurs in dyke-like bodies containing lithium-boron-fluorine-rare earth bearing minerals.
<i>plies</i>	Lithological subdivisions of a coal seam each of which has a uniform character.
<i>Proterozoic</i>	An era of geological time spanning the period from 2,500 million years to 570 million years before present.
<i>sedimentary</i>	A term describing a rock formed from sediment.
<i>seam</i>	A bed of coal lying between a roof and floor.
<i>shale</i>	A fine grained, laminated sedimentary rock formed from clay, mud and silt.
<i>strata</i>	Sedimentary rock layers.
<i>stratigraphic</i>	Composition, sequence and correlation of stratified rocks.

