

28 June 2012

Manager of Company Announcements  
ASX Limited  
Level 6, 20 Bridge Street  
Sydney NSW 2000

By E-Lodgement

## **SELECT VACCINES LIMITED**

### **Lodgment of Notice of General Meeting (“Notice”)**

The Directors’ of Select Vaccines Limited (“Select” or “the Company”) (to be renamed Select Exploration Limited) are pleased to announce the Notice of General Meeting (“Notice”) to approve the acquisition of exploration tenements in Tanzania.

#### **Highlights of the transaction (which are subject to shareholder approval) include:**

- Acquisition of a 100% interest in four (4) projects in Tanzania comprising forty (40) licenses that potentially contain units of the Karoo Sedimentary Sequence which is a geological structure that hosts major known deposits in Africa, including significant coking coal deposits in neighbouring Mozambique and significant coal and uranium deposits in Tanzania.
- Change of company name to Select Exploration Limited.
- Share consolidation on a 1 for 100 basis.
- Issue of initial consideration securities of up to 16,250,000 shares (post-consolidation basis) valued at **\$AUD 4.875 million**, with additional performance shares to be converted to ordinary shares upon achievement of JORC resources. The Independent Geologists Report included in the Notice values Select’s tenement package at between \$AUD 10.2m and \$AUD 20.4m, with preferred valuation of **\$AUD 15.3 million**.
- Independent Experts Report as prepared by BDO advising that the Acquisition is both fair and reasonable.
- Appointment of Managing Director elect Mr Shane Cranswick, an accomplished mining executive with over 10 years’ experience in senior management roles in resources companies both in Australia and overseas with a focus on coal, uranium and iron ore.
- Share placement of up to 13,333,333 shares at \$0.30 to raise a minimum of \$3.5 million (with over subscriptions to raise up to \$4 million), including a priority placement for existing shareholders.

Full details of the transaction and associated resolutions are provided in the Notice. Before making any decision about the acquisition, shareholders should read the Notice (including the Independent Expert's Report in Annexure A) in its entirety and if in doubt about what action to take contact their professional advisers.

An indicative timetable for the completion of the transaction and re-compliance with Chapters 1 and 2 of the Listing Rules is in the table below.

<b>Event</b>	<b>Date*</b>
Lodgment of Prospectus	9 July 2012
Shareholder Meeting	31 July 2012
Closing of the Offer	6 August 2012
Re-instatement to Trading**	27 August 2012

\*Dates in the above table are indicative only.

\*\*The parties have agreed to extend the end date per the Share Sale Agreement from 30 June 2012 to 30 September 2012 to accommodate the revised timetable.

The Notice is currently being dispatched to shareholders.

The Board is pleased to have reached this significant milestone for the Company and now looks forward to progressing the transaction and, subject to shareholder approval, working to accelerate the Company's new exploration activities in Tanzania.

For and on behalf of the board



**Philip Warren**  
**Company Secretary**

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**SELECT VACCINES LIMITED**

ACN 062 063 692

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**NOTICE OF GENERAL MEETING**

**A General Meeting of the Company will be held at  
The Boulevard Centre, Lower Level Cambridge Library Building,  
99 The Boulevard, Floreat, Western Australia, 6014 on  
Tuesday 31 July 2012 at 3.30PM (WST).**

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

***Should you wish to discuss any matter please do not hesitate to contact the Company by  
telephone on (08) 9322 7600.***

# SELECT VACCINES LIMITED

ACN 062 063 692

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## NOTICE OF GENERAL MEETING

Notice is hereby given that a general meeting of Shareholders of Select Vaccines Limited (**Company**) will be held at the Boulevard Centre, Lower Level Cambridge Library Building, 99 The Boulevard, Floreat, Western Australia, 6014 on Tuesday 31 July 2012 at 3.30PM (WST) (**Meeting**).

The Explanatory Memorandum to this Notice provides additional information on matters to be considered at the Meeting. The Explanatory Memorandum and the Proxy Form form part of this Notice.

The Directors have determined pursuant to regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered as Shareholders on 29 July 2012 at 3.30PM (WST).

Terms and abbreviations used in this Notice and Explanatory Memorandum are defined in Section 17.

## AGENDA

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### 1. Resolution 1 – Change to scale and nature of activities

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

*"That, subject to Resolutions 2, 3, 4, 5, 7, and 8 being passed, for the purposes of Listing Rule 11.1.2 and for all other purposes, the Company be authorised to make a significant change to the scale and nature of its activities on the terms and conditions in the Explanatory Memorandum accompanying this Notice."*

#### Voting Exclusion

The Company will disregard any votes cast on this resolution by a person who might obtain a benefit (except a benefit solely in their capacity as holder of ordinary securities) if the resolution is passed and any associates of those persons.

However, the Company will not disregard a vote if:

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

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### 2. Resolution 2 – Approval of Acquisition of Mauritian Companies

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

*"That, subject to Resolutions 1, 3, 4, 5, 7, and 8 being passed, and for the purposes of Listing Rule 10.1 and for all other purposes, Shareholders approve the acquisition by the Company of the issued capital in*

*the Mauritian Companies in accordance with the Acquisition Agreement and the performance by the Company of its obligations under the Acquisition Agreement.”*

**BDO has prepared an independent expert’s report on the proposed Acquisition and has concluded that the proposed Acquisition is fair and reasonable to the existing Shareholders. Refer to Section 3.10 for further information.**

#### **Voting Exclusion**

The Company will disregard any votes cast on this Resolution by a person (and any associate of such a person) who is a party to the Acquisition.

However, the Company will not disregard a vote if:

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

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### **3. Resolution 3 – Approval of issue of Vendor Securities**

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

*“That, subject to Resolutions 1, 2, 4, 5, 7 and 8 being passed, and for the purposes of section 611 item 7 of the Corporations Act, and all other purposes, Shareholders approve the issue of:*

- (a) *up to 16,250,000 Shares (**Vendor Shares**) (on a post-consolidation basis); and*
- (b) *50,000,000 Performance Shares (on a post-consolidation basis),*

*(together the **Vendor Securities**),*

*to the Vendor as consideration for the Acquisition on the terms and conditions in the Explanatory Memorandum accompanying this Notice.”*

#### **Voting Exclusion**

The Company will disregard any votes cast on this Resolution by a person (and any associate of such a person) who may participate in the issue of the Vendor Securities.

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### **4. Resolution 4 – Approval of issue of Vendor Securities to Related Parties**

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

*“That, subject to Resolutions 1, 2, 3, 5, 7 and 8 being passed and pursuant to and in accordance with Listing Rule 10.11, Chapter 2E of the Corporations Act and for all other purposes, Shareholders authorise and approve the Directors to allot and issue the Vendor Securities to the Vendor (of which the Directors combined own 76%) on the terms and conditions in the Explanatory Memorandum accompanying this Notice.”*

#### **Voting Exclusion**

The Company will disregard any votes cast on this resolution by the Vendor and any of its associates.

However, the Company will not disregard a vote if:

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

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## 5. Resolution 5 - Approval of Performance Shares

To consider, and, if thought fit, to pass with or without amendment, the following resolution as a special resolution:

*"That, subject to Resolutions 1, 2, 3, 4, 7 and 8 being passed, and for the purposes of section 246B(1) of the Corporations Act and Article 7.1 of the Constitution of the Company and for all other purposes, the Company be authorised to create a new class of share on the terms and conditions in Schedule 2 and in the Explanatory Memorandum accompanying this Notice (**Performance Shares**)."*

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## 6. Resolution 6 – Change of Company Name

To consider, and, if thought fit, to pass with or without amendment, the following resolution as a special resolution:

*"That, with effect from the date that ASIC alters the details of the Company's registration in accordance with section 157 of the Corporations Act, the name of the Company be changed to Select Exploration Limited."*

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## 7. Resolution 7 - Approval of Share Consolidation

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

*"That, subject to Resolutions 1, 2, 3, 4, 5 and 8 being passed, pursuant to and in accordance with section 254H of the Corporations Act, and for all other purposes, Shareholders approve and authorise the Directors to consolidate the issued capital of the Company on the basis that every 100 Shares be consolidated into one Share and that Options on issue be adjusted in accordance with the Listing Rules on the terms and conditions in the attached Explanatory Memorandum accompanying this Notice."*

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## 8. Resolution 8 – Authority to issue Placement Shares

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

*"That, subject to Resolutions 1, 2, 3, 4, 5 and 7 being passed, pursuant to and in accordance with Listing Rule 7.1 and for all other purposes, Shareholders approve and authorise the Directors to allot and issue up to 13,333,333 Shares (on a post consolidation basis) (**Placement Shares**) each at an issue price of \$0.30 on the terms and conditions in the Explanatory Memorandum accompanying this Notice (**Placement**)."*

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## 9. Resolution 9 – Authority to grant Underwriter Options

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

*"That, subject to Resolution 8 being passed, pursuant to and in accordance with Listing Rule 7.1 and for all other purposes, Shareholders approve and authorise the Directors to allot and grant up to 6,666,667 Underwriter Options (on a post consolidation basis) each exercisable at \$0.40 on or before 30 June 2013 (which if exercised entitle the holder to be granted one additional Secondary Option exercisable at \$0.45 on or before 30 June 2015) to the persons, and on the terms and conditions, in the Explanatory Memorandum accompanying this Notice."*

### Voting Exclusion

The Company will disregard any votes cast on this resolution by a person who may participate in the grant of the Underwriter Options and a person who might obtain a benefit (except a benefit solely in their capacity as holder of ordinary securities) if the resolution is passed and any associates of those persons.

However, the Company will not disregard a vote if:

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

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## 10. Resolution 10 – Authority for Mr Ian Macliver to participate in Placement and Underwriting

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

*"That, subject to Resolutions 8 and 9 being passed, and pursuant to and in accordance with Listing Rule 10.11, Chapter 2E of the Corporations Act and for all other purposes, Shareholders authorise and approve Mr Ian Macliver and/or his nominees to:*

- (a) *sub-underwrite the Placement to the extent of up to 333,334 Shares each at an issue price of \$0.30; and*
- (b) *be granted up to 166,667 Underwriter Options each exercisable at \$0.40 on or before 30 June 2013 (which if exercised entitle the holder to be granted one additional Secondary Option exercisable at \$0.45 on or before 30 June 2015),*

*on the terms and conditions in the Explanatory Memorandum accompanying this Notice."*

### Voting Exclusion

The Company will disregard any votes cast on this resolution by Mr Ian Macliver and his nominees, and any of their associates.

However, the Company will not disregard a vote if:

- (c) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or

- (d) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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## **11. Resolution 11 – Authority for Mr Mark Titchener to participate in Placement and Underwriting**

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

*"That, subject to Resolutions 8 and 9 being passed, and pursuant to and in accordance with Listing Rule 10.11, Chapter 2E of the Corporations Act and for all other purposes, Shareholders authorise and approve Mr Mark Titchener and/or his nominees to:*

- (a) *sub-underwrite the Placement to the extent of up to 333,334 Shares each at an issue price of \$0.30; and*
- (b) *be granted up to 166,667 Underwriter Options each exercisable at \$0.40 on or before 30 June 2013 (which if exercised entitle the holder to be granted one additional Secondary Option exercisable at \$0.45 on or before 30 June 2015),*

*on the terms and conditions in the Explanatory Memorandum accompanying this Notice."*

### **Voting Exclusion**

The Company will disregard any votes cast on this resolution by Mr Mark Titchener and his nominees, and any of their associates.

However, the Company will not disregard a vote if:

- (c) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- (d) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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## **12. Resolution 12 – Authority for Mr Gary Seabrooke to participate in Placement and Underwriting**

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

*"That, subject to Resolutions 8 and 9 being passed, and pursuant to and in accordance with Listing Rule 10.11, Chapter 2E of the Corporations Act and for all other purposes, Shareholders authorise and approve Mr Gary Seabrooke and/or his nominees to:*

- (a) *sub-underwrite the Placement to the extent of up to 333,334 Shares each at an issue price of \$0.30; and*
- (b) *be granted up to 166,667 Underwriter Options each exercisable at \$0.40 on or before 30 June 2013 (which if exercised entitle the holder to be granted one additional Secondary Option exercisable at \$0.45 on or before 30 June 2015),*

*on the terms and conditions in the Explanatory Memorandum accompanying this Notice."*



### **Voting Exclusion**

The Company will disregard any votes cast on this resolution by Mr Gary Seabrooke and his nominees, and any of their associates.

However, the Company will not disregard a vote if:

- (c) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- (d) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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## **13. Resolution 13 – Authority for Ms Cherie Leeden to participate in Placement and Underwriting**

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

*"That, subject to Resolutions 8 and 9 being passed, and pursuant to and in accordance with Listing Rule 10.11, Chapter 2E of the Corporations Act and for all other purposes, Shareholders authorise and approve Ms Cherie Leeden and/or her nominees to:*

- (a) *sub-underwrite the Placement to the extent of up to 66,667 Shares each at an issue price of \$0.30; and*
- (b) *be granted up to 33,334 Underwriter Options each exercisable at \$0.40 on or before 30 June 2013 (which if exercised entitle the holder to be granted one additional Secondary Option exercisable at \$0.45 on or before 30 June 2015),*

*on the terms and conditions in the Explanatory Memorandum accompanying this Notice."*

### **Voting Exclusion**

The Company will disregard any votes cast on this resolution by Ms Cherie Leeden and her nominees, and any of their associates.

However, the Company will not disregard a vote if:

- (c) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- (d) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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## **14. Resolution 14 – Approval of the Grant of Incentive Options to Key Employees and Consultants**

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

*"That, pursuant to and in accordance with, Listing Rule 7.1 and for all other purposes, Shareholders approve and authorise the Directors to grant up to 2,000,000 Incentive Options each exercisable at \$0.36*

on or before 30 June 2016 to key employees and consultants of the Company on the terms and conditions in the Explanatory Memorandum accompanying this Notice."

#### **Voting Exclusion**

The Company will disregard any votes cast on this resolution by a person who may participate in the grant of the Incentive Options and a person who might obtain a benefit (except a benefit solely in their capacity as holder of ordinary securities) if the resolution is passed and any associates of those persons.

However, the Company will not disregard a vote if:

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

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## **15. Resolution 15 – Adoption of New Constitution**

To consider and, if thought fit, to pass with or without amendment, the following resolution as a special resolution:

*"That, with effect from the passing of this Resolution and in accordance with section 136 of the Corporations Act, the regulations contained in the printed document produced to this Meeting and signed by the Chairman for identification purposes (**Proposed Constitution**) are hereby approved and adopted as the constitution of the Company in substitution for, and to the exclusion of, the existing Constitution of the Company."*

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## **16. Resolution 16 - Approval of the Select Exploration Limited Performance Rights Plan**

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

*"That for the purposes of Listing Rule 7.2, Exception 9(b), as an exception to Listing Rule 7.1, and for all other purposes, the Shareholders approve the performance rights plan for employees (including Directors) of the Company known as the "Select Exploration Limited Performance Rights Plan" and the grant of Performance Rights and the issue of Shares under such Performance Rights Plan, which Performance Rights Plan is summarised in the Explanatory Memorandum."*

#### **Voting Exclusion**

The Company will disregard any votes cast on this resolution by a Director (except one who is ineligible to participate in any employee incentive scheme in relation to the Company) and any of their associates.

However, the Company will not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or

- (b) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Dated 21 June 2012

**BY ORDER OF THE BOARD**

A handwritten signature in black ink, appearing to read 'Phil Warren', with a long horizontal flourish extending to the right.

Phil Warren  
Company Secretary

# SELECT VACCINES LIMITED

ACN 062 063 692

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## EXPLANATORY MEMORANDUM

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### 1. Introduction

This Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at the Meeting to be held at The Boulevard Centre, Lower Level Cambridge Library Building, 99 The Boulevard, Floreat, Western Australia, 6014 on Tuesday 31 July 2012 at 3.30PM (WST).

This Explanatory Memorandum should be read in conjunction with and forms part of the accompanying Notice. The purpose of this Explanatory Memorandum is to provide information to Shareholders in deciding whether or not to pass the Resolutions set out in the Notice.

A Proxy Form is located at the end of the Explanatory Memorandum.

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### 2. Action to be taken by Shareholders

Shareholders should read the Notice and this Explanatory Memorandum carefully before deciding how to vote on the Resolutions.

#### 2.1 Proxies

A Proxy Form is attached to the Notice. This is to be used by Shareholders if they wish to appoint a representative (a 'proxy') to vote in their place. All Shareholders are invited and encouraged to attend the Meeting or, if they are unable to attend in person, sign and return the Proxy Form to the Company in accordance with the instructions thereon. Lodgment of a Proxy Form will not preclude a Shareholder from attending and voting at the Meeting in person.

Please note that:

- (a) a member of the Company entitled to attend and vote at the General Meeting is entitled to appoint a proxy;
- (b) a proxy need not be a member of the Company; and
- (c) a member of the Company entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

The enclosed Proxy Form provides further details on appointing proxies and lodging Proxy Forms.

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### 3. Summary of the Acquisition

#### 3.1 Background

The Company announced on 19 March 2012 that it had signed a formal sale agreement with Indigo Metals Limited (**Indigo**) to acquire a 100% interest in the Mauritian Companies and their subsidiaries which own more than 4,000 square kilometres of coal and uranium projects located in the United Republic of Tanzania in East Africa (**Acquisition**).

The Mauritian Companies, through their wholly owned Tanzanian subsidiaries, IBIS Resources Ltd and WTF Resources Ltd, hold 40 prospecting licences of which 14 are granted, 12 have been offered to be granted, 2 are being transferred and 12 are under application at the date of this Notice. An overview of the projects comprising these licences and applications (**Projects**) is provided in Section 3.2.

Under the terms of the Acquisition, the Company has agreed to pay cash and issue Shares and Performance Shares as consideration to the Vendor.

The Vendor does not currently hold any Shares in the Company.

Following Completion of the Acquisition and the Placement, the Vendor will hold up to the following number of Shares and Performance Shares (on a post consolidation basis) and exercise the following voting power in the Company:

	<b>Number of Shares</b>	<b>Number of Performance Shares</b>	<b>Voting Power</b>
Vendor	14,750,000 <sup>(1)</sup>	50,000,000	39.09% <sup>(2)(3)</sup>

(1) The Vendor may elect to be paid the cash component of the consideration for the Acquisition (\$600,000) in Shares to be issued at \$0.40 per Share (on a post consolidation basis). If the whole of the cash consideration is paid in Shares then the Vendor will be issued an additional 1,500,000 Shares (on a post consolidation basis).

(2) Assumes the raising of \$3.5 million under the Placement. If the Company raises \$4 million under the Placement, the voting power of the Vendor will be 37.43%. If the whole of the cash consideration is paid in Shares resulting in the Vendor being issued an additional 1,500,000 Shares (on a post consolidation basis) then the Vendor's voting power will be 41.41% (assuming \$3.5 million is raised) and 39.73% (assuming \$4 million is raised).

(3) The Vendor will receive 8,125,000 Loyalty Options when the Company undertakes the issue of the Loyalty Options (assuming the whole of the cash consideration is paid in Shares). If the Vendor exercises all of its Loyalty Options, then the Vendor's voting power will be 51.46% (assuming \$3.5 million is raised) and 49.72% (assuming \$4 million is raised).

If all of the Performance Shares are converted into Shares (and assuming the Company does not issue any further Shares other than pursuant to the Placement), the Vendor will hold the following number of Shares and Performance Shares (on a post consolidation basis) and exercise the following voting power in the Company:

<b>Name of Vendor</b>	<b>Number of Shares</b>	<b>Number of Performance Shares</b>	<b>Voting Power</b>
Vendor	64,750,000 <sup>(1)</sup>	Nil	73.80% <sup>(2)(3)</sup>

(1) The Vendor may elect to be paid the cash component of the consideration for the Acquisition (\$600,000) in Shares to be issued at \$0.40 per Share (on a post consolidation basis). If the whole of the cash consideration is paid in Shares then the Vendor will hold an additional 1,500,000 Shares (on a post consolidation basis).

(2) Assumes the raising of \$3.5m under the Placement. If the Company raises \$4 million under the Placement, the voting power of the Vendor will be 72.42%. If the whole of the cash consideration is paid in Shares resulting in the Vendor being issued an additional 1,500,000 Shares (on a post consolidation basis) then the Vendor's voting power will be 74.24% (assuming \$3.5 million is raised) and 72.88% (assuming \$4 million is raised).

(3) The Vendor will receive 8,125,000 Loyalty Options when the Company undertakes the issue of the Loyalty Options (assuming the whole of the cash consideration is paid in Shares). If the Vendor exercises all of its Loyalty Options, then the Vendor's voting power will be 76.39% (assuming \$3.5 million is raised) and 75.10% (assuming \$4 million is raised).

As a consequence of the Vendor's voting power in the Company on Completion of the Acquisition and voting power if all of the Performance Shares are converted, the Company will need Shareholder approval to complete the Acquisition. Specifically, Shareholder approval is required pursuant to Item 7 of section 611 of the Corporations Act because the Acquisition will result in the Vendor acquiring ownership of more than 20% of the issued share capital of the Company.

## **3.2 Overview of the Projects**

The overview of the Projects contained in this Section focuses solely on the 32 licences that were included in the Heads of Agreement (refer to the Company's ASX announcement on 19 December 2011 for further details). The formal agreement for the Acquisition included an additional eight licences. These licences have not been included in the summary of the Projects in this Section because they have only recently been applied for and further technical due diligence in respect of them is required. For the purposes of the preparation of the Independent Expert's Report no value has been attributed to these additional eight licences.

The information in this report that relates to exploration results is based on information compiled by Ms Cherie Leeden. Ms Leeden is a non-executive director of the Company. Ms Leeden is a member of the Australian Institute of Geoscientists and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which she is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Ms Leeden consents to the inclusion in this report of the matters based on information in the form and context in which it appears.

### **(a) Mhukuru Project (MP)**

The Mhukuru Project outlined in Figure 1 (on page 15) is located in the Ruvuma region of the Songea district, 90 kilometres South West of Songea in Southern Tanzania. The 223 km<sup>2</sup> land holding is situated approximately 25 km south of the Mhukuru Coalfield.

The topography of the MP is rather undulating with the highest elevations reaching 600 m to 700 m above sea level as the land rises gently from the Mhukuru Valley.

The Mhukuru basin is reported to host numerous small historical coal and uranium occurrences and resources. The MP is contiguous and along strike of these historical coal occurrences. The Company believes that the regional geological and geophysical characteristics of the MP are of sufficient merit to justify further exploration for both coal and uranium.

One of the Mhukuru licences is situated immediately north of the Mozambican border. Within Mozambique, the sedimentary basin is thought to continue and is reported to contain significant coal and uranium potential based on historical drilling.

### **(b) Rukwa Basin Project (RBP)**

The Rukwa Basin Project outlined in Figure 2 (on page 16) is located in the Sumbawanga Region, Rukwa District of SW Tanzania, approximately 35 km North East of Sumbawanga town and 20 km West of Lake Rukwa. The project covers a surface area of 1,030 km<sup>2</sup> in relatively unexplored terrain.

Historical exploration has defined numerous small coalfields in the basin, namely, the Namwele-Mkomolo, Muze and Galula Coalfields. The RBP is located in the vicinity of the Namwele Coalfield. Due to the proximity of the known coal resources and reported coal intercepts within the basin, coupled with the size and corresponding strike to the Namwele – Mkomolo coalfields, the company believes that the commencement of exploration is warranted, with the aim of establishing a marketable coal and/or uranium resource within the RBP.

It should be noted that approximately half of HQ-P23804 is located under Lake Rukwa (as illustrated in the project location map in Figure 2 on page 16).

(c) Ruhuhu Project (RP)

The Ruhuhu Project outlined in Figure 3 (on page 17) is located 90 km North West of the town of Songea, in the Ruhuhu Basin. The project covers a total area of 495 km<sup>2</sup> in the Ruhuhu Basin, which is known to contain eleven coalfields. The RP possesses a preserved stratigraphic succession which includes similar stratigraphy to its neighbouring coal bearing strata. The Ruhuhu Basin trends NE-SW and is approximately 60km wide and 173 km long. The basin is the largest Karoo Supergroup basin in SW Tanzania and covers a total area of 2200 km<sup>2</sup>. The RP is located partly within fault bounded Karoo-Songea Group sedimentary sequences and partly within adjacent Precambrian basement rocks. The RP is partly located in the far north of the Ngaka Coalfield which contains several thermal coal occurrences. The ongoing adjacent exploration activities in the Ngaka coalfield by Intra Energy Limited (its flagship project) within the Ruhuhu basin has revealed a JORC resource of 251 million tonnes of thermal coal (139 MT Measured, 66 MT Indicated, 46 MT Inferred), of which 40 MT has been classed as a Proved ore reserve at the Mbalawala mine. Intra Energy recently announced a JORC resource of 100 MT of thermal coal (75 MT Indicated, 25 MT Inferred) in their Songwe-Kiwira Coalfield project. This recent exploration success illustrates the potential for further thermal coal discoveries in the region.

Exploration conducted on the RP has revealed that the presence of prospective lower karoo stratigraphy (potentially thermal coal bearing) within the RP is contiguous and less than 10km along strike to Intra Energy Limited's 251 MT JORC Resource. A recent US\$3 billion agreement between the Tanzania Government and China's Sichuan Hongda will see the development and mining of the adjacent Mchuchuma Coalfield, which represents the single largest investment in East Africa and establishes the funding to develop the Ruhuhu Coal Basin for both domestic and export markets.

(d) Selous Project (SP)

The Selous Project outlined in Figure 4 (on page 18) covers an impressive surface area of 2,454 km<sup>2</sup> over greenfields terrain, much of it believed to be the prospective Karoo stratigraphy covered by a thin veneer of younger Cainozoic sediments.

A technical review conducted on the SP has revealed that no significant coal or uranium exploration has been undertaken in the Selous basin however that the basin possesses karoo stratigraphy. In addition, previous oil exploration wells within the basin are noted to have intersected coal seams. The basin is virtually unexplored for coal.

The Company is satisfied that the basin warrants significant coal and uranium exploration to unravel its potential. This exploration is likely to include the detailed geological mapping to define the presence of coal and uranium bearing strata within the project area. This will be followed by the flying of a geophysical survey to delineate stratigraphic targets (coal seams) and also potential radiometric (uranium) anomalies for drill targets.

(e) Proposed Expenditure on the Projects

The Company's proposed exploration budget on the Projects over a two year period is as follows assuming \$3.5m is raised:

<b>Proposed Work</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Total</b>
Environmental Assessment and Rehabilitation	32,000	32,000	64,000
Satellite data acquisition and interpretation	80,000	-	80,000
Geophysics (Airborne Magnetics /Resistivity + down hole geophysics)	120,000	80,000	200,000
Geological mapping and reconnaissance work	40,000	-	40,000
Drilling	308,000	508,000	816,000
Geochemical analysis (assays)	32,000	32,000	64,000
Field costs/consumables/vehicle rental	32,000	32,000	64,000
Administration/office rental	96,000	96,000	192,000
Wages/salaries/contractors	240,000	240,000	480,000
<b>Total</b>	<b>980,000</b>	<b>1,020,000</b>	<b>2,000,000</b>

Further information in respect of the Acquisition is contained in the Company's ASX announcement dated 19 December 2011.



Figure 1. Indigo MP licences over regional geology.

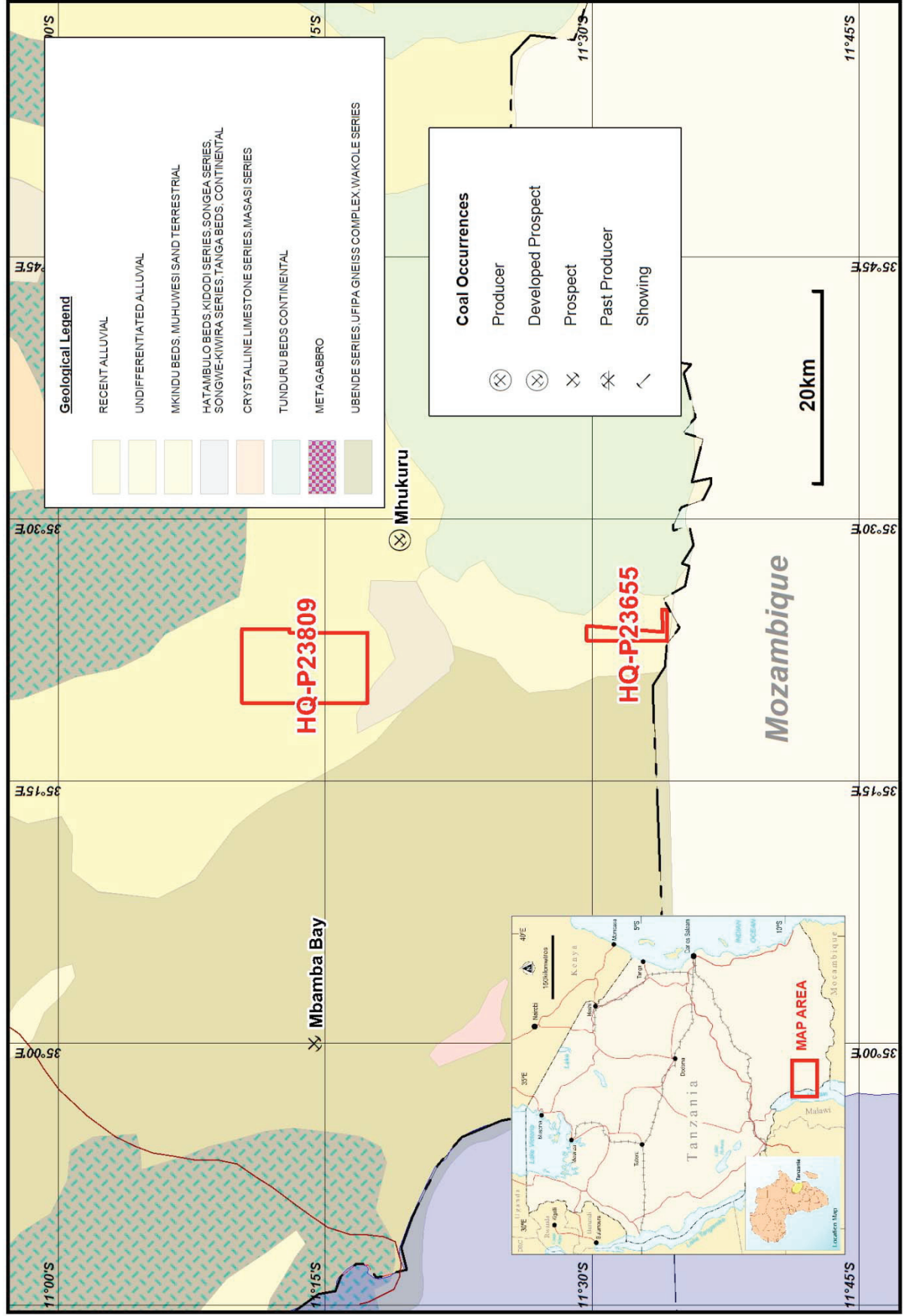


Figure 2. Indigo RBP licences over regional geology.

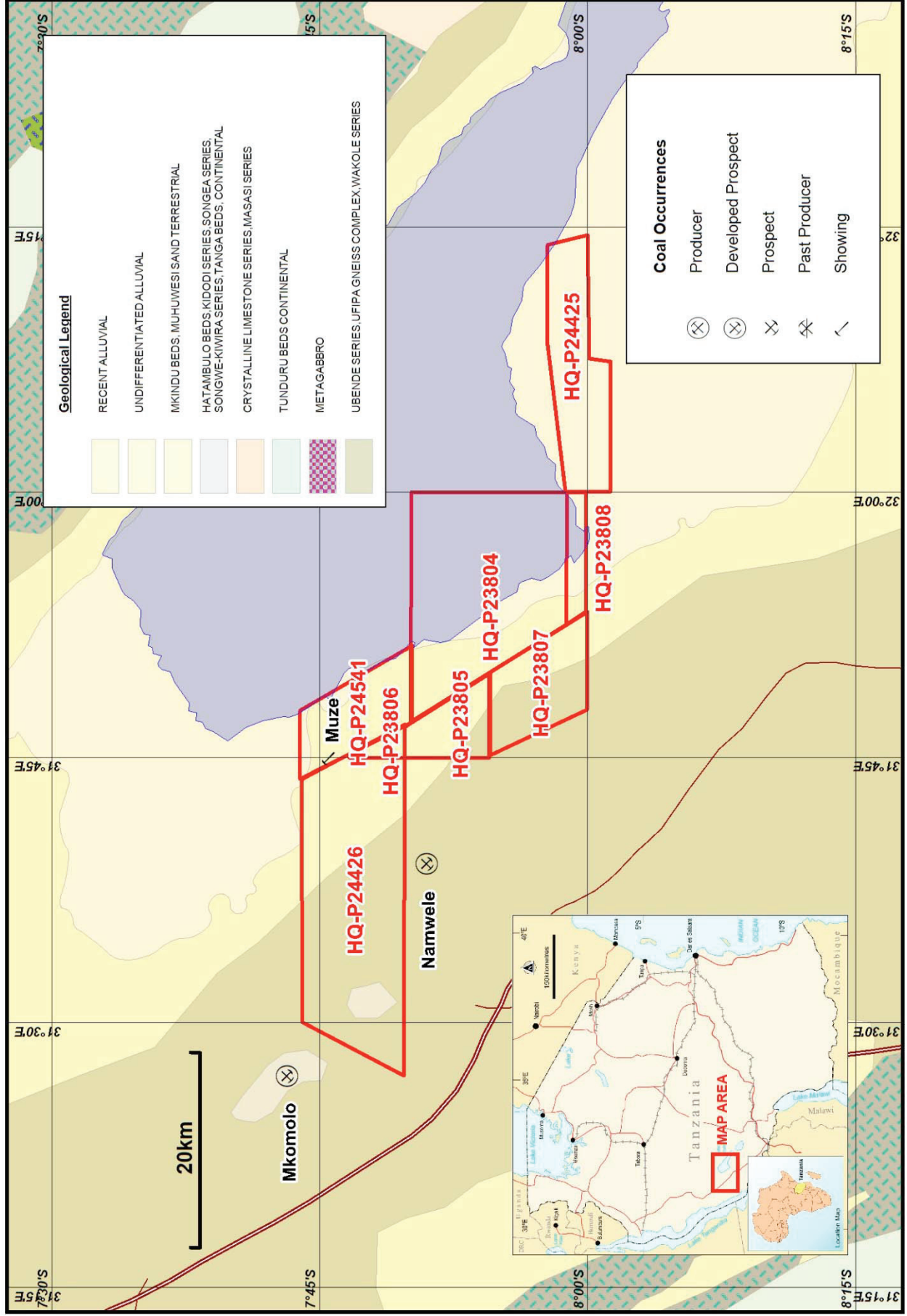


Figure 3. Indigo RP licences over regional geology.

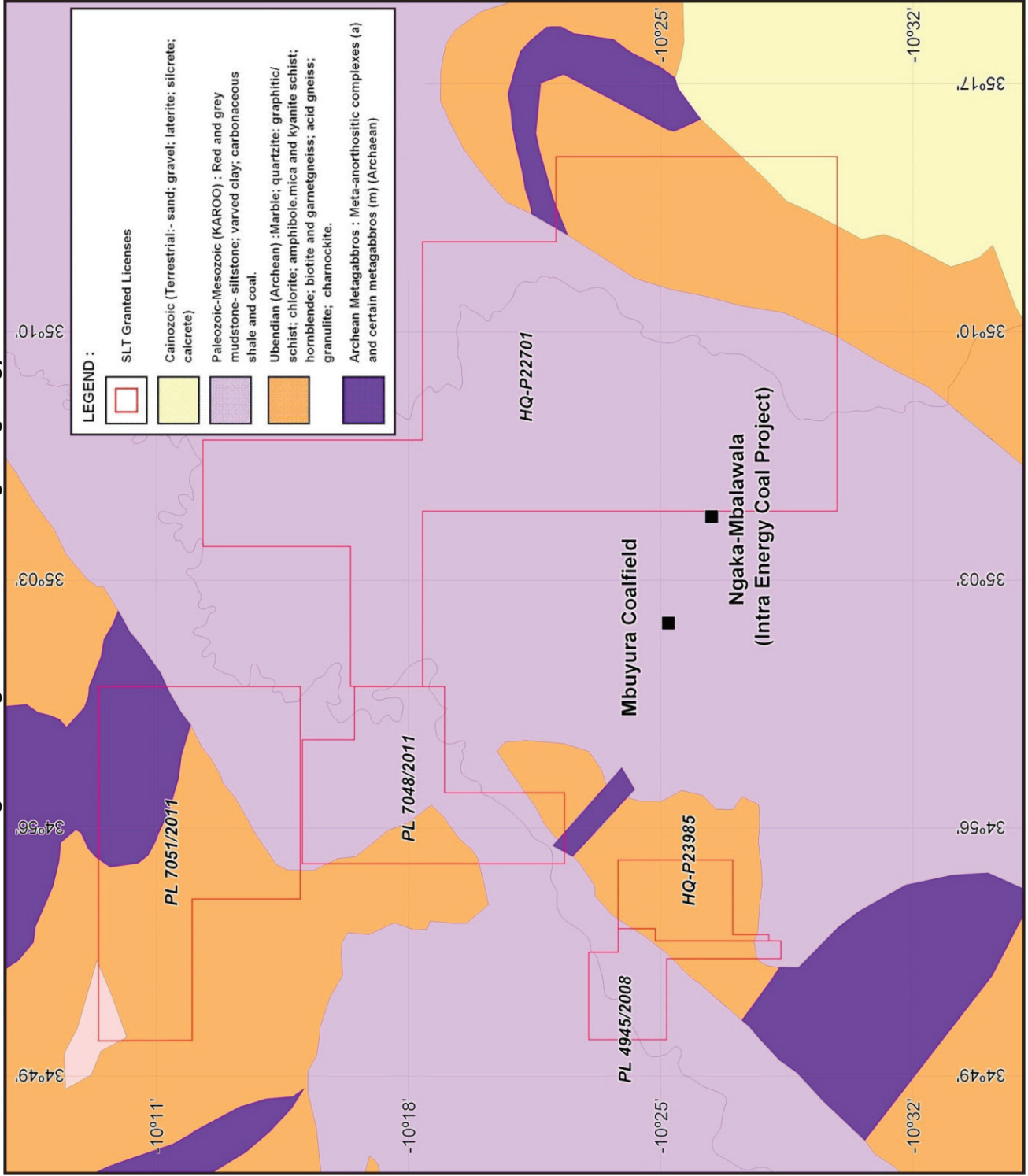
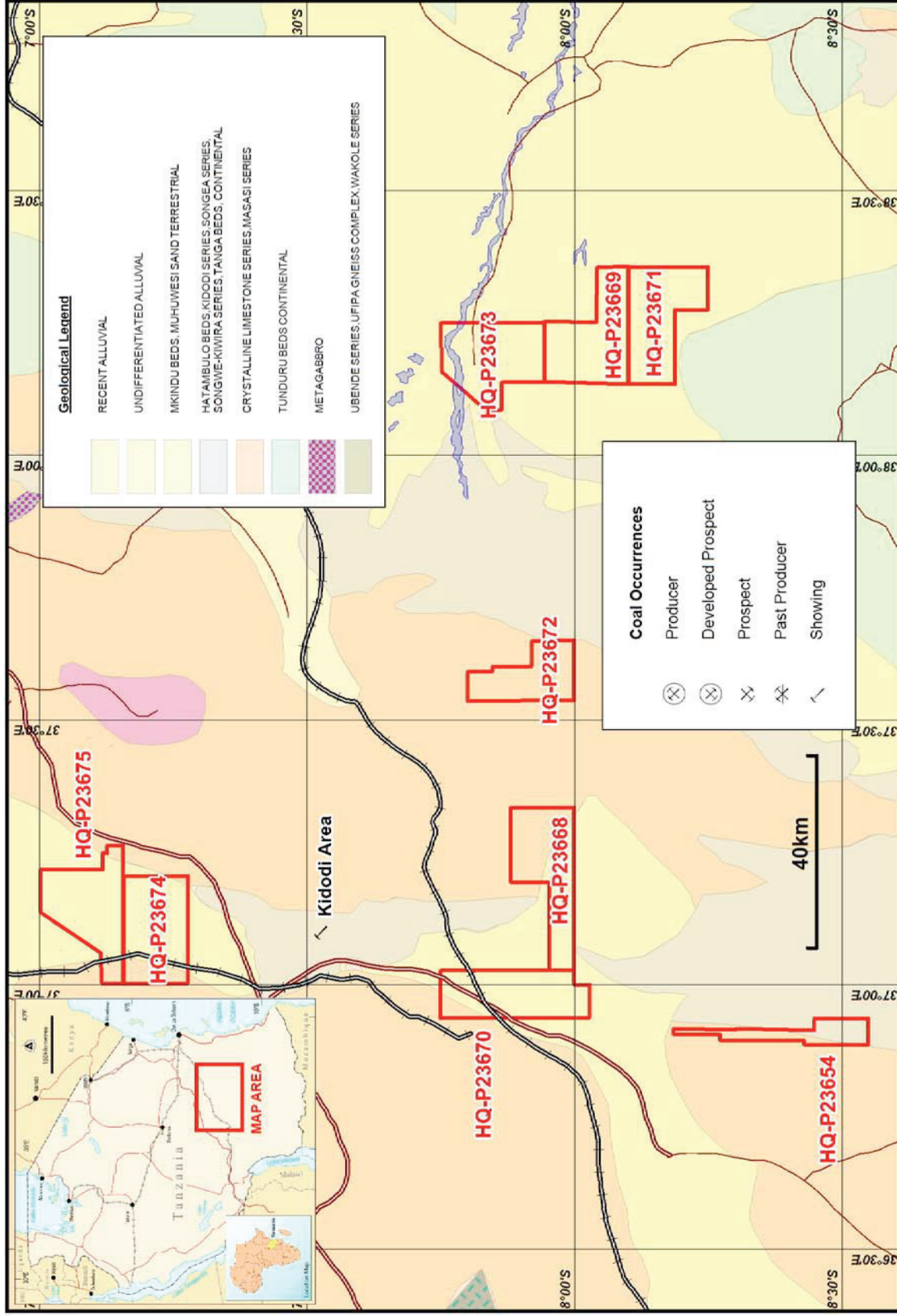


Figure 4. Indigo SP licences over regional geology.



### 3.3 Capital Raising

The Company intends to undertake a placement of up to 13,333,333 Shares each at an issue price of \$0.30 to fund initial working capital on the Projects. The Company will seek to raise a minimum of \$3,500,000 (before costs) but may also accept oversubscriptions of up to an additional \$500,000. Resolution 8 seeks Shareholder approval for this placement (refer to Section 11 for further details).

As part of the Placement, the Company proposes to give the existing Shareholders of the Company a priority right to participate in the Placement. The Company has not finalised the amount of the priority, but it will be at least 50% of the minimum amount to be raised under the Placement (being 5,833,333 Shares) and is currently intended to be 70% of the minimum amount to be raised under the Placement (being up to 8,166,667 Shares). Full details of the amount of the priority will be included in the prospectus to be issued by the Company in respect of the Placement (**Prospectus**). The Company will limit the number of Shares that it issues to a Shareholder to the greater of 5% of the Shares being offered under the Placement and the number the Shareholder would be entitled to under a pro-rata issue of the Placement Shares. The Company will also offer Shares under the Placement to the general public.

The Company may seek to have the Placement underwritten. However, no firm commitments in respect to underwriting the Placement have been made. Full details of the terms of any underwriting will be included in the Prospectus. In order to induce sub-underwriting commitments, the Company may offer sub-underwriters of the Placement Options on the basis of one Underwriter Option for every two Shares sub-underwritten, with an additional Secondary Option being granted for every Underwriter Option exercised (refer to Section 12 for further information). As a show of support for the Company, the Directors may sub-underwrite the Placement and may receive Underwriter Options if they do so (refer to Section 13 for further information).

Approximately two months following completion of the Placement, the Company intends to offer all Shareholders (including the Vendor and the Directors) one free Loyalty Option for every two Shares held at the record date. On the exercise of each Loyalty Option, the holder will be issued one Share in the Company and granted a further Secondary Option which has an exercise price of \$0.45 and an expiry date of 30 June 2015.

The purpose of the offer of the Loyalty Options is to reward Shareholders for their loyalty to the Company and to provide those Shareholders with an opportunity to participate in the continued growth of the Company.

### 3.4 Commercial Terms

The Company has entered into the Acquisition Agreement with the Vendor to acquire 100% ownership of the Mauritian Companies for consideration as follows:

- (a) \$600,000 cash (\$20,000 of which is payable as a non-refundable deposit upon execution of the Acquisition Agreement) (**Cash Consideration**) being a re-imbusement of past exploration costs (based on exploration costs provided by the Vendor. The Company is in the process of verifying these exploration costs). The Vendor may elect to be paid the Cash Consideration, wholly or partly, in cash or in Shares. If the Vendor makes an election to be paid all or some of the Cash Consideration in Shares then the Shares will be issued at \$0.40 per Share (on a post consolidation basis) in satisfaction of the portion of the Cash Consideration to be paid in Shares. If the whole of the Cash Consideration is paid in Shares then the Vendor will be issued an additional 1,500,000 Vendor Shares (on a post consolidation basis). The ASX must be satisfied that the Cash Consideration is a reimbursement of expenditure incurred in developing the Projects. To the extent that the Cash Consideration exceeds the Vendor's exploration expenditure in respect of the Projects once this figure has been verified, the parties will ensure that the Vendor is paid that portion (if any) of the Cash Consideration in Shares;

- (b) 14,750,000 Vendor Shares (on a post consolidation basis). Shareholders should note that if the whole of the Cash Consideration is paid in Shares then the Vendor will be issued a total of 16,250,000 Vendor Shares (on a post consolidation basis) (refer to paragraph (a) above for further information);
- (c) 25,000,000 Class A Performance Shares (on a post consolidation basis), 2,500,000 of which convert on the achievement of at least 100 million tonnes of a JORC Inferred coal Resource being defined on the Tenements. Thereafter, for any subsequent resource of 1,000 tonnes of coal in all JORC categories being defined on the Tenements, 25 Class A Performance Shares will convert into Select Shares on a one for one basis up to a maximum of 1 billion tonnes of coal and otherwise on the terms and conditions in Schedule 2; and
- (d) 25,000,000 Class B Performance Shares (on a post consolidation basis), 2,500,000 of which convert on the achievement of at least 5 million pounds of a JORC Inferred uranium Resource being defined on the Tenements. Thereafter, for any subsequent resource of ten pounds of uranium in all JORC categories being defined on the Tenements, 5 Class B Performance Shares will convert into Select Shares on a one for one basis up to a maximum of 50 million pounds of uranium and otherwise on the terms and conditions in Schedule 2.

Please note that no coal or uranium Resources exist on the Projects at this time.

Resolutions 3 and 5 seek Shareholder approval for the:

- (a) issue of the Vendor Shares; and
- (b) issue of the Performance Shares.

(refer to Section 6 for further details).

The Acquisition is conditional upon, and subject to, a number of conditions. These conditions have either been satisfied or substantially satisfied, with the exception of the following conditions which remain outstanding at the date of this Notice:

- (a) completion of due diligence;
- (b) Shareholder approval of the Acquisition; and
- (c) the Company obtaining all necessary regulatory approvals required in relation to the Acquisition including re-compliance with Chapters 1 and 2 of the Listing Rules and approval of the relevant Tanzanian regulatory authorities.

The Vendor has acknowledged that some or all of the Vendor Securities may be escrowed in accordance with the requirements of ASX.

There are normal commercial warranties associated with the Acquisition.

During the period from execution of the Heads of Agreement until Completion, the Company will manage the Tenements and be responsible for all outgoings.

### **3.5 Effect of the Acquisition on the Company**

- (a) Capital Structure

Below is a table showing the Company's current capital structure and the possible capital structure on completion of the Placement (assuming \$3.5 million is raised), Completion and upon conversion of the maximum possible Performance Shares and assuming none of the

Options expire, or are exercised, prior to the date that all of the Performance Shares have converted, all of which is shown on a post-consolidation basis.

	<b>Shares</b>	<b>Options</b>	<b>Performance Shares</b>
Balance at the date of this Notice	11,321,091	4,175,030	Nil
Balance following completion of the Placement	22,987,758 <sup>(1)</sup>	4,175,030 <sup>(2)</sup>	Nil
Balance following Completion of the Acquisition	37,737,757 <sup>(3)</sup>	4,175,030 <sup>(4)</sup>	50,000,000
Balance following conversion of the Performance Shares	87,737,757 <sup>(5)</sup>	4,175,030	Nil

- (1) Assumes \$3.5 million is raised under the Placement. May include up to an additional 1,666,666 Shares if \$4 million is raised.
- (2) An additional 6,666,667 Underwriter Options may be issued to any underwriter and sub-underwriters of the Placement.
- (3) Assumes all of the Cash Consideration is paid in cash. If the whole of the Cash Consideration is paid in Shares then the Vendor will be issued an additional 1,500,000 Shares (on a post consolidation basis).
- (4) The Company intends to issue up to 21,706,394 Loyalty Options to Shareholders (assuming all the Cash Consideration is paid in Shares and all Options currently on issue are exercised prior to the issue) approximately two months after completion of the Placement as a loyalty bonus issue (refer to Sections 3.3 and Schedule 3 for further details) and may issue up to 2,000,000 Incentive Options to key employees and consultants within three months after the date of the Meeting (refer to Section 14 for further details).
- (5) Assumes all of the Performance Shares are converted to Shares prior to the expiry date of the Performance Shares.

The table above shows the possible capital structure of the Company that will give the Vendor the maximum voting power. For details of other scenarios possible as a result of various combinations of securities to be issued under Completion, the Placement and if existing Options, Loyalty Options, Underwriter Options and Secondary Options are exercised, refer to page 7 of the Independent Expert's Report.

(b) The Vendor's Voting Power

The following table outlines the voting power of the Vendor (on a post consolidation basis) under various scenarios depending on whether the Performance Shares convert.

In addition, Mr Sean Tangney, who is a 20% Shareholder in Indigo, will also be deemed to have the voting power set out below.

<b>Event causing the Share issue</b>	<b>Number of Shares issued to the Vendor</b>	<b>% of Share capital held by the Vendor on issue of the Shares</b>
Prior to Completion of the Acquisition	Nil	0%

On Completion of the Acquisition and Placement	14,750,000 <sup>(1)</sup>	39.09% <sup>(2)(3)(4)</sup>
On achievement of the Milestones prior to the expiry date of the Performance Shares	64,750,000 <sup>(4)</sup>	73.80% <sup>(5)(6)(7)</sup>

- (1) The Vendor may elect to be paid the cash component of the consideration for the Acquisition (\$600,000) in Shares to be issued at \$0.40 per Share (on a post consolidation basis). If the whole of the cash consideration is paid in Shares then the Vendor will be issued an additional 1,500,000 Shares (on a post consolidation basis).
- (2) Assumes \$3.5 million is raised under the Placement. If the Company raises \$4 million under the Placement then the Vendor's voting power will be 37.43%. If the whole of the cash consideration is paid in Shares resulting in the Vendor being issued an additional 1,500,000 Shares (on a post consolidation basis) then the Vendor's voting power will be 41.41% assuming \$3.5 million is raised under the Placement and 39.73% assuming \$4 million is raised under the Placement .
- (3) Mr Sean Tangney will also have additional voting power of approximately 0.08% due to his current indirect holding of 30,000 Shares (post consolidation).
- (4) The Vendor will receive 8,125,000 Loyalty Options when the Company undertakes the issue of the Loyalty Options (assuming the whole of the cash consideration is paid in Shares). If the Vendor exercises all of its Loyalty Options, then the Vendor's voting power will be 51.46% (assuming \$3.5 million is raised) and 49.72% (assuming \$4 million is raised).
- (5) Assumes all of the Performance Shares issued to the Vendor are converted to Shares prior to the expiry date of the Performance Shares.
- (6) Assumes \$3.5 million is raised under the Placement. If the Company raises \$4 million under the Placement then the Vendor's voting power will be 72.42%. If the whole of the cash consideration is paid in Shares resulting in the Vendor being issued an additional 1,500,000 Shares (on a post consolidation basis) then the Vendor's voting power will be 74.24% assuming \$3.5 million is raised under the Placement and 72.88% assuming \$4 million is raised under the Placement.
- (7) The Vendor will receive 8,125,000 Loyalty Options when the Company undertakes the issue of the Loyalty Options (assuming the whole of the cash consideration is paid in Shares). If the Vendor exercises all of its Loyalty Options, then the Vendor's voting power will be 76.39% (assuming \$3.5 million is raised) and 75.10% (assuming \$4 million is raised).
- (8) Mr Sean Tangney will also have additional voting power of approximately 0.05% due to his current indirect holding of 30,000 Shares (post consolidation).

(c) The Vendor's Voting Power Increase/Decrease

The Vendor's voting power in the Company may change as follows:

- (i) Increase in the Vendor's voting power:
- (A) Acquisition of Shares by the Vendor on and off market. the Vendor could increase its Shareholding under the creep provisions of the Corporations Act allowing it to acquire 3% every 6 months.
- (B) Cancellation of Shares held by Shareholders other than the Vendor.
- (ii) Decrease in the Vendor's voting power:
- (A) Disposal of Shares held by the Vendor.
- (B) Issue of Shares by the Company to Shareholders other than the Vendor.



- (C) Conversion of a proportion of Performance Shares rather than all of the Performance Shares.
- (D) Exercise of Options by Option holders.

### **3.6 Advantages of the Acquisition**

The Directors are of the view that the following non-exhaustive list of advantages may be relevant to a Shareholder's decision on how to vote on Resolution 3. Refer to section 13.4 of the Independent Expert's Report for further advantages:

- (a) Currently the Company has no operations. If the Acquisition is approved, Shareholders will be exposed to the potential upside from the 40 Tenements.
- (b) The Company will be able to increase its value if it is able to achieve exploration success in either uranium or coal.
- (c) The Company's ability to raise funds and attract expertise will be improved.
- (d) The Acquisition may encourage new investors in the Company because the Company is pursuing a new strategic direction. This improvement in the attractiveness of an investment in the Company may lead to an increased liquidity of Shares and greater trading depth than currently experienced by Shareholders.
- (e) Shareholders may be exposed to further debt and equity opportunities that it did not have prior to the Acquisition.

### **3.7 Disadvantages of the Acquisition**

The Directors are of the view that the following non-exhaustive list of disadvantages may be relevant to a Shareholder's decision on how to vote of Resolution 3. Refer to section 13.5 of the Independent Expert's Report for further disadvantages:

- (a) Should the Acquisition be completed, the Company's Shareholders will have their voting power reduced. As such, the ability of the existing Shareholders to influence decisions, including the composition of the Board or the acquisition or disposal of assets will be reduced accordingly.
- (b) Following the issue of the Shares as the consideration under the Acquisition Agreement, the Vendor will become the largest shareholder of the Company. In this scenario, the Vendor may have the ability to significantly influence or control the Company.
- (c) The Company will be exposed to the risks associated with the Mauritian Companies and their subsidiaries (refer to Section 3.9 for further information).

### 3.8 Timetable

An indicative timetable for the completion of the Acquisition and re-compliance with Chapters 1 and 2 of the Listing Rules is in the table below.

Event	Date*
Lodgement of Prospectus	9 July 2012
Shareholder Meeting	31 July 2012
Closing of the Offer	6 August 2012
Re-instatement to Trading	27 August 2012

\*Dates in the above table are indicative only.

### 3.9 Risk Factors

The Company will undertake the requisite due diligence process (including title, legal, technical and other risks) prior to Completion. While this process is undertaken to identify any material risks specific to the Mauritian Companies, their subsidiaries and the Projects, it should be noted that the usual risks associated with companies with a small market capitalisation undertaking exploration and development activities of large scale projects in the coal and uranium sectors are expected to remain after the completion of due diligence.

Shareholders and investors should also be aware that the Acquisition Agreement to acquire the Mauritian Companies is conditional on a number of events (refer to Section 3.4 above). Accordingly there is a risk that the Acquisition may not be completed.

Investing in a company involves risks of various kinds, some of which are within the realms of influence of the Company and some, arising from external factors, which may be beyond the control of the Company. A summary of the risks associated with the Acquisition and ongoing exploration and development of the Projects are outlined in Schedule 1.

### 3.10 Independent Expert's Report

The Directors resolved to appoint BDO as an independent expert and commissioned it to prepare a report to provide an opinion as to whether or not the proposal in Resolutions 2 and 3 are fair and reasonable to the existing Shareholders.

What is fair and reasonable must be judged by the independent expert in all the circumstances of the proposal. This requires taking into account the likely advantages to Shareholders if the proposal is approved and comparing them with the disadvantages to them if the proposal is not approved.

BDO has concluded that the proposed Acquisition is fair and reasonable to the existing Shareholders.

The Company strongly recommends that you read the Independent Expert's Report in full, a copy of which is in Annexure A to this Explanatory Memorandum.

### 3.11 Section 611 Corporations Act

- (a) Section 606 of the Corporations Act prohibits a person acquiring a relevant interest in the issued voting shares of the Company if, because of the acquisition, that person's or another person's voting power in the Company increases from:

- (i) 20% or below to more than 20%; or
  - (ii) a starting point that is above 20% and below 90%.
- (b) The voting power of a person in the Company is determined by reference to section 610 of the Corporations Act. A person's voting power in the Company is the total of the votes attaching to the Shares in the Company in which that person and that person's associates (within the meaning of the Corporations Act) have a relevant interest.
- (c) Under section 608 of the Corporations Act, a person will have a relevant interest in Shares if:
- (i) the person is the registered holder of the Shares;
  - (ii) the person has the power to exercise or control the exercise of votes or disposal of the Shares; or
  - (iii) the person has over 20% of the voting power in a company that has a relevant interest in Shares, then the person has a relevant interest in said Shares.
- (d) For the purpose of determining who is an associate you need to consider section 12 of the Corporations Act. Any reference in chapters 6 to 6C of the Corporations Act to an associate is as that term is defined in section 12. The definition of 'associate' in section 12 is exclusive. If a person is an associate under section 11, 13 or 15 of the Corporations Act then it does not apply to chapters 6 to 6C. A person is only an associate for the purpose of chapter 6 to 6C if he is an associate under section 12.
- (e) A person (second person) will be an associate of the other person (first person) if:
- (i) the first person is a body corporate and the second person is:
    - (A) A body corporate the first person controls;
    - (B) A body corporate that controls the first person: or
    - (C) A body corporate that is controlled by an entity that controls the first person;
  - (ii) the second person has entered, or proposes to enter into, a relevant agreement with the first person for the purpose of controlling or influencing the composition of the board of a body corporate or the conduct of the affairs of a body corporate; and
  - (iii) the second person is a person with whom the first person is acting or proposes to act, in concert in relation to the affairs of a body corporate.
- (f) The Corporations Act defines 'control' and 'relevant agreement' very broadly as follows:
- (i) Under section 50AA of the Corporations Act control means the capacity to determine the outcome of decisions about the financial and operating policies of the Company. In determining the capacity you need to take into account the practical influence a person can exert and any practice or pattern of behaviour affecting the financial or operating policies of the Company.
  - (ii) Under section 9 of the Corporations Act relevant agreement means an agreement, arrangement or understanding:
    - (A) whether formal or informal or partly informal and partly informal;

- (B) whether written or oral or partly written and partly oral; and
    - (C) whether or not having legal or equitable force and whether or not based on legal or equitable rights.
  - (g) Associates are determined as a matter of fact. For example where a person controls or influences the Board or the conduct of the Company's business affairs, or acts in concert with a person in relation to the entity's business affairs.
  - (h) Section 611 of the Corporations Act has exceptions to the prohibition in section 606 of the Corporations Act. Item 7 of section 611 of the Corporations Act provides a mechanism by which Shareholders may approve an issue of Shares to a person which results in that person's or another person's voting power in the Company increasing from:
    - (i) 20% or below to more than 20%; or
    - (ii) a starting point that is above 20% and below 90%.
  - (i) To comply with the requirements of the Corporations Act (as contained in ASIC Regulatory Guide 74), the Company provides the information in Section 4 of the Explanatory Memorandum to Shareholders in relation to Resolution 1.
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## **4. Resolution 1 – Change to scale and nature of activities**

### **4.1 Background**

Resolution 1 seeks approval from Shareholders for a change to the scale and nature of the activities of the Company.

As outlined in Section 1 of this Explanatory Memorandum, the Company has entered into the Acquisition Agreement under which the Company has agreed to acquire the Mauritian Companies.

The Acquisition Agreement is subject to a condition precedent to obtain Shareholder approval.

Resolution 1 is an ordinary resolution. Resolution 1 is subject to the approval of Resolutions 2, 3, 4, 5, 7 and 8.

### **4.2 Listing Rule 11.1 Requirements**

Chapter 11 of the Listing Rules requires Shareholders to approve any significant change in the nature or scale of a company's activities. The acquisition of the Mauritian Companies by the Company will have the effect of increasing the scale and nature of the Company's activities.

Resolution 1 seeks Shareholder approval to allow the Company to complete the Acquisition thereby increasing the scale and nature of its activities. The Company previously operated in the medical sector developing vaccines. Following a restructuring in late 2010, the Company commenced a review of its vaccine development business and announced that it would commence reviewing potential acquisitions and business opportunities in other business sectors. Therefore the proposed Acquisition will change the scale and nature of the Company's activities. Accordingly the Company must:

- (a) under Listing Rule 11.1.1, notify ASX of the proposed change;
- (b) under Listing Rule 11.1.2, obtain shareholder approval to undertake the change; and
- (c) under Listing Rule 11.1.3, meet the requirements of Chapters 1 and 2 of the Listing Rules as if the Company was applying for admission to the official list of ASX, if required by ASX. The ASX

has confirmed that the Company will need to re-comply with the requirements of Chapters 1 and 2 of the Listing Rules. The Company proposes to undertake the share consolidation pursuant to Resolution 7 and the placement pursuant to Resolution 8 to meet the requirements of re-compliance.

See Section 1 of this Explanatory Memorandum for further information on the Acquisition and the likely affect that the Acquisition will have on the Company.

A voting exclusion statement is included in the notice.

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## **5. Resolution 2 – Approval of acquisition of Mauritian Companies**

### **5.1 Background**

The Company announced on 19 March 2012 that it had signed a formal sale agreement with Indigo to acquire a 100% interest in the Mauritian Companies and their subsidiaries which own more than 4,000 square kilometres of coal and uranium projects located in the United Republic of Tanzania in East Africa.

The Mauritian Companies, through their wholly owned Tanzanian subsidiaries, IBIS Resources Ltd and WTF Resources Ltd, hold 40 prospecting licences of which 14 are granted, 6 have been offered to be granted, 2 are being transferred and 18 are under application at the date of this Notice. An overview of the projects comprising these licences and applications is provided in Section 3.2.

Under the terms of the Acquisition, the Company has agreed to pay cash and issue Shares and Performance Shares as consideration to the Vendor.

Resolution 2 seeks Shareholder approval of the Acquisition pursuant to Listing Rule 10.1 because the Vendor, Indigo, is a related party of the Company. Approval of the consideration for the Acquisition is being sought in Resolution 3.

If Shareholders do not approve the Acquisition, the Company will pursue and assess other potential acquisitions and business opportunities and may undertake a capital raising in the form of a placement if required.

Resolution 2 is an ordinary resolution. Resolution 2 is subject to the approval of Resolutions 1, 3, 4, 5, 7 and 8.

### **5.2 Listing Rule 10.1 Requirements**

Listing Rule 10.1 prevents a company from acquiring a substantial asset from a related party without shareholder approval.

Each of the Directors is a shareholder in Indigo with an individual shareholding of 19% of the issued share capital of Indigo. Refer to Section 6.2(a) for further details of the shareholdings of the Directors in Indigo. Therefore Indigo is a related party of the Company.

The Acquisition is an acquisition of a substantial asset pursuant to Listing Rule 10.2 because the value of the consideration for the Acquisition, being the Cash Consideration and the Vendor Securities, exceeds 5% of the equity interests of the Company in the latest financial accounts lodged with the ASX.

The effect of passing Resolution 2 will be to allow the Company to complete the Acquisition with the Vendor without breaching Listing Rules 10.1.

For the purposes of Listing Rule 10.10, the following information is provided:

- (a) the independent expert's report in Annexure A sets out:

- (i) the effect of the Acquisition and Acquisition Agreement on the Company; and
  - (ii) whether the Acquisition is fair and reasonable to Shareholders.
- (b) a voting exclusion statement is included in the Notice.

## 6. Resolution 3 – Approval of issue of Vendor Securities

### 6.1 General

Resolution 3 seeks Shareholder approval under item 7 of section 611 of the Corporations Act to issue securities exceeding 20% of the Company’s fully diluted share capital to a party.

A company is not required to obtain Shareholder approval under Listing Rule 7.1 where Shareholder approval is granted under item 7 of section 611 of the Corporations Act. Accordingly, Shareholder approval to issue the Vendor Securities to the Vendor is not required pursuant to Listing Rule 7.2 exception 16.

Approval of the issue of Securities to Indigo as a related party pursuant to Listing Rule 10.11 is being sought in Resolution 4. Refer to Section 7 for further information.

Resolution 3 is an ordinary resolution. Resolution 3 is subject to the approval of Resolutions 1, 2, 4, 5, 7 and 8.

### 6.2 Information required by item 7 of section 611 of the Corporations Act and ASIC Regulatory Guide 74

The information that Shareholders require under item 7 of section 611 of the Corporations Act and ASIC Regulatory Guide 74 is as follows:

(a) **The identity of the Vendor and any person who will have a relevant interest in the Vendor Shares to be allotted to the Vendor**

The Vendor, Indigo Metals Limited is a Mauritian based company. The current directors of the Company own 76% of Indigo.

Sean Tangney has a relevant interest in the Vendor Securities to be allotted to the Vendor because he holds 20% of Indigo.

No Director has a relevant interest in the Vendor Securities to be allotted to the Vendor because neither they, nor any of their associates, have the power to control the vote or disposal of the Vendor Securities and none of them hold more than 20% of Indigo. However, for the purposes of good corporate governance, the following disclosure is made in respect of the Directors’ shareholdings in Indigo:

Shareholder	Shares in Indigo	Percentage interest in Indigo
Rochas Resources Pty Ltd (related to Cherie Leeden)	95,000	19%
Rovuma Investments Pty Ltd (related to Gary Seabrooke)	95,000	19%
Element Nominees Pty Ltd (related to Mark Titchener)	95,000	19%
Wildwood Developments Pty Ltd (related to Ian Macliver)	95,000	19%

(b) **Full particulars (including the number and percentage) of the shares in the Company to which the Vendor will be entitled immediately before and after the acquisition**

The Vendor does not hold any Shares in the Company prior to Completion of the Acquisition.

Refer to Section 3.1 for full particulars (including the number and percentage) of the Vendor Securities in which the Vendor and Sean Tangney has, or will have, a relevant interest in immediately before and after the acquisition and after conversion of the Performance Shares (assuming all of the Performance Shares are converted into Shares).

Sean Tangney holds an indirect interest in 30,000 Shares in the Company (on a post consolidation basis) prior to Completion of the Acquisition.

(c) **The identity, associations (with the Company, the Vendor or any of their associates) and qualifications of any person who is intended to become a director if Shareholders agree to the acquisition**

It is not intended that any person will become a director of the Company if Shareholders agree to the Acquisition.

(d) **The Vendor's intentions regarding the future of the Company if Shareholders agree to the Acquisition and the allotment of Shares and Performance Shares to the Vendor in consideration of the Acquisition**

The Vendor will be a Shareholder in the Company following Completion of the Acquisition and:

- (i) there is no intention to change the business of the Company;
- (ii) there is no intention to inject further capital into the Company (other than as disclosed in this Notice);
- (iii) there is no intention to change the future employment of the present employees of the Company;
- (iv) there is no proposal whereby any property will be transferred between the Company and the Vendor or any parties associated with the Vendor; and
- (v) there is no intention to otherwise redeploy any of the fixed assets of the Company.

(e) **Particulars of the terms of the proposed allotment of Shares and Performance Shares and any contract or proposed contract between the Vendor and the Company or any of their associates which is conditional upon, or directly or indirectly dependent on, Shareholders agreement to the allotment of Shares to the Vendor in consideration of the acquisition**

Other than the Acquisition Agreement, there are no contracts or proposed contracts between the Vendor and the Company or any of their associates which are conditional upon, or directly or indirectly dependent on, Shareholder agreement to the allotment of Vendor Securities to the Vendor in consideration of the Acquisition.

(f) **When the allotment of Shares to the Vendor as consideration under the Acquisition Agreement is to be made**

The Vendor Shares and Performance Shares will be issued to the Vendor on Completion of the Acquisition. Completion is expected to occur shortly after approval of the Acquisition by Shareholders.

(g) **An explanation of the reasons for the proposed allotment of Shares and Performance Shares to the Vendor**

The Vendor Shares and Performance Shares will be issued to the Vendor on Completion as consideration for the Acquisition.

(h) **The interests of the Directors in Resolution 3**

All of the Directors have an interest in Resolution 3 because related entities of each Director are shareholders of the Vendor. Refer to Section 6.2(a) for further details of the shareholdings of the Directors in the Vendor.

(i) **Identity of the Directors who approved or voted against the proposal to put Resolution 3 to Shareholders and the Explanatory Memorandum**

All of the Directors voted in favour of the proposal to put the Acquisition to the approval of Shareholders.

(j) **Any intention of the Vendor to change significantly the financial or dividend policies of the Company**

The Vendor does not intend to change significantly the financial or dividend policies of the Company at this time.

(k) **Recommendation or otherwise of each Director as to whether Shareholders should agree to the proposed allotment and the reasons for the recommendation or otherwise**

See Section 6.3 in respect to the Directors Recommendation.

(l) **An analysis of whether the proposed allotment of Shares and Performance Shares to the Vendor in consideration of the Acquisition is fair and reasonable when considered in the context of the interests of the Shareholders other than the Vendor.**

Refer to section 3.10 of this Explanatory Memorandum.

### **6.3 Directors' Recommendation**

Based on the information available, including:

- (a) the information contained in this Explanatory Memorandum; and
- (b) the Independent Expert's Report in Annexure A, including the advantages and disadvantages of approving the Acquisition,

the Directors consider that Resolution 3 is fair and reasonable insofar as Shareholders are concerned in the best interests of the Company and recommend that Shareholders vote in favour of Resolution 3.

In considering their recommendation the Directors believe Shareholders should be aware that all of the Directors are shareholders of Indigo (the Vendor) and hold 76% of Indigo's share capital. Before making any decision about the Acquisition, Shareholder should read the Notice (including the Independent Expert's Report in Annexure A) in its entirety and if in doubt about what action to take contact their professional advisers.



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## **7. Resolution 4 - Approval of issue of Securities to Related Parties**

### **7.1 Background**

Resolution 4 seeks the approval of Shareholders pursuant to Listing Rule 10.11 and Chapter 2E of the Corporations Act for the Directors to issue the Vendor Securities to the Vendor because the Directors of the Company, Mr Ian Macliver, Ms Cherie Leeden, Mr Mark Titchener and Mr Gary Seabrooke, combined own 76% of Indigo which makes Indigo a related party of the Company under Listing Rule 10.1 and Chapter 2E of the Corporations Act. Mr Titchener and Mr Seabrooke are also Directors of Indigo.

Shareholder approval is required under Listing Rule 10.13 and section 219 of the Corporations Act for the proposed issue of the Vendor Securities because Indigo is a related party of the Company and will receive a financial benefit from the issue of the Vendor Securities.

The Vendor Securities will be issued as consideration for the Acquisition.

Shareholder approval of the issue of the Vendor Securities means that this issue will not reduce the Company's 15% placement capacity under Listing Rule 7.1.

Resolution 4 is an ordinary resolution. Resolution 4 is subject to the approval of Resolutions 1, 2, 3, 5, 7 and 8.

### **7.2 Specific information required by Listing Rule 10.13 and section 219 of the Corporations Act**

For the purposes of Listing Rule 10.13 and section 219 of the Corporations Act, information is provided as follows:

- (a) The Vendor Securities will be issued to the Vendor. The Directors of the Company, Mr Ian Macliver, Ms Cherie Leeden, Mr Mark Titchener and Mr Gary Seabrooke, combined own 76% of the Vendor which makes the Vendor a related party of the Company.
- (b) The maximum number of Securities to be issued to the Vendor (on a post consolidation basis) is:
  - (i) 16,250,000 Shares;
  - (ii) 50,000,000 Performance Shares.
- (c) In the Independent Expert's Report, BDO has provided a range of possible values of Shares under four different scenarios. Based on the preferred value of a Share (on a post consolidation basis) prior to the Acquisition of \$0.11, the value of the maximum number of shares to be issued to the Vendor is \$1,787,500. However, based on the preferred value of a Share (on a post consolidation basis) immediately following completion of the Acquisition of \$0.44 (assuming all the Cash Consideration is paid in Shares, \$3.5 million is raised under the Placement, all Underwriter and Loyalty Options are exercised and no Performance Shares have yet converted), the value of the maximum number of Shares to be issued to the Vendor is \$7,150,000. Refer to Section 11 of the Independent Expert's Report for the preferred value of Shares under different scenarios.

The Performance Shares to be issued to the Vendor may convert in the future if the relevant milestones are achieved prior to the expiry date of the Performance Shares. Please note that no coal or uranium Resources exist on the Projects at this time. There is no guarantee that all, or even any, of the Performance Shares will convert. The Independent Expert's Report also includes a conceptual value of coal and uranium mineralisation equivalent to a JORC Inferred coal and uranium Resource (being the milestone of the Performance Shares) which may or

may not be defined in the future. It is not possible to accurately articulate the amount of the financial benefit of the Performance Shares to the Vendor as it is not possible to determine the likelihood or extent to which the relevant milestone will be met, if at all. However, as a general proposition (without making any comment on the likelihood of the milestones being achieved) the more Performance Shares that convert, the greater the financial benefit is likely to be.

- (d) The Company elected to issue Performance Shares as part of the Consideration to ensure that the full dilution of the Shareholders as a result of the Acquisition does not occur until the full value of the asset is determined.
- (e) The Company will issue the Vendor Securities no later than 1 month after the date of the General Meeting (or such later date to the extent permitted by an ASX waiver or modification of the Listing Rules). The Company has applied to ASX for a waiver of Listing Rule 10.13.3 to permit it to issue of the Vendor Securities no later than three months following the Meeting. There is no guarantee that ASX will grant the waiver. However, if ASX grants the waiver, the Company will advise the market accordingly.
- (f) The Vendor Securities will each be issued as consideration for the Acquisition of the Mauritian Companies from the Vendor and accordingly no funds will be raised from the issue of the Vendor Securities.
- (g) The Shares to be issued are ordinary shares and rank equally with the Company's existing Shares.
- (h) The Performance Shares to be issued are converting performance shares which will convert into Shares on a one for one basis on achievement of the relevant milestone and with the terms and conditions in Schedule 2.
- (i) A voting exclusion statement is included in this Notice.
- (j) No Director has a relevant interest in the Vendor Securities to be allotted to the Vendor because neither they, nor any of their associates, have the power to control the vote or disposal of the Vendor Securities and none of them hold more than 20% of Indigo. However, for the purposes of good corporate governance, the following disclosure is made in respect of the Directors' shareholdings in Indigo:

<b>Shareholder</b>	<b>Shares in Indigo</b>	<b>Percentage interest in Indigo</b>
Rochas Resources Pty Ltd (associated with Cherie Leeden)	95,000	19%
Rovuma Investments Pty Ltd (associated with Gary Seabrooke)	95,000	19%
Element Nominees Pty Ltd (associated with Mark Titchener)	95,000	19%
Wildwood Developments Pty Ltd (associated with Ian Macliver)	95,000	19%

- (k) If Shareholders approve the issue of the Vendor Securities it will result in a dilution of all other Shareholders' holdings in the Company by 41.41% based on completion of the Acquisition and Placement (assuming all the Cash Consideration is paid in Shares, \$3.5 million is raised under the Placement and no existing options are exercised) and 74.24% based on the previous assumptions and assuming the Performance Shares convert in their entirety.
- (l) The Vendor does not currently hold any Shares in the Company.

- (m) Independent accountants BDO prepared a report advising that the Acquisition is both fair and reasonable. See Section 3.10 for further details.
- (n) As outlined in Section 6.3 the Directors have an interest in the completion of the Acquisition due to their shareholdings in Indigo. Notwithstanding this interest, on the basis of the information specified in Section 6.3 the Directors consider that the Acquisition is in the best interests of the Company and recommend that Shareholders vote in favour of Resolution 4.
- (o) Historical share price information for the twelve months prior to the date of this Notice is as follows:

	Price (on a post consolidation basis)	Date
Highest	\$0.90	7 July 2011
Lowest	\$0.20	4, 7, 12, 13, 19 and 20 June 2012
Last	\$0.20	20 June 2012

- (p) Other than the information above and otherwise in this Explanatory Memorandum, the Company believes that there is no other information that would be reasonably required by Shareholders to pass Resolution 4.

## 8. Resolution 5 – Approval of Performance Shares

The Company seeks Shareholder approval to create the Performance Shares as a new class of Shares on the terms and conditions in Schedule 2.

Resolution 5 is a special resolution. Resolution 5 is subject to the passing of Resolutions 1, 2, 3, 4, 7 and 8.

Under Article 3.1 of the Constitution and, subject to the Corporations Act, the Listing Rules and the Constitution, the Directors may at any time issue such number of Shares either as ordinary Shares or Shares of a named class or classes (being either an existing class or a new class) at the issue price that the Directors determine and with such preferred, deferred, or other special rights or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Directors shall, in their absolute discretion, determine.

Section 246C(5) of the Corporations Act provides that if a company has one class of share and seeks to issue a new class of share, such issue is taken to vary the rights attached to the shares already issued.

Under section 246B(1) of the Corporation Act, if a company has a constitution which sets out the procedure for varying or cancelling (in the case of a company with share capital) rights attached to shares in a class of shares, those rights may be varied or cancelled only in accordance with the procedure. In accordance with Article 7.1 of the Constitution, if at any time the share capital of the Company is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may be varied, whether or not the Company is being wound up:

- (a) with the consent in writing of the holders of three quarters of the issued shares of that class; or

- (b) authorised by a special resolution passed at a separate meeting of the holders of the shares of the class.

Accordingly, the Company seeks approval from Shareholders for the issue of the Performance Shares as a new class of shares on the terms set out in Schedule 2 of this Explanatory Memorandum.

The Company will also seek approval in Resolution 3 from Shareholders to issue Performance Shares to the Vendor.

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## 9. Resolution 6 – Change of Company Name

As part of the Acquisition, the Directors have determined to change the Company name to Select Exploration Limited. Resolution 6 seeks Shareholder approval for the change of name in accordance with section 157 of the Corporations Act.

Resolution 6 is a special resolution.

If the proposed change of name is available, that change of name will take effect from when ASIC alters the details of the Company's registration.

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## 10. Resolution 7 – Approval of Share Consolidation

Resolution 7 seeks Shareholder approval for the Company to undertake a consolidation of the number of Shares on issue on the basis that every 100 Shares held be consolidated into one Share. Similarly, the number of Options on issue will be consolidated on the basis of one Option for every 100 Options held and the exercise price of such Options will increase according to the consolidation ratio.

The result of the consolidation is that each Security holding will be reduced by 100 times its current level. Each Shareholder's proportional interest in the Company's share capital will remain unchanged as a result of the consolidation. Any fractional entitlements of Security holders as a consequence of the consolidation will be rounded up.

The change in capital structure of the Company following the consolidation, which is subject to adjustments for rounding, is as follows:

Class of Security	Number on Issue (Pre- Consolidation)	Number on Issue (Post-Consolidation)
Shares on issue	1,132,109,065	11,321,091
Listed Options <sup>1</sup>	417,503,015	4,175,031

<sup>1</sup> Options each exercisable at \$0.20 on or before 31 July 2013 (post consolidation)

The consolidation will take effect from the second Business Day after Shareholder approval is received pursuant to the Notice of Meeting (**Effective Date**).

As from the day that is four Business Days after the Effective Date, the Company may not register transfers on a pre-consolidation basis. In the case of certificated holdings, this is the last day for the Company to accept transfers accompanied by certificates issued before the consolidation.

The Company will send a notice to all Security holders not earlier than the fifth Business Day after the Effective Date and not later than the ninth Business Day after the Effective Date advising of the number of Securities held by each Security holder both before and after the capital consolidation.

Uncertificated security holding statements or certificates (as applicable) for the Securities will be sent to Security holders not earlier than the fifth Business Day after (but not including) the Effective Date and not later than the ninth Business Day after (but not including) the Effective Date.

The Company will, from the date that is five Business Days after the Effective Date, reject transfers accompanied by a certificate or holding statement that was issued before the consolidation.

Where a Security holder has sold his or her Securities in the Company prior to the consolidation of ordinary Shares or consolidation of Options and the Company receives a valid transfer executed by the Security holder together with a certificate (if applicable) for those Shares or options, the Company will send an uncertificated security holding statement or certificate (as applicable) for the new securities (in respect to the Shares or Options) to the transferee named in the transfer.

Resolution 7 is an ordinary resolution. Resolution 7 is subject to the passing of Resolutions 1, 2, 3, 4, 5 and 8.

Based upon the above, an indicative timetable assuming Shareholder approval is obtained will be as follows:

<b>Date</b>	<b>Event</b>
31 July 2012	Following shareholder approval Company announces shareholder approval of capital consolidation.
1 August 2012	Last day for trading pre-capital consolidation securities.
2 August 2012	Ex Date.
9 August 2012	Record Date. Last day to register transfers on a pre-capital consolidation basis.
10 August 2012	First day to register transfers on a post-capital consolidation basis.
16 August 2012	Latest date for Company to send notice to each security holder of pre and post capital consolidation holdings.

\*Please note that the Company will be suspended following the Meeting on Tuesday 31 July 2012 in accordance with ASX requirements.

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## **11. Resolution 8 – Authority to issue Placement Shares**

Resolution 8 seeks Shareholder approval pursuant to Listing Rule 7.1 for the allotment and issue of up to 13,333,333 Shares each at an issue price of \$0.30 post consolidation. The Company will seek to raise a minimum of \$3,500,000 pursuant to the Placement but may also accept oversubscriptions of up to an additional \$500,000.

As part of the Placement, the Company proposes to give the existing Shareholders of the Company a priority right to participate in the Placement. The Company has not finalised the amount of the priority, but it will be at least 50% of the minimum amount to be raised under the Placement (being 5,833,333 Shares) and is currently intended to be 70% of the minimum amount to be raised under the Placement

(being up to 8,166,667 Shares). Full details of the amount of the priority will be included in the Prospectus. The Company will limit the number of Shares that it issues to a Shareholder to the greater of 5% of the Shares being offered under the Placement and the number the Shareholder would be entitled to under a pro-rata issue of the Placement Shares. The Company will also offer Shares under the Placement to the general public.

The Company may seek to have the Placement underwritten. However, no firm commitments in respect to underwriting the Placement have been made. Full details of the terms of any underwriting will be included in the Prospectus. If the Placement is underwritten, the Directors may sub-underwrite the Placement (refer to Section 13 below).

Approximately two months following completion of the Placement, the Company intends to offer all Shareholders (including the Vendor and the Directors) one free Loyalty Option for every two Shares held at the record date. On the exercise of each Loyalty Option, the holder will be issued one Share in the Company and granted a further Secondary Option which has an exercise price of \$0.45 and an expiry date of 30 June 2015.

The purpose of the offer of the Loyalty Options is to reward Shareholders for their loyalty to the Company and to provide those Shareholders with an opportunity to participate in the continued growth of the Company.

Obtaining Shareholder approval of the issue of the Placement Shares means that this issue will not reduce the Company's 15% placement capacity under Listing Rule 7.1 should the Company undertake the Placement.

Resolution 8 is an ordinary resolution. Resolution 8 is subject to the passing of Resolutions 1, 2, 3, 4, 5 and 7.

## **11.1 Specific information required by Listing Rule 7.3**

For the purposes of Listing Rule 7.3 information regarding the issue of the Placement Shares is provided as follows:

- (a) The maximum number of Shares the Company intends to issue under Resolution 8 is 13,333,333.
- (b) The Company will issue and allot the Placement Shares no later than three months after the date of the Meeting (or such longer period of time as ASX may in its discretion allow).
- (c) The Placement Shares will be issued at an issue price of \$0.30 post consolidation.
- (d) The Placement Shares will be issued to existing Shareholders, the general public and, subject to approval of Resolutions 10 - 13, possibly the Directors (refer to Section 13 below).
- (e) The Company proposes to give the existing Shareholders of the Company a priority right to participate in the Placement. The Company has not finalised the amount of the priority, but it will be at least 50% of the minimum amount to be raised under the Placement (being 5,833,333 Shares) and is currently intended to be 70% of the minimum amount to be raised under the Placement (being up to 8,166,667 Shares). Full details of the amount of the priority will be included in the Prospectus. The Company will limit the number of Shares that it issues to a Shareholder to the greater of 5% of the Shares being offered under the Placement and the number the Shareholder would be entitled to under a pro-rata issue of the Placement Shares.
- (f) The Shares to be issued are fully paid ordinary shares and will rank equally in all respects with the Company's existing Shares on issue.

- (g) The funds raised from the Placement will be used to fund the Acquisition and provide general working capital.
- (h) The Placement Shares will be allotted progressively.
- (i) A voting exclusion statement is not included in the Notice because, in accordance with Listing Rule 7.3.8, the Company proposes to give the existing Shareholders of the Company a priority right to participate in at least 10% of the Placement and the Company will limit the number of Shares that it issues to a Shareholder to the greater of 5% of the Shares being offered under the Placement and the number the Shareholder would be entitled to under a pro-rata issue of the Placement Shares.

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## **12. Resolution 9 – Authority to grant Underwriter Options**

The Company is proposing to undertake the Placement (refer to Section 11 above) and may seek to have the Placement underwritten.

The Company may issue up to 6,666,667 Underwriter Options in order to induce sub-underwriting commitments in relation to the Placement. The Directors may participate in the sub-underwriting of the Placement and may receive Underwriter Options as consideration for their sub-underwriting commitments in relation to the Placement (refer to Section 13 below).

Accordingly, Resolution 9 seeks Shareholder approval pursuant to Listing Rule 7.1 for the grant of up to 6,666,667 Underwriter Options, to be granted to the underwriter/sub-underwriters of the proposed Placement on the basis of one Underwriter Option for every two shares underwritten/sub-underwritten. For every option that is exercised on or before the expiry date, the Company will issue an additional Secondary Option exercisable at \$0.45 on or before 30 June 2015.

Listing Rule 7.1 provides that, subject to certain exceptions, Shareholder approval is required for any issue of securities by a listed company, where the securities proposed to be issued represent more than 15% of the Company's securities then on issue.

The grant of the Underwriter Options under Resolution 9 would result in the Company exceeding this 15% threshold. Therefore Shareholder approval is required pursuant to Listing Rule 7.1.

Resolution 9 is an ordinary resolution and is subject to the approval of Resolution 8.

### **12.1 Specific Information Required by Listing Rule 7.3**

For the purposes of Listing Rule 7.3 information regarding the grant of the Underwriter Options is provided as follows:

- (a) The maximum number of Options the Company can grant under Resolution 9 is 6,666,667 Underwriter Options exercisable at \$0.40 each on or before 30 June 2013 and up to 6,666,667 Secondary Options.
- (b) The Company will grant the Underwriter Options no later than 3 months after the date of the Meeting (or such longer period of time as ASX may in its discretion allow).
- (c) The Underwriter Options will be granted for nil consideration. Each Underwriter Option will be issued as part of the fee to the underwriter/sub-underwriters in consideration for the underwriting/sub-underwriting of the proposed Placement on the basis of one Underwriter Option for every two shares underwritten/sub-underwritten.
- (d) The allottees of the Underwriter Options will be the underwriter/sub-underwriters to the proposed Placement. The identity of the allottees is not known as at the date of this Notice.

However, the allottees will be persons who fall within one of the exemptions contained in section 708 of the Corporations Act and will not be related parties (or associates) of the Company (except as provided for in Resolutions 10 - 13).

- (e) The Underwriter Options have an exercise price of \$0.40 and expire on 30 June 2013. On the exercise of each Underwriter Option, the holder will be issued one Share in the Company and granted a further Secondary Option which has an exercise price of \$0.45 and an expiry date of 30 June 2015.
- (f) The Underwriter Options and Secondary Options are otherwise issued on the further terms and conditions in Schedule 3.
- (g) The grant of the Underwriter Options will occur progressively.
- (h) A voting exclusion statement is included in the Notice.

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### **13. Resolutions 10 - 13 – Authority for Directors to participate in Placement and Underwriting**

Resolutions 10 - 13 seek Shareholder approval pursuant to Listing Rule 10.11 and Chapter 2E of the Corporations Act for the Directors and/or their nominees to subscribe for a total of up to 1,066,669 Placement Shares (**Director Placement Shares**), pursuant to sub-underwriting commitments in relation to the Placement. If the Directors sub-underwrite the Placement to the full amount of the Director Placement Shares then they may also be entitled to receive up to a total of 533,335 Underwriter Options (**Director Underwriter Options**) as consideration for their sub-underwriting commitments.

The Company proposes to give the existing Shareholders of the Company a priority right to participate in the Placement. The Company has not finalised the amount of the priority, but it will be at least 50% of the minimum amount to be raised under the Placement (being 5,833,333 Shares) and is currently intended to be 70% of the minimum amount to be raised under the Placement (being up to 8,166,667 Shares). Full details of the amount of the priority will be included in the Prospectus. The Company will limit the number of Shares that it issues to a Shareholder to the greater of 5% of the Shares being offered under the Placement and the number the Shareholder would be entitled to under a pro-rata issue of the Placement Shares. The sub-underwriters (including the Directors) will be relieved of their obligations to the extent that the existing Shareholders subscribe for Shares pursuant to the Placement.

The terms and conditions upon which Directors will subscribe for the Director Placement Shares will be the same terms and conditions under which others will subscribe for Placement Shares under the Placement.

Further details of the Placement are outlined above in Section 11 and the grant of the Underwriter Options to any underwriter and sub-underwriters is outlined above in Section 12.

Shareholder approval is required under Listing Rule 10.11 and section 208 of the Corporations Act because the Directors are related parties of the Company.

Furthermore, Shareholder approval of the issue of the Director Placement Shares and the grant of the Director Underwriter Options to the Directors means that these issues will not reduce the Company's 15% placement capacity under Listing Rule 7.1.

Resolutions 10 - 13 are ordinary resolutions and are subject to the approval of Resolutions 8 and 9.



### 13.1 Specific Information Required by Listing Rule 10.13 and section 219 of the Corporations Act

For the purposes of ASX Listing Rule 10.13 and section 219 of the Corporations Act, information regarding the issue of the Director Placement Shares and the grant of the Director Underwriter Options to the Directors is provided as follows:

- (a) The Director Placement Shares and Director Underwriter Options will be issued to the Directors, Mr Ian Macliver, Mr Mark Titchener, Mr Gary Seabrooke and Ms Cherie Leeden, and/or their nominees.
- (b) The maximum number of Shares and Options the Company can issue to each of the Directors and/or their nominees under Resolutions 10 - 13 is as follows:
  - (i) Mr Ian Macliver – 333,334 Shares and 166,667 Underwriter Options;
  - (ii) Mr Mark Titchener – 333,334 Shares and 166,667 Underwriter Options;
  - (iii) Mr Gary Seabrooke – 333,334 Shares and 166,667 Underwriter Options; and
  - (iv) Ms Cherie Leeden – 66,667 Shares and 33,334 Underwriter Options.
- (c) The Director Placement Shares will be issued pursuant to the Placement, and on the same terms and conditions under which others will subscribe for Placement Shares under the Placement. The Director Underwriter Options will be granted on the same terms and conditions as Underwriter Options will be granted to any underwriter and other sub-underwriters of the Placement.
- (d) The Shares will each be allotted at an issue price of \$0.30 and will raise approximately \$320,000 if fully subscribed by the Directors and/or their nominees.
- (e) The Director Underwriter Options will be granted for nil consideration. Each Underwriter Option will be issued to the Directors as a fee in consideration for the sub-underwriting of the proposed Placement on the basis of one Underwriter Option for every two shares sub-underwritten.
- (f) The Shares to be issued are ordinary shares and rank equally with the Company's existing Shares.
- (g) The Underwriter Options have an exercise price of \$0.40 and expire on 30 June 2013. On the exercise of each Underwriter Option, the holder will be issued one Share in the Company and granted a further Secondary Option which has an exercise price of \$0.45 and an expiry date of 30 June 2015.
- (h) The Company will issue and allot the Director Placement Shares and grant the Director Underwriter Options to the Directors and/or their nominees no later than one month after the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules). The Company has applied to ASX for a waiver of Listing Rule 10.13.3 to permit it to issue the Director Placement Shares and Director Underwriter Options no later than three months after the date of this Meeting. There is no guarantee that ASX will grant the waiver. However, if ASX grants the waiver, the Company will advise the market accordingly.
- (i) The Company proposes to give the existing Shareholders of the Company a priority right to participate in the Placement. The Company has not finalised the amount of the priority, but it will be at least 50% of the minimum amount to be raised under the Placement (being 5,833,333 Shares) and is currently intended to be 70% of the minimum amount to be raised under the Placement (being up to 8,166,667 Shares). Full details of the amount of the priority

will be included in the Prospectus. The Company will limit the number of Shares that it issues to a Shareholder to the greater of 5% of the Shares being offered under the Placement and the number the Shareholder would be entitled to under a pro-rata issue of the Placement Shares. The sub-underwriters (including the Directors) will be relieved of their obligations to the extent that the existing Shareholders subscribe for Shares pursuant to the Placement.

(j) As outlined in Section 6.2 the Directors have an interest in the completion of the Acquisition due to their shareholdings in Indigo. Notwithstanding this interest, the Directors have decided to commit to being sub-underwriters of the Placement to the extent specified in this Notice to assist the Company raising sufficient funds to provide working capital for the exploration of the Projects. On this basis the Directors recommend that Shareholders vote in favour of Resolutions 13-16.

(k) If all the Director Placement Shares are issued it may result in a dilution of all other Shareholders' holdings in the Company by 2.72% based on completion of the Acquisition and Placement (assuming all the Cash Consideration is paid in Shares, \$3.5 million is raised under the Placement and no existing options are exercised) and by 1.20% assuming the Performance Shares convert in their entirety.

If all the Director Underwriter Options are exercised (and assuming the Director Placement Shares are issued) it may result in a dilution of all other Shareholders' holdings in the Company by 3.92% based on completion of the Acquisition and Placement (assuming all the Cash Consideration is paid in Shares, \$3.5 million is raised under the Placement and no existing options are exercised) and 1.76% assuming the Performance Shares convert in their entirety.

(l) The Directors each receive Directors' fees of \$40,000 per annum including superannuation.

A Director may also be paid fees or other amounts as the Directors determine if a director performs special duties or otherwise performs services outside the scope of the ordinary duties of a director. A Director may also be reimbursed for out of pocket expenses incurred as a results of their directorship or any special duties.

Other than as set out in this Notice, the Directors do not receive any other emoluments except as incurred in the normal operation of the business.

(m) The current and proposed (indirect) holdings of the Directors in the Company (on a post consolidation basis) are specified as follows:

<b>Director</b>	<b>Current Shares</b>	<b>Proposed Placement Shares</b>	<b>Current Options*</b>	<b>Proposed Underwriter Options</b>
Ian Macliver	555,005	333,334	260,836	166,667
Cherie Leeden	Nil	66,667	Nil	33,334
Mark Titchener	967,505	333,334	467,086	166,667
Gary Seabrooke	417,505	333,334	192,086	166,667

\*Options each exercisable at \$0.20 on or before 31 July 2013

Based on the Directors holdings in the table above, assuming completion of the Acquisition, \$3.5 million is raised under the Placement and all of the Options held by each Director are exercised (but no other Options on issue in the Company are exercised) then the maximum potential voting power of each Director would be as follows:

Director	Maximum Voting Power
Ian Macliver	5.38%
Cherie Leeden	0.41%
Mark Titchener	7.92%
Gary Seabrooke	4.54%

- (n) Other than as disclosed in this Section 13.1, none of the Directors currently have any other security holding in the Company.
- (o) The value of the financial benefit proposed to be provided to the Directors through the issue of the Director Placement Shares may be calculated as the difference between the issue price of the Director Placement Shares to that Director and the market value of the Director Placement Shares to be issued (based on the quoted prices of the Director Placement Shares).

The maximum issue price of the Director Placement Shares is \$0.30 per Director. The market value of the maximum total Director Placement Shares at 16 December 2011 (the last trading day prior to the announcement of the Placement) was \$533,334, representing an indicative total net financial benefit of \$213,334 for the maximum total Director Placement Shares. The market value of the Director Placement Shares at 20 June 2012 (the last trading day prior to the issue of this Notice) was \$213,334, representing an indicative net financial loss of \$106,668 for the maximum total Director Placement Shares.

The net financial benefit may go up or down depending upon the future market value of the Director Placement Shares. The above valuations are based on the following assumptions:

	Quoted price at 16 December 2011 (being the last trading day prior to announcement of the Placement)	Quoted price at 20 June 2012 (being the last trading day prior to issue of this Notice)
Shares	\$0.50 (post consolidation)	\$0.20 (post consolidation)

- (p) On the basis of the assumptions below, the Company has determined the technical value of one Underwriter Option approximates \$0.11.

These valuations impute a total value of \$58,667 to the Director Underwriter Options.

The values may go up or down after the date of this Notice as it will depend on the future price of a Share. Black & Scholes methodology has been used, together with the following assumptions:

- (i) interest rate set at the Commonwealth Government securities rate of 4.2%;
- (ii) the date of valuation for the purposes of settling the current market value of a Share is 27 August 2012 being the current proposed re-compliance date for the Company and issue date for Director Underwriter Options;
- (iii) the price used in the valuation was \$0.30 (post consolidation, being the Placement issue price);
- (iv) the standard deviation of returns of the Loyalty Options to the Directors is set at 110% which is based on the Company's historical data and that of other junior explorers; and

- (v) the Options will be exercisable upon grant.
- (q) Historical share price information for the twelve months prior to the date of this Notice is as follows:

	Price (on a post consolidation basis)	Date
Highest	\$0.90	7 July 2011
Lowest	\$0.20	4, 7, 12, 13, 19 and 20 June 2012
Last	\$0.20	20 June 2012

- (r) A voting exclusion statement is included in this Notice.
- (s) Proceeds from the issue of the Director Placement Shares will predominantly be used to fund business development activities and to provide general working capital.
- (t) Other than the information above and otherwise in this Explanatory Memorandum, the Company believes that there is no other information that would be reasonably required by Shareholders to pass Resolutions 10 - 13.

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## **14. Resolution 14 – Authority to Grant Incentive Options to Key Employees and Consultants**

Resolution 14 seeks Shareholder approval pursuant to Listing Rule 7.1 for the grant of the Incentive Options, to be granted at the discretion of the Directors to key employees and consultants of the Company.

Listing Rule 7.1 provides that, subject to certain exceptions, Shareholder approval is required for any issue of securities by a listed company, where the securities proposed to be issued represent more than 15% of the Company's securities then on issue.

Although the grant of the Incentive Options under Resolution 14 would not result in the Company exceeding this 15% threshold, Shareholder approval has been sought by the Company pursuant to Listing Rule 7.1 to preserve its ability to use the 15% threshold exemption going forward.

Resolution 14 is an ordinary resolution.

### **14.1 Specific Information Required by Listing Rule 7.3**

For the purposes of Listing Rule 7.3 information regarding the grant of the Incentive Options is provided as follows:

- (a) The maximum number of Options the Company can grant under Resolution 14 is 2,000,000 Incentive Options exercisable at \$0.36 each on or before 30 June 2016.
- (b) The Company will grant the Incentive Options no later than 3 months after the date of the Meeting (or such longer period of time as ASX may in its discretion allow).
- (c) The Incentive Options will be granted to key employees, consultants and advisors of the Company who are not related parties of the Company or their associates, at the discretion of Directors.

- (d) The Incentive Options to be granted will each have an exercise price of \$0.36 and an expiry date of 30 June 2016 and the further terms and conditions in Schedule 3.
- (e) Upon exercise of the Incentive Options, the Shares will be issued on a one for one basis on the same terms as the Company's existing Shares.
- (f) The grant of the Incentive Options will occur progressively.
- (g) The Incentive Options will be granted for nil consideration and therefore no funds will be raised.
- (h) A voting exclusion statement is included in the Notice.

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## 15. Resolution 15 – Adoption of New Constitution

The Company's current Constitution was last amended in 1996. It is proposed that the current Constitution be replaced by a new Constitution that reflects compliance with current law and enables the Company to better function in accordance with its constituent documents. The Proposed Constitution has been approved by ASX as required under the Listing Rules.

Resolution 15 seeks Shareholder approval for the adoption of a new constitution in accordance with section 136 of the Corporations Act.

Resolution 15 is a special resolution and requires approval of 75% of the votes cast by Shareholders.

A copy of the Proposed Constitution will be sent to any Shareholder upon request and will also be available for inspection at the office of the Company located at 945 Wellington Street, West Perth, WA 6005 during normal business hours prior to the Meeting and at the Meeting.

If Resolution 15 is passed, the new Constitution will become effective from the passing of Resolution 15. In summary, the Proposed Constitution includes provisions to the following effect:

(a) Shares

The issue of shares and options by the Company is under the control of the Directors, subject to the Corporations Act, Listing Rules and any rights attached to any special class of shares.

(b) Preference Shares

The Corporations Act requires certain rights of preference shares to be either set out in the Company's constitution or approved in general meeting by special resolution before preference shares are issued.

The Proposed Constitution sets out a framework of rights for preference share issues from which the Board can determine to allot and issue preference shares, without the need to obtain further shareholder approval every time an allotment of preference shares is proposed. The Proposed Constitution contains the framework as well as specific rights of preference shares as to the repayment of capital, requirements for redemption (if the preference shares are redeemable), participation in surplus assets and profits, voting rights and priority of payment of capital and dividends. Other specific terms, including the dividend amount, the redemption date (if applicable) and redemption amount (if applicable), would be set by the issuing resolution of the Directors.

(c) Reductions of Capital

The Proposed Constitution is consistent with the Corporations Act requirements which must be satisfied by the Company in undertaking an alteration of capital.

(d) Liens

If the Company issues partly paid shares and a call made on those shares is unpaid, the Company will have a lien over the shares on which the call is unpaid. The lien may be enforced by a sale of those shares.

(e) Transfer of Shares

The Company may participate in any clearing and settlement facility provided under the Corporations Act, the Listing Rules and the ASX Settlement Pty Ltd ("ASX Settlement") Operating Rules. Transfers through ASX Settlement are effected electronically in ASX Settlement's Clearing House Electronic Sub register System ("CHESS"). For the purposes of the Company's participation in the CHESS, the Company may issue holding statements in lieu of share certificates. The Company will not charge any fee for registering a transfer of shares. The Directors may refuse to register a transfer of shares in the circumstances permitted or required under the Corporations Act and Listing Rules.

(f) Proportional Takeovers

A proportional takeover bid is one in which the offeror offers only to buy a specified proportion of each Shareholders' shares.

The Proposed Constitution provides for Shareholder approval of any proportional takeover bid for the shares. Subject to the Listing Rules and ASX Settlement Operating Rules, the provisions require the Directors to refuse to register any transfer of shares made in acceptance of a proportional takeover offer until the requisite Shareholder approval has been obtained.

The perceived advantages of including proportional takeover provisions in the Proposed Constitution are that such provisions may:

- (i) enhance the bargaining power of Directors in connection with any potential sale of the Company;
- (ii) improve corporate management by eliminating the possible threat of a hostile takeover through longer term planning;
- (iii) make it easier for Directors to discharge their fiduciary and statutory duties to the Company and its Shareholders to advise and guide in the event of a proportional bid occurring; and
- (iv) strengthen the position of Shareholders of the Company in the event of a takeover, assuming the takeover will result in a sharing of wealth between the offeror and Shareholders, as the more cohesive Shareholders are in determining their response the stronger they are. A requirement for approval can force Shareholders to act in a more cohesive manner. Where Shareholders know that a bid will only be successful if a specified majority of Shareholders accept the offer, they have less to fear by not tendering to any offer which they think is too low.

The perceived disadvantages of including proportional takeover provisions in the Proposed Constitution include the following matters:

- (v) a vote on approval of a specific bid suffers from a bias in favour of the incumbent Board;

- (vi) the provisions are inconsistent with the principle that a share in a public company should be transferable without the consent of other Shareholders; and
- (vii) a Shareholder may lack a sufficient financial interest in any particular company to have an incentive to determine whether the proposal is appropriate.

To comply with the Corporations Act, the proportional takeover provisions must be renewed by Shareholders in general meeting at least every 3 years to remain in place.

(g) Alterations of share capital

Shares may be converted or cancelled with Shareholder approval and the Company's share capital may be reduced in accordance with the requirements of the Corporations Act and the Listing Rules.

(h) Buy Backs

The Company may buy back shares in itself on terms and at such times determined by the Directors.

(i) Disposal of less than a Marketable Parcel

For the sake of avoiding excessive administration costs, the Proposed Constitution contains provisions enabling the Company to procure the disposal of shares where the Shareholder holds less than a marketable parcel of shares within the meaning of the Listing Rules (being a parcel of shares with a market value of less than \$500). To invoke this procedure, the Directors must first give notice to the relevant Shareholder holding less than a marketable parcel of shares, who may then elect not to have his or her shares sold by notifying the Directors.

(j) Variation of class rights

Class rights attaching to a particular class of shares may be varied or cancelled with the consent in writing of holders of 75% of the shares in that class or by a special resolution of the holders of shares in that class.

(k) Meetings of Shareholders

Directors may call a meeting of Shareholders whenever they think fit. Shareholders may call a meeting as provided by the Corporations Act. The Proposed Constitution contains provisions prescribing the content requirements of notices of meetings of Shareholders and all Shareholders are entitled to a notice of meeting. Consistent with the new Corporations Act provisions, a meeting may be held in two or more places linked together by audio-visual communication devices. A quorum for a meeting of Shareholders is 2 eligible voters.

The Company will hold annual general meetings in accordance with the Corporations Act and the Listing Rules.

(l) Voting of Shareholders

Resolutions of Shareholders will be decided by a show of hands unless a poll is demanded. On a show of hands each eligible voter present has one vote. On a poll each eligible Shareholder has one vote for each fully paid share held and a fraction of a vote for each partly paid share determined by the amount paid up on that share.

(m) Proxies

An eligible Shareholder may appoint a proxy to attend and vote at the meeting on the Shareholder's behalf. The Proposed Constitution contains provisions specifying the manner of lodgement of proxy instruments. A Shareholder may appoint an individual or corporation to act as its representative.

(n) Directors

Unless changed by the Company in general meeting, the minimum number of directors is 3 and the maximum is 10. The existing directors of the Company may appoint a new Director to fill a casual vacancy or as an addition to the board. Any such Director must retire at the next following annual general meeting of the Company (at which meeting he or she may be eligible for election as director). No Director other than the Managing Director may hold office for longer than 3 years without submitting himself or herself for re-election.

(o) Powers of Directors

The business of the Company is to be managed by or under the direction of the Directors.

(p) Remuneration of Directors

The Company may pay non-executive Directors a maximum of the total amount as determined by the Shareholders in general meeting and such sum must not be paid by way of commission on, or percentage of, profits or operating revenue.

The remuneration of executive Directors will be subject to the provisions of any contract between each of them and the Company and may be by way of commission on, or percentage of, profits of the Company, but will not be by way of commission on, or percentage of, operating revenue.

(q) Execution of documents

The Proposed Constitution provides for execution of documents by the Company without the use of the Company's company seal.

(r) Dividends

Subject to and in accordance with the Corporations Act, the Listing Rules, the rights of any preference shares and to the rights of the holders of any shares created or raised under any special arrangement as to dividends, the Directors may from time to time declare dividends to be paid to the shareholders entitled to dividends. Subject to the rights of any preference shares and to the rights of the holders of any Shares created or raised under any special arrangement as to dividends, the dividends as declared shall be payable on all Shares according to the proportion that the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited) in respect of such Shares.

(s) Indemnities and insurance

To the extent permitted by law, the Company indemnifies every person who is, or has been, a Director or Secretary of the Company against a liability incurred by that person in his or her capacity as a Director or Secretary provided that the liability does not arise out of conduct involving a lack of good faith (otherwise referred to as an excluded liability). A similar indemnity is provided in respect of legal proceedings. The Company may also pay the premiums on directors' and officers' liability insurance.

The Directors recommend that Shareholders vote in favour of Resolution 15.



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## **16. Resolution 16 – Approval of the Performance Rights Plan**

### **16.1 Background**

Resolution 16 seeks to approve the establishment of the Select Exploration Limited Performance Rights Plan (**Performance Rights Plan**).

The Performance Rights Plan provides for the issuance of Performance Rights which, upon a determination by the Board that the performance conditions attached to the Performance Rights have been met, will result in the issue of one ordinary Share in the Company for each Performance Right.

The Company wishes to exempt issues of securities under the Performance Rights Plan from contributing towards the rolling annual limit of 15% of issued Shares prescribed by Listing Rule 7.1. This limit otherwise applies to all new issues of equity securities made without Shareholder approval. Shareholder approval of the Performance Rights Plan is therefore sought under Listing Rule 7.2, Exception 9, whereby the Shareholders may approve in advance the issue of securities made under the Performance Rights Plan as an exception to the limit under Listing Rule 7.1.

No securities have been issued under the Performance Rights Plan and the Performance Rights Plan has not previously been approved by Shareholders.

Pursuant to the Listing Rules, Shareholders must re-approve the Performance Rights Plan and all unallocated Performance Rights issuable pursuant thereto every three years.

Further information about the Performance Rights Plan is set out below. A copy of the Performance Rights Plan can be obtained by contacting the Company.

#### **Reasons for the new Performance Rights Plan**

To achieve its corporate objectives, the Company needs to attract and retain its key staff. The Board believes that grants made to eligible participants under the Performance Rights Plan will provide a powerful tool to underpin the Company's employment and engagement strategy, and that the implementation of the Performance Rights Plan will:

- (a) enable the Company to recruit, incentivise and retain Key Management Personnel and other eligible Employees needed to achieve the Company's business objectives;
- (b) link the reward of key staff with the achievements of strategic goals and the long term performance of the Company;
- (c) align the financial interest of participants of the Performance Rights Plan with those of Shareholders; and
- (d) provide incentives to participants of the Performance Rights Plan to focus on superior performance that creates Shareholder value.

#### **Outline of the Performance Rights Plan**

This section gives a brief outline of how the Board intends to implement initial participation under the rules of the proposed Performance Rights Plan.

#### **Participation**

Carefully designed, performance linked, equity plans are widely considered to be very effective in providing long term incentives to staff. As well, they are used to attract and retain staff by providing

them with the opportunity to participate in the creation of a valuable personal asset – a financial stake in the Company.

As part of the Company's strategy, the Board wishes to be in a position to grant Performance Rights under the Performance Rights Plan to employees (including Directors), to achieve the objectives outlined above. A Performance Right is a right to be issued a Share upon satisfaction of certain performance conditions that are attached to the Performance Right, as determined by the Board. In accordance with the requirements of the Listing Rules, prior Shareholder approval will be required before any Director or related party of the Company can participate in the Performance Rights Plan.

### **Overview of the Performance Rights Plan rules and terms and conditions**

The Board is cognizant of general Shareholder concern that long-term equity based rewards for staff should be linked to the achievement by the Company of a performance condition. Performance Rights granted under the Performance Rights Plan to eligible participants will be subject to performance conditions as determined by the Board from time to time. These performance conditions must be satisfied in order for the Performance Rights to vest. Upon Performance Rights vesting and the Employee being advised that the vesting conditions have been met, Shares will be issued to the Employee exercising the Performance Rights.

The Board considers the Performance Rights Plan a crucial mechanism to encourage and retain high level executive and employee performance. The Board intends to implement the Performance Rights Plan, and set the performance conditions, in a manner designed to incentivise and reward high level executive and employee performance.

The main features of the Performance Rights Plan (and the terms and conditions to be attached to the Performance Rights Plan) are summarised as follows:

**Eligible Participants:** The eligible participants under the Performance Rights Plan are Employees (including Directors) of the Company and its subsidiaries (**Eligible Employees**).

In accordance with the Listing Rules, prior Shareholder approval will be required before any Director or related party of the Company can participate in the Performance Rights Plan and be granted Performance Rights.

**Limits on Entitlements:** An offer of Performance Rights may only be made under the Performance Rights Plan if the number of Shares that may be acquired on exercise of those Performance Rights, when aggregated with:

- (e) the number of Shares which would be issued if each outstanding offer, right or option to acquire unissued Shares, being an offer made or right or option acquired pursuant to the Performance Rights Plan or any other incentive schemes, were to be accepted or exercised (as the case may be); or
- (f) the number of Shares issued during the previous 5 years pursuant to the Performance Rights Plan or any other incentive schemes;

does not exceed 5% of the total number of issued Shares as at the time of the offer (or such other maximum permitted under any ASIC class order providing relief from the disclosure regime of the Corporations Act.

**Individual Limits:** The Performance Rights Plan does not set out a maximum number of Shares that may be made issuable to any one person or company.

**Consideration Payable:** Performance Rights will be issued for no consideration and no amount will be payable upon exercise thereof.

**Offer and Performance Conditions:** The Performance Rights issued under the Performance Rights Plan to Eligible Employees may be subject to performance conditions, determined by the Board from time to time and expressed in a written offer letter (**Offer**) made by the Company to the Eligible Employee which is subject to acceptance by the Eligible Employee within a specified period. The performance conditions may include one or more of (i) service to the Company of a minimum period of time (ii) achievement of specific performance conditions by the participant and/or by the Company (iii) a vesting period following satisfaction of performance conditions before the Performance Rights vest, or (iv) such other performance conditions as the Board may determine and set out in the Offer. The Board in its absolute discretion determines whether performance conditions have been met.

**Milestone Date, Expiry Date & Lapse:** Performance Rights will have an expiry date as the Board may determine in its absolute discretion and specify in the Offer. The Board is not permitted to extend an expiry date without shareholder approval.

The performance conditions of Performance Rights will have a milestone date as determined by the Board in its absolute discretion and will be specified in the Offer. The Board shall have discretion to extend a milestone date where the Board (in its sole discretion) considers that unforeseen circumstances or events have caused a delay in achieving the performance condition by the milestone date. The Board shall not be permitted to extend the milestone date beyond the expiry date of the Performance Rights.

If a performance condition of a Performance Right is not achieved by the earlier of the milestone date or the expiry date then the Performance Rights will lapse. A Performance Right will also lapse if the Board determines the participant ceases to be an Eligible Employee for the purposes of the Performance Rights Plan for any reason (other than as a result of retirement, disability, bona fide redundancy or death).

**Retirement, Disability, Redundancy or Death:** Under the Performance Rights Plan, upon the retirement, total and permanent disability, bona fide redundancy or death of a participant, the Board shall determine, in its discretion, whether those Performance Rights which have not satisfied the performance condition but have not lapsed, shall in whole or in part be deemed to have become vested Performance Rights or be deemed to have lapsed.

**Forfeiture:** If a participant acts fraudulently or dishonestly or is in breach of his or her obligations to the Company, the Board will have the discretion to deem any Performance Rights to have lapsed and deem any Performance Rights that have become Shares to be forfeited. In the event the underlying Shares have been sold by the participant, the participant will be required to pay all or part of the net proceeds of that sale to the Company.

**Assignment:** Without prior approval of the Board, Performance Rights may not be transferred, assigned or novated, except, upon death, a participant's legal personal representative may elect to be registered as the new holder of such Performance Rights and exercise any rights in respect of them.

**Takeover Bid or Change of Control:** All Performance Rights automatically vest in the event of:

- (g) a Court ordering a meeting to be held in relation to a proposed compromise or arrangement for the purposes of, or in connection with, a scheme for the reconstruction of the Company or its amalgamation with any other company or companies and the shareholders of the Company approve the proposed compromise or arrangement at such meeting;
- (h) a takeover bid (as defined in the Corporations Act) is announced, has become unconditional and the person making the takeover bid has a relevant interest in 50% or more of the shares in the Company; or
- (i) any person acquires a relevant interest in 50.1% or more shares in the Company by any other means.

**Alteration in Share Capital:** Appropriate adjustments will be made to the number of Performance Rights in accordance with the Listing Rules in the event of a reconstruction of the share capital of the Company, such as a share consolidation, share split or other reduction of capital.

**Pro Rata Issue of Securities:** If, during the term of any Performance Rights, the Company makes a pro rata issue of Securities to the Company's Shareholders by way of a rights issue, the holder thereof shall be entitled to participate in the rights issue on the same terms as the Company's Shareholders as if the holder held that number of Shares equal to the number of Shares issuable to the holder if all of the holder's Performance Rights were exercised prior to the record date for determining entitlement under the pro rata issue.

A holder will not be entitled to any adjustment to the number of Shares he or she is entitled to under any Performance Rights or adjustment to any Performance Condition which is based, in whole or in part, upon the Company's Share price, as a result of the Company undertaking a rights issue.

**Bonus Issue:** If, during the term of any Performance Rights, the Company completes a bonus issue, the number of Shares each Performance Rights holder is then entitled to, shall be increased by that number of securities which the holder would have been issued if the Performance Rights then held by the holder were exercised immediately prior to the record date for the bonus issue.

**Participation in other Opportunities:** There are no participation rights or entitlements inherent in the Performance Rights though the Company will use its reasonable endeavours to ensure that each holder is given an opportunity to participate on the same basis as if his or her Performance Rights had been exercised.

**Termination, Suspension or Amendment:** The Board may terminate, suspend or amend the Performance Rights Plan at any time subject to any resolution of the Company required by the Listing Rules.

## **16.2 Specific Information Required by Listing Rule 7.2**

In accordance with the requirements of Listing Rule 7.2 Exception 9(b) the following information is provided:

- (a) The material terms of the Performance Rights Plan are summarised above.
- (b) This is the first approval sought under Listing Rule 7.2 Exception 9 with respect to the Performance Rights Plan.
- (c) No securities have been issued under the Performance Rights Plan.
- (d) A voting exclusion statement has been included for the purposes of Resolution 16.

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## 17. Definitions

In this Notice, Explanatory Memorandum and Proxy Form:

**\$** means Australian Dollars.

**Acquisition** has the meaning in Section 3.1.

**Acquisition Agreement** means the share sale agreement between the Company and the Vendor dated 19 March 2012 and includes any variation thereof.

**Annual Report** means the Directors' Report, the Financial Report and Auditor's Report thereon, in respect to the financial year ended 31 December 2011.

**Article** means an article of the Constitution.

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

**ASX** means ASX Limited (ACN 008 624 691) and, where the context permits, the Australian Securities Exchange operated by ASX.

**Auditor's Report** means the auditor's report on the Financial Report.

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

**Board** means the board of Directors.

**Closely Related Party** has the meaning in section 9 of the Corporations Act.

**Company** means Select Vaccines Limited ACN 062 063 692.

**Completion** means completion of the Acquisition pursuant to the Acquisition Agreement.

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

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

**Director** means a director of the Company.

**Director Placement Shares** has the meaning in Section 13.

**Directors' Report** means the annual directors report prepared under Chapter 2M of the Corporations Act for the Company and its controlled entities.

**Eligible Employee** has the meaning given in Section 16.1.

**Explanatory Memorandum** means the explanatory memorandum attached to the Notice.

**Financial Report** means the annual financial report prepared under Chapter 2M of the Corporations Act of the Company and its controlled entities.

**Heads of Agreement** means the binding heads of agreement between the Company and Indigo dated 18 December 2011.

**Incentive Option** means an Option exercisable at \$0.36 on or before 30 June 2016 and otherwise on the terms and conditions in Schedule 5.

**Independent Expert's Report** means the independent expert's report prepared by BDO in Annexure A of this Notice.

**Indigo or Vendor** means Indigo Metals Limited, a company incorporated in Mauritius.

**JORC** means the Joint Ore Reserves Committee.

**Key Management Personnel** means a person having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

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

**Loyalty Option** means an Option exercisable at \$0.40 on or before 30 June 2013 and otherwise on the terms and conditions in Schedule 3.

**Mauritian Companies** means Panama and Shira.

**Meeting** has the meaning in the introductory paragraph of the Notice.

**MT** means million tonnes.

**Notice** means this notice of meeting.

**Option** means an option to acquire a Share.

**Panama** means Panama Resources Ltd, a company incorporated in Mauritius.

**Performance Share** means a performance share referred to in Resolution 3 on the terms and conditions in Schedule 2.

**Performance Rights Plan** means the Select Exploration Limited Performance Rights Plan.

**Placement** has the meaning in Resolution 8.

**Placement Shares** has the meaning in Resolution 8.

**Projects** has the meaning in Section 3.1.

**Proposed Constitution** has the meaning in Resolution 15.

**Prospectus** has the meaning in Section 3.3.

**Proxy Form** means the proxy form attached to the Notice.

**Remuneration Report** means the remuneration report of the Company in respect to the financial year ended 31 December 2011 contained in the Directors' Report.

**Resolution** means a resolution contained in this Notice.

**Schedule** means a schedule to this Notice.

**Secondary Option** means an Option exercisable at \$0.45 on or before 30 June 2015 and otherwise on the terms and conditions in Schedule 4.

**Section** means a section contained in this Explanatory Memorandum.

**Securities** means Shares, Options, and/or Performance Shares.

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

**Shareholder** means a shareholder of the Company.

**Shira** means Shira Resources Ltd, a company incorporated in Mauritius.

**Tenements** means the licences and applications in respect of the Projects.

**Underwriter Option** means an Option exercisable at \$0.40 on or before 30 June 2013 and otherwise on the terms and conditions in Schedule 3.

**Vendor Securities** has the meaning in Resolution 3.

**Vendor Shares** has the meaning in Resolution 3.

**WST** means Western Standard Time, being the time in Perth, Western Australia.

In this Notice, words importing the singular include the plural and vice versa.

## Schedule 1 – Risk Factors of the Acquisition

### 1. Introduction

There are a number of risks associated with the Acquisition that may have an impact on the financial returns received by Shareholders. These risks are important for Shareholders to understand.

Shareholders are already exposed to a number of risks through their existing shareholding in the Company. A number of these risks are inherent in investing in securities generally and also inherent in any mining company such as that of the Company.

The risk factors include, but are not limited to, those detailed below. Additional risks not presently known to the Company, or if known, not considered material, may also have an adverse impact.

The Directors believe that the advantages of the Acquisition outweigh the associated extent of the risks.

### 2. Risks specific to the Projects

#### (a) Country Risk

The Projects are based in Tanzania. Tanzania is a developing country with a multi-party democracy which has successfully evolved over the past decade into having established and expanding mining industries.

There are, however, risks attaching to exploration and mining operations in a developing country which are not necessarily present in a developed country. These include economic, social or political instability or change, hyperinflation, currency non-convertibility or instability and changes of law affecting foreign ownership, government participation, taxation, working conditions, rates of exchange, exchange control, exploration licensing, export duties as well as government control over mineral properties.

Any future material adverse changes in government policies or legislation in Tanzania that affect foreign ownership, mineral exploration, development or mining activities, may affect the viability and profitability of the Projects.

#### (b) Uranium as a source of energy

Nuclear energy is in direct competition with other more conventional sources of energy which include gas, coal and hydro-electricity.

Furthermore, any potential growth of the nuclear power industry (with any attendant increase in the demand for uranium) beyond its current level will depend upon continued and increased acceptance of nuclear technology as a means of generating electricity. The nuclear industry is currently subject to negative public opinion due to political, technological and environmental factors, including the environmental effects of the tsunami in Japan. This may have an adverse impact on the demand for uranium and increase the regulation of uranium mining.

One of the arguments in favour of nuclear energy is its lower emissions of carbon dioxide per unit of power generated compared to coal and gas. Alternative energy systems such as wind or solar also have very low levels of carbon emissions, if any, however to date these have not been efficient enough to be relied upon for large scale base load power. Technology changes may occur that make alternative energy systems more efficient and reliable.

#### (c) Exploration and Mining within Game and Forest Reserves

Pursuant to the Mining Act 2010 of Tanzania, the holder of a mineral right shall not exercise any of his rights under the licence or under the Mining Act 2010 in respect of land in any game reserve declared



under the Wildlife Conservation Act, except with the written consent of the authority having control over the reserve. A portion of the Selous Project area is located within the Selous Game Reserve. The Company will comply with the protocol outlined in the Mining Act 2010 and seek to be granted permission from the Ministry of Natural Resources and Tourism to undertake coal and uranium exploration on the portion of the tenements that fall within the game reserve during certain periods every year. The Company may also require additional approvals to progress from the exploration phase to the development and mining phases of operations. If mining occurs the Ministry of Natural Resources and Tourism would prefer underground mining. Failure to obtain approvals for mining or the imposition of restrictive conditions on mining activities making the project uneconomic may have a material adverse effect on the business operations of the Company.

Also pursuant to the Mining Act 2010 of Tanzania, the written consent of the Ministry of Natural Resources and Tourism will be required prior to exploration commencing on any portion of the Projects that falls within a forest reserve. The Company is not aware of any forest reserves that would affect the Projects. As part of exploration activities, the Company will continue to assess whether any portion of the Projects falls within a forest reserve. Permission to undertake exploration and mining activities within forest reserves has been commonly granted in the past. However, failure to obtain the approval or the imposition of restrictive conditions may have an adverse effect on the Company's activities in that area.

(d) Tenement Title

Interests in tenements in Tanzania are governed by legislation and are evidenced by the granting of licences. Each licence is for a specific term and carries with it annual expenditure and reporting commitments, as well as other conditions requiring compliance. Consequently, the Company could lose title to or its interest in tenements if licence conditions are not met or if insufficient funds are available to meet expenditure commitments as and when they arise.

All of the tenements in which the Company has or may earn an interest in will be subject to applications for renewal or grant (as the case may be). The renewal or grant of the term of each tenement is usually at the discretion of the relevant government authority. If a tenement is not renewed or granted, the Company may suffer significant damage through loss of the opportunity to develop and discover any mineral resources on that tenement.

Section 8 of the Mining Act 2010 of Tanzania imposes a limit of 20 licences to be held by an entity and its directors and shareholders. Provided that neither of the Company's two proposed Tanzanian Subsidiaries have a common director or common direct shareholder, and neither of the entities individually hold more than 20 granted licences then there will not be a breach of Section 8 of the Mining Act 2010 of Tanzania. There is a risk however that the relevant Tanzanian Authority may interpret Section 8 of the Mining Act such that entities which control the shareholders of the Tanzanian subsidiaries holding the licences (i.e. holding companies up the corporate chain) should be included in the 20 licence limit. The Company has been advised by its legal advisers in Tanzania that there are no examples of this occurring to date and that the Company could challenge such an interpretation through the Tanzanian courts should the Tanzanian Authority take such an interpretation.

(e) Legal System in Tanzania

The legal system operating in Tanzania may be less developed than more established countries, which may result in risk such as:

- (i) political difficulties in obtaining effective legal redress in the courts whether in respect of a breach of law or regulation, or in an ownership dispute;
- (ii) a higher degree of discretion on the part of governmental agencies;

- (iii) the lack of political or administrative guidance on implementing applicable rules and regulations;
- (iv) inconsistencies or conflicts between and within various laws, regulations, decrees, orders and resolutions; or
- (v) relative inexperience of the judiciary and court in such matter.

The commitment to local business people, government officials and agencies and the judicial system to abide by legal requirements and negotiated agreements may be more uncertain, creating particular concerns with respect to licences and agreements for business. These may be susceptible to revision or cancellation and legal redress may be uncertain or delayed. There can be no assurance joint ventures, licences, license application or other legal arrangements will not be adversely effected by the actions of the government authorities or others and the effectiveness of and enforcement of such arrangements cannot be assured.

### 3. Mineral Industry Risks

#### (a) Exploration and Development Risks

The tenements are in the early stages of exploration and potential investors should understand that mineral exploration, development and mining are high-risk enterprises, only occasionally providing high rewards. In addition to the normal competition for prospective ground, and the high average costs of discovery of an economic deposit, factors such as demand for commodities, stock market fluctuations affecting access to new capital, sovereign risk, environmental issues, labour disruption, project financing difficulties, foreign currency fluctuations and technical problems all affect the ability of a company to profit from any discovery.

There is no assurance that exploration of the mineral interests to be acquired pursuant to the Acquisition, or any other projects that may be acquired by the Company in the future, will result in the discovery of an economically viable mineral deposit. Even if an apparently viable mineral deposit is identified, there is no guarantee that it can be profitably exploited.

#### (b) Operational Risks

The operations of the Company following completion of the Acquisition may be affected by various factors including failure to locate or identify mineral deposits, failure to achieve predicted grades in exploration or 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 and unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment, fire, explosions and other incidents beyond the control of the Company.

These risks and hazards could also result in damage to, or destruction of, production facilities, personal injury, environmental damage, business interruption, monetary losses and possible legal liability. While the Company currently intends to maintain insurance within ranges of coverage consistent with industry practice, no assurance can be given that the Company will be able to obtain such insurance coverage at reasonable rates (or at all), or that any coverage it obtains will be adequate and available to cover any such claims.

#### (c) Payment Obligations

Under the licences comprising the Projects the Company will become subject to payment and other obligations. In particular, licence holders are required to expend the funds necessary to meet the minimum work commitments attaching to the licences. Failure to meet these work commitments will

render the licence liable to be cancelled. Further, if any contractual obligations are not complied with when due, in addition to any other remedies that may be available to other parties, this could result in dilution or forfeiture of the Company's interest in the Projects.

(d) Commodity Price Volatility and Foreign Exchange Risk

In the event that the Company achieves exploration success leading to production, the revenue it will derive through the sale of commodities exposes the potential income of the Company to commodity price risks.

Commodity prices fluctuate and are affected by numerous factors beyond the control of the Company. These factors include world demand for coal and/or uranium, forward selling by producers, and production cost levels in major metal-producing regions.

Moreover, commodity prices are also affected by macroeconomic factors such as expectations regarding inflation, interest rates and global and regional demand for, and supply of, the commodity as well as general global economic conditions. These factors may have an adverse effect on the Company's exploration, development and production activities, as well as on its ability to fund those activities.

Furthermore, international prices of various commodities are denominated in United States Dollars and a portion of the Company's capital expenditure and ongoing expenditure is denominated in either United States Dollars or Tanzanian Shillings, whereas the income and expenditure of the Company are and will be taken into account in Australian currency, exposing the Company to the fluctuations and volatility of the rate of exchange between the United States Dollar, the Tanzanian Shilling and the Australian Dollar as determined in international markets.

(e) Environmental Risks

Coal and uranium mining are industries that have become subject to increasing environmental responsibility and liability. The potential for liability is an ever present risk. Future legislation and regulations governing coal and/or uranium production may impose significant environmental obligations on the Company in relation to coal and/or uranium mining. The Company intends to conduct its activities in a responsible manner which minimises its impact on the environment, and in accordance with applicable laws.

The operations and proposed activities of the Company are subject to regulations concerning the environment. The Government and other authorities that administer and enforce environmental laws determine these requirements. As with all exploration projects and mining operations, the Company's activities are expected to have an impact on the environment, particularly if mine development proceeds. The Company intends to conduct its activities in an environmentally responsible manner and in accordance with applicable laws.

The cost and complexity of complying with the applicable environmental laws and regulations may prevent the Company from being able to develop potentially economically viable mineral deposits.

Although the Company believes that it is in compliance in all material respects with all applicable environmental laws and regulations, there are certain risks inherent to its activities, such as accidental spills, leakages or other unforeseen circumstances, which could subject the Company to extensive liability.

Further, the Company may require approval from the relevant authorities before it can undertake activities that are likely to impact the environment. Failure to obtain such approvals will prevent the Company from undertaking its desired activities. The Company is unable to predict the effect of additional environmental laws and regulations, which may be adopted in the future, including whether any such laws or regulations would materially increase the Company's cost of doing business or affect its operations in any area.

There can be no assurances that new environmental laws, regulations or stricter enforcement policies, once implemented, will not oblige the Company to incur significant expenses and undertake significant investments in such respect which could have a material adverse effect on the Company's business, financial condition and results of operations.

#### 4. General Risks

##### (a) Economic Risk

Changes in the general economic climate in which the Company will operate following completion of the Acquisition may adversely affect the financial performance of the Company. Factors that may contribute to that general economic climate include the level of direct and indirect competition against the Company, industrial disruption and the rate of growth of gross domestic product in Australia and Tanzania and other jurisdictions in which the Company may acquire mineral assets

##### (b) Future Capital Needs and Additional Funding

The future capital requirements of the Company will depend on many factors including the results of future exploration and business development activities. The Company believes its available cash and resources following the Acquisition should be adequate to fund its exploration work program, business development activities and other Company objectives.

Should the Company require additional funding there can be no assurance that additional financing will be available on acceptable terms, or at all. Any inability to obtain additional finance, if required, would have a material adverse effect on the Company's business and its financial condition and performance.

##### (c) Changes in Government Policies and Legislation

Any material adverse changes in government policies or legislation of Australia, Tanzania or any other country that the Company may acquire economic interests may affect the viability and profitability of the Company.

## Schedule 2 – Terms and Conditions of the Performance Shares

For the purpose of these terms and conditions:

**Agreement** means the share sale agreement between the Company and Indigo Metals Limited.

**Company** means Select Vaccines Limited ACN 062 063 692.

**Select Shares** means fully paid ordinary shares in the Company.

**Tenements** means:

- (a) those tenements listed in the table in the Annexure;
- (b) any other tenement or tenements which may be granted in lieu or relate to the same ground as the tenements referred to in paragraph (a);

### Class A Performance Shares

#### 1. Conversion of Class A Performance Shares

- (a) **(Conversion on achievement of Coal Milestones)** On the achievement of at least 100 million tonnes of a JORC Inferred coal Resource being defined on the Tenements, 2,500,000 Class A Performance Shares (on a post consolidation basis) will convert into Select Shares on a one for one basis and thereafter, for any subsequent resource of 1000 tonnes of coal in all JORC categories being defined on the Tenements, 25 Class A Performance Shares will convert into Select Shares on a one for one basis (**Coal Milestones**) up to a maximum of 1 billion tonnes of coal.

By way of example, if an initial total resource in all JORC categories of 350 million tonnes of coal on the Tenements, on determination, 8,750,000 Performance Shares will convert into 8,750,000 Shares. If 12 months later, a further 50 million tonnes of coal is added to the total resource on the Tenements in all JORC categories (a total of 400 million tonnes), an additional 1,250,000 Performance Shares will convert into 1,250,000 Shares.

- (b) **(Expiry)** The Coal Milestones must be achieved on or before 5.00 pm on the date which is 5 years after the date of the Agreement (**Expiry Date**).
- (c) **(Conversion on change of control)** If there is a Change of Control Event in relation to the Company prior to the conversion of the Class A Performance Shares, then:
  - (i) the maximum Coal Milestones will be deemed to have been achieved; and
  - (ii) each Class A Performance Share will automatically and immediately convert into Select Shares,

however, if the number of Select Shares to be issued as a result of the conversion of Class A Performance Shares, together with the number of Select Shares to be issued as a result of the conversion of the Class B Performance Shares, due to a Change in Control Event is in excess of 10% of the total fully diluted share capital of Select at the time of the conversion, then the number of Class A Performance Share and Class B Performance Share to be converted will be prorated so that the aggregate number of Select Shares issued upon conversion of the Class A Performance Shares and the Class B Performance Shares is equal to 10% of the entire fully diluted share capital of the Company.

- (d) **(No conversion)** To the extent that Class A Performance Shares have not converted into Select Shares on or before the Expiry Date, then all such unconverted Class A Performance Shares held by each holder (**Class A Holder**) will automatically consolidate into one Class A Performance Share and will then convert into one Select Share.
- (e) **(Conversion procedure)** The Company will issue a Class A Holder with a new holding statement for the Select Share or Select Shares as soon as practicable following the conversion of each Class A Performance Share.
- (f) **(Ranking of shares)** Each Select Share into which the Class A Performance Shares will convert will upon issue:
  - (i) rank equally in all respects (including, without limitation, rights relating to dividends) with other issued Select Shares;
  - (ii) be issued credited as fully paid;
  - (iii) be duly authorised and issued by all necessary corporate action; and
  - (iv) be allotted and issued free from all liens, charges and encumbrances whether known about or not including statutory and other pre-emption rights and any transfer restrictions.

## 2. Rights attaching to Class A Performance Shares

- (a) **(Share capital)** Each Class A Performance Share is a share in the capital of the Company.
- (b) **(General meetings)** Each Class A Performance Share confers on a Class A Holder the right to receive notices of general meetings and financial reports and accounts of the Company that are circulated to shareholders. A Class A Holder has the right to attend general meetings of shareholders of the Company.
- (c) **(No Voting rights)** A Class A Performance Share does not entitle a Class A Holder to vote on any resolutions proposed at a general meeting of shareholders of the Company.
- (d) **(No dividend rights)** A Class A Performance Share does not entitle a Class A Holder to any dividends.
- (e) **(Rights on winding up)** Each Class A Performance Share entitles a Class A Holder to participate in the surplus profits or assets of the Company upon winding up of the Company, but only to the extent of \$0.0001 per Class A Performance Share.
- (f) **(Not transferable)** A Class A Performance Share is not transferable.
- (g) **(Reorganisation of capital)** If there is a reorganisation (including, without limitation, consolidation, sub-division, reduction or return) of the issued capital of the Company, the rights of a Class A Holder will be varied (as appropriate) in accordance with the Listing Rules which apply to reorganisation of capital at the time of the reorganisation.
- (h) **(Quotation of shares on conversion)** An application will be made by the Company to ASX Limited for official quotation of the Select Shares issued upon the conversion of each Class A Performance Share within the time period required by the Listing Rules.
- (i) **(Participation in entitlements and bonus issues)** A Class A Performance Share does not entitle a Class A Holder to participate in new issues of capital offered to holders of Select Shares, such as bonus issues and entitlement issues.

- (j) **(No other rights)** A Class A Performance Share does not give a Class A Holder any other rights other than those expressly provided by these terms and those provided at law where such rights at law cannot be excluded by these terms.

### Class B Performance Shares

#### 3. Conversion of Class B Performance Shares

- (a) **(Conversion on achievement of Uranium Milestones)** On the achievement of at least 5 million pounds of a JORC Inferred uranium Resource being defined on the Tenements, 2,500,000 Class B Performance Shares (on a post consolidation basis) will convert into Select Shares on a one for one basis and thereafter, for any subsequent resource of ten pounds of uranium in all JORC categories being defined on the Tenements, 5 Class B Performance Shares will convert into Select Shares on a one for one basis **(Uranium Milestones)** up to a maximum of 50 million pounds of uranium.

By way of example, if an initial total resource in all JORC categories of 7.5 million pounds of uranium on the Tenements, on determination, 3,750,000 Performance Shares will convert into 3,750,000 Shares. If 12 months later, a further 2 million pounds of uranium is added to the total resource on the Tenements in all JORC categories (a total of 9.5 million pounds), an additional 1,000,000 Performance Shares will convert into 1,000,000 Shares.

- (b) **(Expiry)** The Uranium Milestones must be achieved on or before 5.00 pm on the date which is 5 years after the date of the Agreement **(Expiry Date)**.

- (c) **(Conversion on change of control)** If there is a Change of Control Event in relation to the Company prior to the conversion of the Class B Performance Shares, then:

- (i) the Uranium Milestones will be deemed to have been achieved; and
- (ii) each Class B Performance Share will automatically and immediately convert into Select Shares,

however, if the number of Select Shares to be issued as a result of the conversion of Class B Performance Shares, together with the number of Select Shares to be issued as a result of the conversion of the Class B Performance Shares, due to a Change in Control Event is in excess of 10% of the total fully diluted share capital of Select at the time of the conversion, then the number of Class B Performance Share and Class B Performance Share to be converted will be pro-rata so that the aggregate number of Select Shares issued upon conversion of the Class B Performance Shares and the Class B Performance Shares is equal to 10% of the entire fully diluted share capital of the Company.

- (d) **(No conversion)** To the extent that Class B Performance Shares have not converted into Select Shares, on or before the Expiry Date, then all such unconverted Class B Performance Shares held by each holder **(Class B Holder)** will automatically consolidate into one Class B Performance Share and will then convert into one Select Share.

- (e) **(Conversion procedure)** The Company will issue a Class B Holder with a new holding statement for the Select Share or Select Shares as soon as practicable following the conversion of each Class B Performance Share.

- (f) **(Ranking of shares)** Each Select Share into which the Class B Performance Shares will convert will upon issue:

- (i) rank equally in all respects (including, without limitation, rights relating to dividends) with other issued Select Shares;

- (ii) be issued credited as fully paid;
- (iii) be duly authorised and issued by all necessary corporate action; and
- (iv) be allotted and issued free from all liens, charges and encumbrances whether known about or not including statutory and other pre-emption rights and any transfer restrictions.

4. Rights attaching to Class B Performance Shares

- (a) **(Share capital)** Each Class B Performance Share is a share in the capital of the Company.
- (b) **(General meetings)** Each Class B Performance Share confers on a Class B Holder the right to receive notices of general meetings and financial reports and accounts of the Company that are circulated to shareholders. A Class B Holder has the right to attend general meetings of shareholders of the Company.
- (c) **(No Voting rights)** A Class B Performance Share does not entitle a Class B Holder to vote on any resolutions proposed at a general meeting of shareholders of the Company.
- (d) **(No dividend rights)** A Class B Performance Share does not entitle a Class B Holder to any dividends.
- (e) **(Rights on winding up)** Each Class B Performance Share entitles a Class B Holder to participate in the surplus profits or assets of the Company upon winding up of the Company, but only to the extent of \$0.0001 per Class B Performance Share.
- (f) **(Not transferable)** A Class B Performance Share is not transferable.
- (g) **(Reorganisation of capital)** If there is a reorganisation (including, without limitation, consolidation, sub-division, reduction or return) of the issued capital of the Company, the rights of a Class B Holder will be varied (as appropriate) in accordance with the Listing Rules which apply to reorganisation of capital at the time of the reorganisation.
- (h) **(Quotation of shares on conversion)** An application will be made by the Company to ASX Limited for official quotation of the Select Shares issued upon the conversion of each Class B Performance Share within the time period required by the Listing Rules.
- (i) **(Participation in entitlements and bonus issues)** A Class B Performance Share does not entitle a Class B Holder to participate in new issues of capital offered to holders of Select Shares, such as bonus issues and entitlement issues.
- (j) **(No other rights)** A Class B Performance Share does not give a Class B Holder any other rights other than those expressly provided by these terms and those provided at law where such rights at law cannot be excluded by these terms.



### Annexure - Tenements

Licence Number	Status	Area Km <sup>2</sup>	Percentage of Total Area
HQ-P23654	Granted	116.59	2.90%
HQ-P23669	Granted	294	7.32%
HQ-P23670	Granted	296.08	7.37%
HQ-P23655	Granted	11.41	0.28%
HQ-P23656	Granted	48.08	1.20%
HQ-P23668	Granted	295.48	7.35%
HQ-P23671	Granted	292.07	7.27%
HQ-P23672	Granted	197.15	4.91%
HQ-P23673	Granted	296.77	7.39%
HQ-P23674	Granted	298.31	7.43%
HQ-P23675	Granted	295.56	7.36%
PL 4945/2008	Granted	25.97	0.65%
PL 7051/2011	Granted	148.14	3.69%
PL 7048/2011	Granted	81.49	2.03%
HQ-P22701	Granted	88.57	2.20%
HQ-P23985	Granted	23.86	0.59%
HQ-P24425	Granted	95.34	2.37%
HQ-P24541	Granted	6.97	0.17%
HQ-P25013	Granted	6.93	0.17%
HQ-P24982	Granted	9.84	0.24%
HQ-P25012	Granted	49.92	1.24%
HQ-P23804	Application	302.47	7.53%
HQ-P23805	Application	51.83	1.29%
HQ-P23807	Application	93.65	2.33%
HQ-P23806	Application	10.05	0.25%
HQ-P23808	Application	28.69	0.71%
HQ-P24426	Application	326.59	8.13%
HQ-P24980	Application	6.59	0.16%
HQ-P24981	Application	33.16	0.83%
HQ-P25014	Application	16.58	0.41%
HQ-P25015	Application	71.26	1.77%
HQ-P23809	Application	98.12	2.44%
	<b>Total</b>	<b>4,017.52</b>	<b>100%</b>
HQ-P24893	Granted	15.64	0.00%
HQ-P24892	Granted	107.6	0.00%
HQ-P24923	Application	110	0.00%
HQ-P24922	Application	175	0.00%

**Annexure – Tenements (continued)**

HQ-P24921	Application	106	0.00%
HQ-P24920	Application	209	0.00%
HQ-P24919	Application	112	0.00%
HQ-P24443	Application	20	0.00%
	<b>Total</b>	<b>4,872.76</b>	<b>100.00%</b>

### Schedule 3 - Terms and Conditions of Underwriter Options and Loyalty Options

The general rights and liabilities attaching to Underwriter Options and Loyalty Options can be summarised as follows:

- (a) Each Underwriter Option and Loyalty Option entitles the holder to subscribe for and be allotted one ordinary share in the capital of the Company.
- (b) Each Underwriter Option and Loyalty Option has an exercise price of \$0.40 (**Exercise Price**) and an expiry date of 30 June 2013 (**Expiry Date**).
- (c) Each Underwriter Option and Loyalty Option is exercisable at any time after grant and on or prior to the Expiry Date.
- (d) For each Underwriter Option and Loyalty Option exercised prior to the Expiry Date the Company will grant one Secondary Option pursuant to a disclosure document to be lodged with ASIC on or about 30 June 2013.
- (e) Underwriter Options and Loyalty Options may be exercised by notice in writing to the Company (**Notice of Exercise**) and payment of the Exercise Price for each Underwriter Option or Loyalty Option being exercised. Any Notice of Exercise of an Underwriter Option or Loyalty Option received by the Company will be deemed to be a notice of the exercise of that Underwriter Option or Loyalty Option as at the date of receipt.
- (f) Shares will be allotted and issued pursuant to the exercise of Underwriter Options and Loyalty Options not more than 10 business days after receipt of a properly executed notice of exercise and payment of the requisite application moneys.
- (g) Shares issued upon exercise of the Underwriter Options and Loyalty Options will rank equally in all respects with the Company's then issued Shares. The Company will apply for Official Quotation by ASX of all Shares issued upon the exercise of Underwriter Options and Loyalty Options within 3 Business Days after the date of allotment of those Shares.
- (h) There are no participating rights or entitlements inherent in the Underwriter Options and Loyalty Options and holders will not be entitled to participate in new issues of capital offered or made to the Shareholders during the currency of the Underwriter Options and Loyalty Options. However, the Company will send a notice to each optionholder at least 10 business days before the record date for any proposed issue of capital. This will give optionholders the opportunity to exercise their Underwriter Options and/or Loyalty Options prior to the date for determining entitlements to participate in any such issue.
- (i) There are no rights to a change in the exercise price, or in the number of shares over which the Underwriter Options and Loyalty Options can be exercised, in the event of a bonus issue by the Company prior to the exercise of any Underwriter Options and Loyalty Options.
- (j) The Underwriter Options and Loyalty Options will be unlisted Options at the time of grant. However the Company reserves the right to apply for quotation of the Underwriter Options and Loyalty Options at such time as the Company in its absolute discretion determines. Should the Company make an application for official quotation of the Underwriter Options and Loyalty Options and the ASX accepts the application for quotation of the Options then the Underwriter Options and Loyalty Options will be listed options from the time that the ASX accepts such application.
- (k) Until the ASX accepts an application for quotation of the Underwriter Options and Loyalty Options then the Underwriter Options and Loyalty Options are transferable provided that the transfer of Options complies with section 707(3) of the Corporations Act.

- (l) Following the ASX accepting an application for quotation of the Underwriter Options and Loyalty Options then the Underwriter Options and Loyalty Options are freely transferable.
- (k) In the event of any re-organisation of the issued capital of the Company on or prior to the Expiry Date, the rights of an option holder will be changed to the extent necessary to comply with the applicable ASX Listing Rules at the time of the re-organisation.
- (l) The Company will, at least 20 Business Days before the Expiry Date, send notices to the optionholders stating the name of the optionholder, the number of Underwriter Options and/or Loyalty Options held, the exercise price, and the consequences of non-payment.
- (m) Cheques shall be in Australian currency made payable to the Company and crossed "Not Negotiable". The application for shares on exercise of the Underwriter Options or Loyalty Options with the appropriate remittance should be lodged at the Company's share registry.

#### **Schedule 4 – Terms and Conditions of Secondary Options**


The general rights and liabilities attaching to Secondary Options can be summarised as follows:

- (a) Each Secondary Option entitles the holder to subscribe for and be allotted one ordinary share in the capital of the Company.
- (b) For each Underwriter Option and Loyalty Option exercised prior to the relevant expiry date the Company will grant one Secondary Option pursuant to a disclosure document to be lodged with ASIC on or about 30 June 2013.
- (c) Each Secondary Option has an exercise price of \$0.45 (**Exercise Price**) and an expiry date of 30 June 2015 (**Expiry Date**).
- (d) Each Secondary Option is exercisable at any time after grant and on or prior to the Expiry Date.
- (e) Other than as set out above, the terms and conditions of the Secondary Options are the same as the Underwriter Options and Loyalty Options in Schedule 3, save that references to “Underwriter Options and Loyalty Options” in that schedule shall be references to “Secondary Options”.

## Schedule 5 - Terms and Conditions of Incentive Options

The general rights and liabilities attaching to Incentive Options can be summarised as follows:

- (a) Each Incentive Option entitles the holder to subscribe for one Share upon exercise of the Incentive Option.
- (b) Each Incentive Option has an exercise price of \$0.36 (**Exercise Price**) and an expiry date of 30 June 2016 (**Expiry Date**).
- (c) The Incentive Options are exercisable at any time after grant and on or prior to the Expiry Date.
- (d) The Incentive Options may be exercised by notice in writing to the Company (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised. Any Notice of Exercise of an Option received by the Company will be deemed to be a notice of the exercise of that Option as at the date of receipt.
- (e) Shares issued on exercise of the Incentive Options rank equally with the then Shares of the Company.
- (f) Application will be made by the Company to ASX for quotation of the Shares issued upon the exercise of the Incentive Options.
- (g) There are no participation rights or entitlements inherent in the Incentive Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Incentive Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least ten business days after the issue is announced. This will give the holders of Incentive Options the opportunity to exercise their Incentive Options prior to the date for determining entitlements to participate in any such issue.
- (h) If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment):
  - (i) the number of Shares which must be issued on the exercise of an Incentive Option will be increased by the number of Shares which the Optionholder would have received if the Optionholder had exercised the Incentive Option before the record date for the bonus issue; and
  - (ii) no change will be made to the Exercise Price.
- (i) If the Company makes an issue of Shares pro rata to existing Shareholders there will be no adjustment of the Exercise Price of an Option.
- (j) If there is any reconstruction of the issued share capital of the Company, the rights of the Optionholders may be varied to comply with the Listing Rules which apply to the reconstruction at the time of the reconstruction.
- (k) No application for quotation of the Incentive Options will be made by the Company.
- (l) The Incentive Options are transferable provided that the transfer of the Incentive Options complies with section 707(3) of the Corporations Act.
- (m) Cheques shall be in Australian currency made payable to the Company and crossed "Not Negotiable". The application for shares on exercise of the Incentive Options with the appropriate remittance should be lodged at the Company's share registry.



**SELECT VACCINES LIMITED**  
Independent Expert's Report

18 June 2012

**BDO have concluded that the  
Proposed Transaction is fair and  
reasonable to Shareholders**



## Financial Services Guide

18 June 2012

BDO Corporate Finance (WA) Pty Ltd ABN 27 124 031 045 (“BDO” or “we” or “us” or “ours” as appropriate) has been engaged by Select Vaccines Limited (“Select”) to provide an independent expert’s report on the Proposed Transaction to acquire 100% of the issued capital in Panama Resources Limited (“Panama”) and Shira Resources Limited (“Shira”) which are wholly owned subsidiaries of Indigo Metals Limited (“Indigo”). You will be provided with a copy of our report as a retail client because you are a shareholder of Select.

### 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 for this engagement is approximately \$30,000 to \$35,000.

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**

BDO Audit and Assurance (WA) Pty Ltd is the appointed Auditor of Select. We do not consider that this impacts on our independence in accordance with the requirements of Regulatory Guide 112 'Independence of Experts'. We have completed a conflict search of BDO affiliated organisations within Australia. This conflict search incorporates all Partners, Directors and Managers of BDO affiliated organisations. We are not aware of any circumstances that, in our view, would constitute a conflict of interest or would impair our ability to provide objective assistance in this matter.

## **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 Select 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 at the top of our letterhead on page 1 of this FSG.

## TABLE OF CONTENTS

1.	Introduction	1
2.	Summary and Opinion	1
3.	Scope of the Report	4
4.	Outline of the Proposed Transaction	6
5.	Profile of Select Vaccines Limited	10
6.	Profile of Panama Resources Limited and Shira Resources Limited	14
7.	Economic analysis	24
8.	Industry analysis	25
9.	Valuation Approach Adopted	29
10.	Valuation of Select prior to the Proposed Transaction	30
11.	Valuation of Select following the Proposed Transaction	36
12.	Is the Proposed Transaction fair?	54
13.	Is the Proposed Transaction reasonable?	55
14.	Conclusion	57
15.	Sources of information	58
16.	Independence	58
17.	Qualifications	59
18.	Disclaimers and consents	59

Appendix 1 - Glossary

Appendix 2 - Valuation Methodologies

Appendix 3 - Select's ASX announcements

Appendix 4 - Conceptual value attributed to shares contingent upon achieving performance milestones

Appendix 5 - Independent specialist valuation of Shira's & Panama's mineral assets

18 June 2012

The Directors  
Select Vaccines Limited  
PO Box 1263  
West Perth WA 6005

Dear Sirs

## INDEPENDENT EXPERT'S REPORT

### 1. Introduction

On 19 December 2011, Select Vaccines Limited (“**Select**”) or (“**the Company**”) announced that it had entered into a Heads of Agreement with Indigo Metals Limited (“**Indigo**”) to acquire 100% of the issued capital of Panama Resources Limited (“**Panama**”) and Shira Resources Limited (“**Shira**”) (“**Proposed Transaction**”). Panama and Shira are both Mauritian entities wholly owned by Indigo. The consideration for the acquisition of the shares of Panama and Shira will comprise cash, ordinary shares in Select and performance shares in Select.

Select is seeking the approval of its shareholders for the Proposed Transaction under section 611 item 7 of the Corporations Act 2001, because it will result in the voting power of Indigo in Select being greater than 20%. Further to this, current directors of Select own seventy six percent (76%) of Indigo and therefore Indigo is deemed to be a related party of Select under ASX Listing Rules. Consequently, shareholder approval must also be obtained under ASX Listing Rules because the Proposed Transaction represents the acquisition of a substantial asset from a related party.

### 2. Summary and Opinion

#### 2.1 Purpose of the report

The directors of Select 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 Proposed Transaction for Select to acquire 100% of the issued capital in Panama and Shira is fair and reasonable to the non associated shareholders of Select (“**Shareholders**”).

Our Report is prepared pursuant to section 611 of the Corporations Act and ASX listing rule 10.1 and is to be included in the Notice of Meeting for Select in order to assist the Shareholders in their decision whether or not to approve the Proposed Transaction.

#### 2.2 Approach

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

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

- How the value of a Select share prior to the Proposed Transaction compares to the value of a Select share following the Proposed Transaction;

- The likelihood of a superior alternative transaction being available to Select;
- Other factors which we consider to be relevant to Shareholders in their assessment of the Proposed Transaction; and
- The position of Shareholders should the Proposed Transaction not proceed.

### 2.3 Opinion

We have considered the terms of the Proposed Transaction as outlined in the body of this report and have concluded that the Proposed Transaction is fair and reasonable to Shareholders.

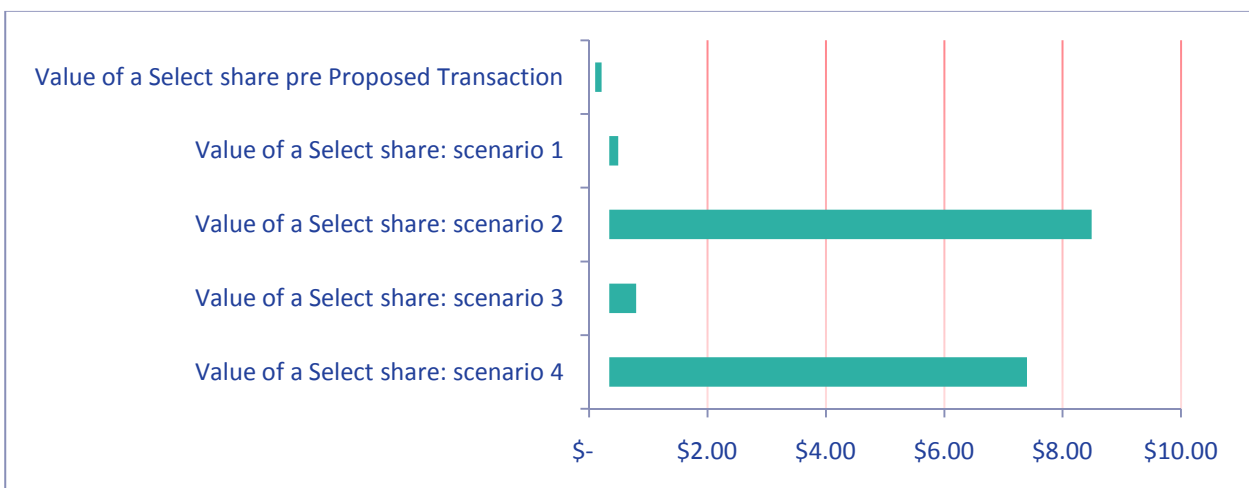
### 2.4 Fairness

We have assessed the fairness of the Proposed Transaction under four different scenarios. These scenarios are set out in Section 11 and in our opinion they reflect the potential range of outcomes.

In Section 12 we determined how the value of a Select share prior to the Proposed Transaction compares to the value of a Select share post completion of the Proposed Transaction as detailed hereunder.

	Ref	Low \$	Preferred \$	High \$
Value of a Select share pre Proposed Transaction	10.3	0.11	0.11	0.11
Value of a Select share: scenario 1	11.1	0.34	0.44	0.49
Value of a Select share: scenario 2	11.2	0.34	N/A	8.49
Value of a Select share: scenario 3	11.3	0.34	N/A	0.80
Value of a Select share: scenario 4	11.4	0.34	N/A	7.40

The above valuation ranges are graphically presented below:



The above pricing indicates that the Proposed Transaction is fair for Shareholders.

Please note that no coal or uranium resources exist at this time. The valuation of a Select share in scenario 2, 3 and 4 includes a conceptual value of coal and uranium mineralisation equivalent to a JORC inferred coal and uranium resource which may or may not be defined in the future. As yet, there is no reasonable basis to assume that a JORC inferred resource will be defined.

## 2.5 Reasonableness

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

- advantages and disadvantages of the Proposed Transaction; and
- alternatives, including the position of Shareholders if the Proposed Transaction is not approved.

In our opinion, the position of Shareholders if the Proposed Transaction is approved is more advantageous than the position if the Proposed Transaction is not approved. Accordingly, in the absence of any other relevant information and/or a superior Proposed Transaction we believe that the Proposed Transaction is reasonable for Shareholders.

The respective advantages and disadvantages considered are summarised below:

ADVANTAGES AND DISADVANTAGES			
Section	Advantages	Section	Disadvantages
13.4	The Proposed Transaction is fair	13.5	Dilution of existing Shareholders' interests
13.4	Acquisition of new prospecting licenses with potential upside	13.5	Potential for further dilution
13.4	Increased attractiveness of Select shares to new investors		
13.4	Potential capital raising		

Other key matters we have considered include:

Section	Description
13.1	Alternative proposals
13.2	The practical level of control
13.3	The consequences of not approving the Proposed Transaction

### 3. Scope of the Report

#### 3.1 Purpose of the Report

ASX Listing Rule 10.1 requires that a listed entity must obtain shareholders' approval before it acquires a substantial asset from a related party.

An asset is considered to be substantial if its value, or the value of the consideration to be paid for it, is 5% or more of the equity interests of the listed entity as at the date of the latest audited accounts. A related party as per the ASX Listing Rules is defined by reference to the Corporations Act 2001 which includes the Directors of the listed entity being considered as related parties. 20%. The current directors of Select own 76% of Indigo and therefore Indigo is deemed to be a related party of Select.

The directors of Select, Mr Ian Macliver, Ms Cherie Leeden, Mr Mark Titchener and Mr Gary Seabrooke currently own seventy six percent (76%) of Indigo. In summary the shareholder structure of Indigo is as follows:

Indigo Metals Limited	Shares	% shareholding
Shares owned by Select directors	380,000	76%
Shares owned by unrelated parties	120,000	24%
	500,000	100%

ASX Listing Rule 10.1 requires the Notice of Meeting for shareholders' approval to be accompanied by a report by an independent expert expressing an opinion as to whether the transaction is fair and reasonable to the shareholders whose votes are not to be disregarded in respect of the transaction.

Accordingly, an independent expert's report is required for the Proposed Transaction. The report should provide an opinion by the expert stating whether or not the terms and conditions in relation thereto are fair and reasonable to non-associated shareholders of Select.

Section 606 of the Corporations Act 2001 ("the Act") expressly prohibits the acquisition of shares by a party if that acquisition will result in that person (or someone else) holding an interest in 20% or more of the issued shares of a public company, unless a full takeover offer is made to all shareholders.

If the Proposed Transaction is approved, Indigo could hold up to approximately 81% of the shares in Select.

Section 611 permits such an acquisition if the shareholders of that entity have agreed to the issue of such shares. This agreement must be by resolution passed at a general meeting at which no votes are cast in favour of the resolution by any party who is associated with the party acquiring the shares, or by the party acquiring the shares. Section 611 states that shareholders of the company must be given all information that is material to the decision on how to vote at the meeting.

ASIC Regulatory Guide 74 ("RG 74") deals with "Acquisitions Agreed to by Shareholders". It states that the obligation to supply shareholders with all information that is material can be satisfied by the non-associated directors by either:

- undertaking a detailed examination of the Proposed Transaction themselves, if they consider that they have sufficient expertise; or
- by commissioning an Independent Expert Report.

The directors of Select have commissioned this Independent Expert Report to satisfy this obligation.

### 3.2 Regulatory guidance

The Act does not define the meaning of ‘fair and reasonable’. In determining whether the Proposed Transaction 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.

RG 111.8 defines a control transaction as “when a person acquires or increases a controlling stake in a company”.

In our opinion, the Proposed Transaction is a control transaction and we have therefore assessed the Proposed Transaction to consider whether in our opinion it is fair and reasonable to Shareholders.

RG 111 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 used to affect it, and it should be analysed on a basis consistent with a takeover bid.

In determining whether the advantages of the Proposed Transaction outweigh the disadvantages, we have had regard to the views expressed by ASIC in RG 111 which suggests that an opinion, as to whether the advantages of a transaction outweigh the disadvantages, should focus on the substance of the transaction (the purpose and outcome of the transaction) rather than the legal mechanism used to effect it.

RG 111 sets out that the expert should inquire whether further transactions are planned between the entity, the vendor or their associates and if any are contemplated determine if these are at arm’s length. RG 111 also suggests that an expert should consider whether the transaction will deter the making of a takeover bid.

### 3.3 Adopted basis of evaluation

RG 111 states that a transaction is fair if the value of the consideration is greater than the value of the securities which are the subject of the transaction. 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 which are the 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 Select share prior to the Proposed Transaction and the value of a Select share following the Proposed Transaction (fairness - see Section 12 “Is the Proposed Transaction Fair?”); and
- An investigation into other significant factors to which Shareholders might give consideration, prior to approving the Proposed Transaction, after reference to the value derived above (reasonableness - see Section 13 “Is the Proposed Transaction Reasonable?”).

This assignment is a Valuation Engagement as defined by APES 225 Valuation Services. A Valuation Engagement means an engagement or assignment to perform a valuation and provide a valuation report where we determine an estimate of value of the Company by performing appropriate valuation procedures and where we apply the valuation approaches and methods that we consider to be appropriate in the circumstance.

## 4. Outline of the Proposed Transaction

On 19 December 2011, Select announced that it had entered into a Heads of Agreement with Indigo to acquire 100% of the issued capital of Indigo's two wholly owned Mauritian entities - Panama and Shira.

The consideration for the acquisition of the Panama shares and the Shira shares will be:

- Cash payment of \$600,000 ("**Cash Consideration**"). Indigo may elect to be paid the Cash Consideration, wholly or partly, in cash or in shares. If Indigo elects to be paid all or some of the Cash Consideration in shares then the shares will be issued at \$0.40 per share on a post consolidation basis 100:1. If the whole of the Cash Consideration is paid in shares then Indigo will be issued an additional 1,500,000 Consideration shares (on a post consolidation basis);
- 14,750,000 ordinary shares in Select on a post consolidation basis of 100:1 ("**Consideration Shares**"); and
- 50,000,000 Performance shares in Select on a post consolidation basis of 100:1 ("**Performance Shares**").

The Performance Shares convert to ordinary shares in Select upon the independent delineation of a JORC Inferred Resource, across the coal and uranium projects located in Tanzania ("**Projects**") owned by Panama and Shira through their subsidiaries WTF Resources Ltd ("**WTF**") and IBIS Resources Ltd ("**IBIS**") (together the "**Tanzanian Subsidiaries**"), within five years of the date of the Final Agreement for the Proposed Transaction. There are two tranches of Performance Shares:

- 25,000,000 Class A Performance Shares (on a post consolidation basis), 2,500,000 of which convert on the achievement of at least 100 million tonnes of a JORC Inferred coal Resource being defined on the Tenements. Thereafter, for any subsequent resource of 1,000 tonnes of coal in all JORC categories being defined on the Tenements, 25 Class A Performance Shares will convert into Select shares on a one for one basis up to a maximum of 1 billion tonnes of coal; and
- 25,000,000 Class B Performance Shares (on a post consolidation basis), 2,500,000 of which convert on the achievement of at least 5 million pounds of a JORC Inferred uranium Resource being defined on the Tenements. Thereafter, for any subsequent resource of ten pounds of uranium in all JORC categories being defined on the Tenements, 5 Class B Performance Shares will convert into Select shares on a one for one basis up to a maximum of 50 million pounds of uranium.

The coal and uranium milestones must be achieved on or before 5pm on the date which is 5 years after the date of the Agreement. (ie 19 March 2017)





The capital structure of the Company following implementation of the Proposed Transaction is shown below.

	Existing shareholders		Indigo		Total	
	# shares	%	# shares	%	# shares	%
Current shares	11,321,091	100%	-	0%	11,321,091	100%
Exercise of options	4,175,030		-		4,175,030	
<b>Total after exercise of options</b>	<b>15,496,121</b>	<b>100%</b>	<b>-</b>	<b>0%</b>	<b>15,496,121</b>	<b>100%</b>
Consideration Shares	-		14,750,000		14,750,000	
Cash Consideration - paid in shares	-		1,500,000		1,500,000	
<b>Total after consideration shares</b>	<b>15,496,121</b>	<b>49%</b>	<b>16,250,000</b>	<b>51%</b>	<b>31,746,121</b>	<b>100%</b>
Performance shares - maximum	-		50,000,000		50,000,000	
<b>Total after performance shares</b>	<b>15,496,121</b>	<b>19%</b>	<b>66,250,000</b>	<b>81%</b>	<b>81,746,121</b>	<b>100%</b>

The capital structure of the Company following implementation of the Proposed Transaction assuming the minimum capital raising of \$3.5 million is shown below.

	Existing shareholders		Indigo		Total	
	# shares	%	# shares	%	# shares	%
Current shares	11,321,091	100%	-	0%	11,321,091	100%
Capital raising	11,666,667		-		11,666,667	
<b>Total after capital raising</b>	<b>22,987,758</b>	<b>100%</b>	<b>-</b>	<b>0%</b>	<b>22,987,758</b>	<b>100%</b>
Exercise of options	4,175,030		-		4,175,030	
<b>Total after exercise of options</b>	<b>27,162,788</b>	<b>100%</b>	<b>-</b>	<b>0%</b>	<b>27,162,788</b>	<b>100%</b>
Consideration Shares	-		14,750,000		14,750,000	
Cash Consideration - paid in shares	-		1,500,000		1,500,000	
<b>Total after consideration shares</b>	<b>27,162,788</b>	<b>63%</b>	<b>16,250,000</b>	<b>37%</b>	<b>43,412,788</b>	<b>100%</b>
Performance shares - maximum	-		50,000,000		50,000,000	
<b>Total after performance shares</b>	<b>27,162,788</b>	<b>29%</b>	<b>66,250,000</b>	<b>71%</b>	<b>93,412,788</b>	<b>100%</b>

If shareholders were to exercise their Underwriter, Loyalty and Secondary options, the capital structure could be as follows:

	Existing shareholders		Indigo		Total	
	# shares	%	# shares	%	# shares	%
<b>Total after performance shares</b>	<b>27,162,788</b>	<b>29%</b>	<b>66,250,000</b>	<b>71%</b>	<b>93,412,788</b>	<b>100%</b>
Underwriter options	5,833,333		-	-	5,833,333	
Loyalty options	13,581,394		8,125,000	-	21,706,394	
Secondary options	19,414,727		8,125,000	-	27,539,727	
	<b>65,992,242</b>	<b>44%</b>	<b>82,500,000</b>	<b>56%</b>	<b>148,492,242</b>	<b>100%</b>

If Indigo were to exercise its Loyalty and Secondary options and the remaining shareholders do not exercise any of their options, the capital structure could be as follows:

	Existing shareholders		Indigo		Total	
	# shares	%	# shares	%	# shares	%
<b>Total after performance shares</b>	<b>27,162,788</b>	<b>29%</b>	<b>66,250,000</b>	<b>71%</b>	<b>93,412,788</b>	<b>100%</b>
Loyalty options	-		8,125,000			
Secondary options	-		8,125,000			
<b>Total</b>	<b>27,162,788</b>	<b>25%</b>	<b>82,500,000</b>	<b>75%</b>	<b>109,662,788</b>	<b>100%</b>

At the general meeting, the Company will seek approval to consolidate the shares on the basis of 100:1. The tables above are shown on a consolidated basis.

The tables above assume that all of the options currently on issue (exercisable at \$0.002 pre-consolidation) will convert to shares. As at the date of this report, all of the options are in the money.

On 19 March 2012, Select announced it had executed a formal share sale agreement (“the Agreement”) with Indigo to acquire 100% of the issued capital of Panama and Shira for the consideration detailed above.

Under the Agreement, Select through the acquisition of the subsidiaries will acquire 100% ownership in 40 exploration licenses in Tanzania. This has increased from the 32 licenses as announced on 19 December 2011. No additional consideration is payable for the 8 extra licenses.

### Capital raising

At the General Meeting, the Company will seek approval to raise \$3.5 million by issuing 11,666,667 shares at 30 cents per share, accepting over subscriptions of \$500,000 for a maximum raising of \$4 million (13,333,333 shares). Expenses are estimated to be \$535,000.

The capital raising will include a priority offer to existing shareholders of Select.

The Company is seeking to have the capital raising underwritten, however no firm commitments in respect to underwriting have been made. In order to induce sub-underwriting commitments, the Company may offer sub-underwriters of the capital raising options on the basis of one Underwriter Option for every two shares sub-underwritten, with an additional Secondary Option (see terms below) being granted for every Underwriter Option exercised. The Underwriter Options will be exercisable at \$0.40 on or before 30 June 2013 and will be listed on the ASX.

Approximately 2 months after the completion of the capital raising, the Company intends to offer all Shareholders one free Loyalty Option for every two shares held on the record date. On exercise of each Loyalty Option, the holder will be granted a further Secondary Option (see terms below). The Loyalty Options will be exercisable at \$0.40 on or before 30 June 2013 and are to be listed on the ASX.

The Secondary Options, to be issued to all Underwriter and Loyalty option holders who exercise their options prior to the expiry date, will be issued on the following terms:

- Expiry 30 June 2015
- Exercise price \$0.45
- Exercise terms: into 1 share

The capital raising is contingent on the Proposed Transaction proceeding and the Company's successful re-compliance with Chapters 1 and 2 of the ASX Listing Rules.

The table below shows the current options on issue and the maximum number of options that could potentially be issued as part of the capital raising.

	Number of Options	Grant date	Expiry Date	Exercise Price (\$)	Cash raised if exercised
	2,936,530	26-Oct-10	31-Jul-13	0.200	\$587,306
	301,000	9-Nov-10	31-Jul-13	0.200	\$60,200
	937,500	22-Dec-10	31-Jul-13	0.200	\$187,500
<b>Total current options on issue</b>	<b>4,175,030</b>				<b>\$ 835,006</b>
Underwriter options	5,833,333		30-Jun-13	0.400	\$2,333,333
Loyalty options	21,706,394		30-Jun-13	0.400	\$8,682,558
Secondary options	27,539,727		30-Jun-15	0.450	\$12,392,877
<b>Total options issued from capital raising</b>	<b>55,079,454</b>				<b>\$ 23,408,768</b>
<b>Maximum options on issue following the capital raising</b>	<b>59,254,484</b>				<b>\$ 24,243,774</b>

The current options on issue have been shown on a consolidated (100:1) basis.

The grant date for the Underwriter, Loyalty and Secondary options are yet to be determined.

The number of Loyalty options issued assumes that the current 4,175,030 options on issue are exercised and that the Cash Consideration is settled by the issue of 1,500,000 shares.

## 5. Profile of Select Vaccines Limited

### 5.1 History

Select Vaccines Ltd was admitted to the Official List of the Australian Securities Exchange (“ASX”) on 26 May 1994. Since its official listing on the ASX, Select has had few substantial operations and has largely existed with the objective of identifying and acquiring suitable acquisitions in order to develop its business strategy. In September 2010, Select sold its vaccine technology. In its 2011 Annual Report, the Directors of the Company in a letter to its shareholders signalled its intention to change the name of the Company in accordance with its newly established direction. The name ‘Select Exploration Limited’ reflects the Company’s proposed transition into coal and uranium exploration.

### 5.2 Historical Balance Sheet

Select - Statement of Financial Position	Audited as at 31-Dec-11 \$	Audited as at 31-Dec-10 \$
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	775,667	1,426,759
Trade and other receivables	64,459	98,139
<b>TOTAL CURRENT ASSETS</b>	<b>840,126</b>	<b>1,524,898</b>
<b>TOTAL ASSETS</b>	<b>840,126</b>	<b>1,524,898</b>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	27,538	15,117
<b>TOTAL CURRENT LIABILITIES</b>	<b>27,538</b>	<b>15,117</b>
<b>TOTAL LIABILITIES</b>	<b>27,538</b>	<b>15,117</b>
<b>NET ASSETS</b>	<b>812,588</b>	<b>1,509,781</b>
<b>EQUITY</b>		
Contributed equity	37,883,545	37,906,345
Accumulated losses	(37,070,957)	(36,396,564)
<b>TOTAL EQUITY</b>	<b>812,588</b>	<b>1,509,781</b>

Source: Select 2011 Audited Financial Statements

- Cash and cash equivalents decreased by \$651,092 from FY2010 to FY2011. The majority of the cash was used for corporate and compliance costs during the year.

### 5.3 Historical Income Statements

Select - Statement of Comprehensive Income	Audited Year to 31-Dec-11 \$	Audited Year to 31-Dec-10 \$
Revenue from research & development activities	43,607	57,460
Other income	-	16,150
Interest	-	9,402
<b>Total Income</b>	<b>43,607</b>	<b>83,012</b>
Audit fees	(37,990)	(30,000)
Corporate & compliance costs	(497,313)	(300,838)
Research & development	(12,788)	(66,276)
Directors' Fees	(156,663)	(89,687)
General & administration	(13,246)	(10,157)
<b>(Loss) before income tax</b>	<b>(674,393)</b>	<b>(413,946)</b>
Income tax benefit/(expense)		-
<b>(Loss) after income tax</b>	<b>(674,393)</b>	<b>(413,946)</b>

Source: 2011 Audited Financial Statements

- During the year Select's focus was to assess and review identified projects that the Board thought would be suitable for Select's new strategic direction.

### 5.4 Capital Structure

The share structure of Select as at 5 April 2012 is outlined below:

	Number
Total ordinary shares on issue	1,132,109,065
Top 40 shareholders	570,063,878
<b>Top 40 shareholders - % of shares on issue</b>	<b>50.35%</b>

Source: Security Transfer Registrars Pty Ltd

The range of shares held in Select as at 5 April 2012 is as follows:

Range of Shares Held	Number of Shareholders	Number of Shares	Percentage of Issued Shares
1 - 1,000	530	106,988	0.01%
1,001 - 5,000	199	499,569	0.04%
5,001 - 10,000	102	855,288	0.08%
10,001 - 100,000	363	17,002,556	1.50%
100,001 - and over	661	1,113,644,664	98.37%
<b>TOTAL</b>	<b>1,855</b>	<b>1,132,109,065</b>	<b>100.00%</b>

Source: Security Transfer Registrars Pty Ltd

The ordinary shares held by the most significant shareholders as at 5 April 2012 are detailed below:

Name	Number of Shares Held	Percentage of Issued Shares
Cypress Securities Pty Ltd	96,750,461	8.55%
Jasper Hill Resources Pty Ltd	56,500,000	4.99%
Cornela Pty Ltd	55,500,461	4.90%
Kingslane Pty Ltd	55,500,461	4.90%
Subtotal	264,251,383	23.34%
Others	867,857,682	76.66%
<b>Total ordinary shares on Issue</b>	<b>1,132,109,065</b>	<b>100.00%</b>

Source: Security Transfer Registrars Pty Ltd

The option structure of Select as at 5 April 2012 is outlined below:

	Number
Total options on issue	417,503,015
Top 40 optionholders	315,031,440
<b>Top 40 optionholders - % of options on issue</b>	<b>75.46%</b>

Source: Security Transfer Registrars Pty Ltd

The range of options held in Select as at 5 April 2012 is as follows:

Range of Options Held	Number of Optionholders	Number of Options	Percentage of Issued Options
1 - 1,000	28	7,158	0.002%
1,001 - 5,000	23	74,849	0.02%
5,001 - 10,000	12	89,178	0.02%
10,001 - 100,000	70	3,413,323	0.82%
100,001 - and over	190	413,918,507	99.14%
<b>TOTAL</b>	<b>323</b>	<b>417,503,015</b>	<b>100.00%</b>

Source: Security Transfer Registrars Pty Ltd

The options held by the most significant optionholders as at 5 April 2012 are detailed below:

Name	Number of Options Held	Percentage of Issued Options
Kingslane Pty Ltd	36,786,706	8.81%
Cornela Pty Ltd	26,083,564	6.25%
Cheetah Holdings Pty Ltd	24,208,564	5.80%
Cypress Securities Pty Ltd	22,500,000	5.39%
Subtotal	109,578,834	26.25%
Others	307,924,181	73.75%
<b>Total options on Issue</b>	<b>417,503,015</b>	<b>100.00%</b>

Source: Security Transfer Registrars Pty Ltd

The following Select options are on issue as at 5 April 2012:

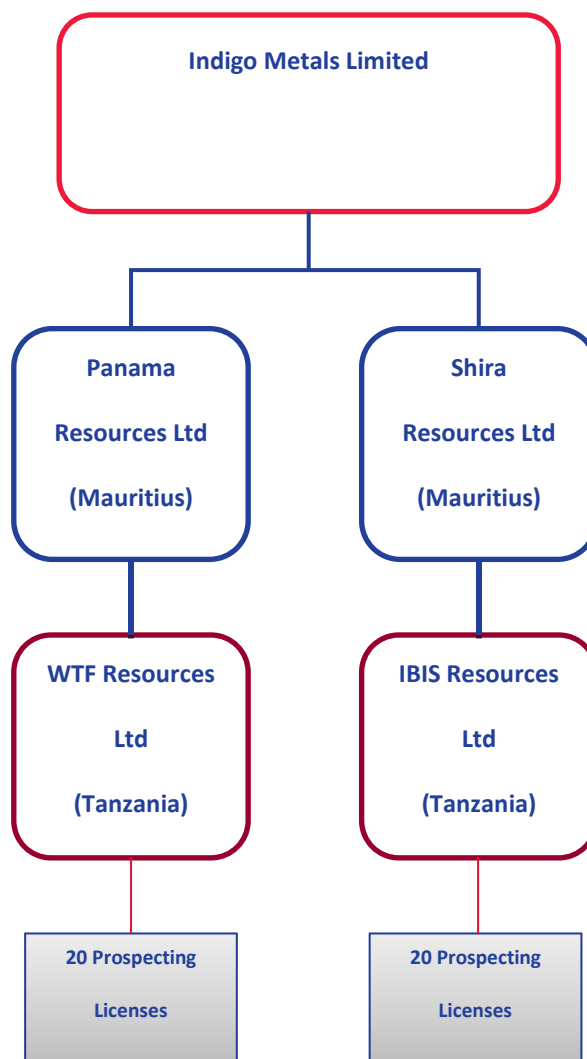
Number of Options	Grant date	Expiry Date	Exercise Price (\$)	Cash raised if exercised
293,653,015	26-Oct-10	31-Jul-13	0.002	\$587,306
30,100,000	9-Nov-10	31-Jul-13	0.002	\$60,200
93,750,000	22-Dec-10	31-Jul-13	0.002	\$187,500
<b>417,503,015</b>			<b>\$</b>	<b>835,006</b>

Source: Security Transfer Registrars Pty Ltd

## 6. Profile of Panama Resources Limited and Shira Resources Limited

### 6.1 History

Panama Resources Limited and Shira Resources Limited are 100 per cent owned subsidiaries of Indigo Metals Limited. Together, Panama and Shira have access to up to 40 prospecting licenses throughout Tanzania. This is achieved through their 100 per cent owned subsidiaries IBIS Resources Limited and WTF Resources Limited. Panama and Shira have a particular focus in coal and uranium projects. Together, Panama and Shira have interests in four projects. These projects are: the Mhukuru Coal Project, Rukwa Basin Coal Project, Ruhuhu Coal Project and the Selous Coal Project.





### Mhukuru Coal Project

The Mhukuru Coal Project spans across an area of 224 square kilometres and is situated north of the Mozambique border. The geological composition of the project area has historically been evidenced with several discoveries of small coal deposits.

### Rukwa Basin Coal Project

The Rukwa Basin Coal Project is located in the south-west of Tanzania and covers over 1,000 square kilometres in area. The geographical region of the project is described as being relatively unexplored, however the exploration efforts to date have yielded positive results. Several small coalfields have been identified including the Namwele-Mkomolo, Muze and Galula Coalfields.

### Ruhuhu Coal Project

The Ruhuhu Coal Project is situated in the far north of Ngaka Coalfield region. Various companies have made successful exploration efforts in areas adjacent to the Ruhuhu basin. This includes exploration conducted by Integra Energy Corporation which indicated a coal resource potential of up to 251 million tonnes. It should also be noted that the national government intends to make investments into areas adjoining the Ruhuhu basin, which will ultimately improve the overall development of the mining area and help develop a market for exports.

### Selous Coal Project

This Selous Coal Project covers over 2500 square kilometres in area. There has been limited exploration of the area but it has been identified as having the potential for both coal and uranium deposits.

Further information on the projects may be found in Appendix 5.

## 6.2 Panama - Historical Balance Sheet

Panama Resources Limited - Statement of Financial Position	Unaudited as at 31-Dec-11 \$AUD
<b>CURRENT ASSETS</b>	
Loan to shareholder	10,176
Prepayment	66
<b>TOTAL CURRENT ASSETS</b>	<b>10,242</b>
<b>NON CURRENT ASSETS</b>	
Investment	6,613,768
<b>TOTAL NON CURRENT ASSETS</b>	<b>6,613,768</b>
<b>TOTAL ASSETS</b>	<b>6,624,010</b>
<b>CURRENT LIABILITIES</b>	
Loan from Indigo Metals	(4,801)
<b>TOTAL CURRENT LIABILITIES</b>	<b>(4,801)</b>
<b>NON CURRENT LIABILITIES</b>	
Due to WTF Resources Limited	(6,611,122)
<b>TOTAL NON CURRENT LIABILITIES</b>	<b>(6,611,122)</b>
<b>TOTAL LIABILITES</b>	<b>(6,615,923)</b>
<b>NET ASSETS</b>	<b>8,087</b>
<b>EQUITY</b>	
Issued capital	10,176
Retained losses	(2,089)
<b>TOTAL EQUITY</b>	<b>8,087</b>

Source: Panama management accounts from 5 April 2011 (incorporation) - 31 December 2011

Note: The balance sheet has been converted from USD to AUD using the exchange rate of 0.983 USD to 1 AUD as at 31 December 2011. Source: [www.oanda.com](http://www.oanda.com)

### 6.3 Panama - Historical Income Statements

Panama - Statement of Comprehensive Income		5-Apr-11 to 31-Dec-11 \$AUD
<b>Income</b>		
Other income		2,684
<b>Total Income</b>		<b>2,684</b>
<b>Expenses</b>		
Annual compliance fee		232
Domiciliation and corporate Sec		1,007
Opening of bank account		1,032
Administration costs		310
Company seal		22
Disbursements		258
Incorporation fee		501
Post incorporation structuring		206
FSC Licence fee		470
ROC Licence fee		67
Management fees		699
<b>Total Expense</b>		<b>4,803</b>
<b>(Loss) before income tax</b>		<b>(2,119)</b>
Income tax benefit/(expense)		-
<b>(Loss) after income tax</b>		<b>(2,119)</b>

Source: Panama management accounts from 5 April 2011 (incorporation) - 31 December 2011

Note: The income statement has been converted from USD to AUD using the exchange rate of 0.967 USD to 1 AUD, being the average for the 12 months to 31 December 2011. Source: [www.oanda.com](http://www.oanda.com)

We have not undertaken a review of Panama's unaudited accounts in accordance with the Australian Auditing and Assurance Standard 2405 "Review of Historical Financial Information" and do not express an opinion on this financial information. However, nothing has come to our attention as a result of our procedures that would suggest the financial information within the management accounts has not been prepared on a reasonable basis.

## 6.4 Shira - Historical Balance Sheet

Shira Resources Limited - Statement of Financial Position	Unaudited as at 31-Dec-11 \$AUD
<b>CURRENT ASSETS</b>	
Loan to shareholder	10,176
Prepayment	66
<b>TOTAL CURRENT ASSETS</b>	<b>10,242</b>
<b>NON CURRENT ASSETS</b>	
Investment	6,613,768
<b>TOTAL NON CURRENT ASSETS</b>	<b>6,613,768</b>
<b>TOTAL ASSETS</b>	<b>6,624,010</b>
<b>CURRENT LIABILITIES</b>	
Loan from Indigo Metals	(4,801)
<b>TOTAL CURRENT LIABILITIES</b>	<b>(4,801)</b>
<b>NON CURRENT LIABILITIES</b>	
Due to Ibis Resources Limited	(6,611,122)
<b>TOTAL NON CURRENT LIABILITIES</b>	<b>(6,611,122)</b>
<b>TOTAL LIABILITES</b>	<b>(6,615,923)</b>
<b>NET ASSETS</b>	<b>8,087</b>
<b>EQUITY</b>	
Issued capital	10,176
Retained losses	(2,089)
<b>TOTAL EQUITY</b>	<b>8,087</b>

Source: Shira management accounts from 5 April 2011 (incorporation) - 31 December 2011

Note: The balance sheet has been converted from USD to AUD using the exchange rate of 0.983 USD to 1 AUD as at 31 December 2011. Source: [www.oanda.com](http://www.oanda.com)

## 6.5 Shira - Historical Income Statements

Shira - Statement of Comprehensive Income		5-Apr-11 to 31-Dec-11
		\$AUD
<b>Income</b>		
Other income		2,684
<b>Total Income</b>		<b>2,684</b>
<b>Expenses</b>		
Annual compliance fee		232
Domiciliation and corporate Sec		1,007
Opening of bank account		1,032
Administration costs		310
Company seal		22
Disbursements		258
Incorporation fee		501
Post incorporation structuring		206
FSC Licence fee		470
ROC Licence fee		67
Management fees		699
<b>Total Expense</b>		<b>4,803</b>
<b>(Loss) before income tax</b>		<b>(2,119)</b>
Income tax benefit/(expense)		-
<b>(Loss) after income tax</b>		<b>(2,119)</b>

Source: Shira management accounts from 5 April 2011 (incorporation) - 31 December 2011

Note: The income statement has been converted from USD to AUD using the exchange rate of 0.967 USD to 1 AUD, being the average for the 12 months to 31 December 2011. Source: [www.oanda.com](http://www.oanda.com)

We have not undertaken a review of Shira's unaudited accounts in accordance with the Australian Auditing and Assurance Standard 2405 "Review of Historical Financial Information" and do not express an opinion on this financial information. However, nothing has come to our attention as a result of our procedures that would suggest the financial information within the management accounts has not been prepared on a reasonable basis.

## 6.6 WTF - Historical Balance Sheet

WTF Resources Limited - Statement of Financial Position	Unaudited as at 31-Dec-11 \$AUD
<b>CURRENT ASSETS</b>	
Receivable from shareholders	6,495,396
<b>TOTAL CURRENT ASSETS</b>	<b>6,495,396</b>
<b>NON CURRENT ASSETS</b>	
Tenements	96,372
<b>TOTAL NON CURRENT ASSETS</b>	<b>96,372</b>
<b>TOTAL ASSETS</b>	<b>6,591,769</b>
<b>CURRENT LIABILITIES</b>	
Loan from related party	(326,205)
<b>TOTAL CURRENT LIABILITIES</b>	<b>(326,205)</b>
<b>TOTAL LIABILITES</b>	<b>(326,205)</b>
<b>NET ASSETS</b>	<b>6,265,563</b>
<b>EQUITY</b>	
Share capital	6,797,640
Translation reserve	(302,243)
Accumulated losses	(229,834)
<b>TOTAL EQUITY</b>	<b>6,265,563</b>

Source: WTF management accounts for the 9 month period ended 31 December 2011

Note: The balance sheet has been converted from USD to AUD using the exchange rate of 0.983 USD to 1 AUD as at 31 December 2011. Source: [www.oanda.com](http://www.oanda.com)

## 6.7 WTF - Historical Income Statements

WTF - Statement of Comprehensive Income	9 months to 31-Dec-11 \$AUD
<b>Income</b>	-
<b>Expenses</b>	
Administration expenses	(142,038)
Amortization of tenements	(8,888)
Establishment expenses	(82,230)
<b>Total Expense</b>	<u>(233,156)</u>
<b>(Loss) before income tax</b>	<u>(233,156)</u>
Income tax benefit/(expense)	
<b>(Loss) after income tax</b>	<u><u>(233,156)</u></u>
<b>Other comprehensive income</b>	
Revaluation adjustment of receivable from shareholders	(306,611)
<b>Other comprehensive income for the year, net of taxes</b>	<u>(306,611)</u>
<b>Total comprehensive income for the year</b>	<u><u>(539,767)</u></u>

Source: WTF management accounts for the 9 month period ended 31 December 2011

Note: The income statement has been converted from USD to AUD using the exchange rate of 0.967 USD to 1 AUD, being the average for the 12 months to 31 December 2011. Source: [www.oanda.com](http://www.oanda.com)

We have not undertaken a review of WTF's unaudited accounts in accordance with the Australian Auditing and Assurance Standard 2405 "Review of Historical Financial Information" and do not express an opinion on this financial information. However, nothing has come to our attention as a result of our procedures that would suggest the financial information within the management accounts has not been prepared on a reasonable basis.

## 6.8 IBIS - Historical Balance Sheet

IBIS Resources Limited - Statement of Financial Position	Unaudited as at 31-Dec-11 \$AUD
<b>CURRENT ASSETS</b>	
Receivable from shareholders	6,495,396
<b>TOTAL CURRENT ASSETS</b>	<b>6,495,396</b>
<b>NON CURRENT ASSETS</b>	
Tenements	96,372
<b>TOTAL NON CURRENT ASSETS</b>	<b>96,372</b>
<b>TOTAL ASSETS</b>	<b>6,591,769</b>
<b>CURRENT LIABILITIES</b>	
Loan from related party	(326,205)
<b>TOTAL CURRENT LIABILITIES</b>	<b>(326,205)</b>
<b>TOTAL LIABILITES</b>	<b>(326,205)</b>
<b>NET ASSETS</b>	<b>6,265,563</b>
<b>EQUITY</b>	
Share capital	6,797,640
Translation reserve	(302,243)
Accumulated lossess	(229,834)
<b>TOTAL EQUITY</b>	<b>6,265,563</b>

Source: IBIS management accounts for the 9 month period ended 31 December 2011

Note: The balance sheet has been converted from USD to AUD using the exchange rate of 0.983 USD to 1 AUD as at 31 December 2011. Source: [www.oanda.com](http://www.oanda.com)



## 6.9 IBIS - Historical Income Statements

IBIS - Statement of Comprehensive Income	9 months to 31-Dec-11 \$AUD
<b>Income</b>	-
<b>Expenses</b>	
Administration expenses	(142,038)
Amortization of tenements	(8,888)
Establishment expenses	(82,230)
<b>Total Expense</b>	<u>(233,156)</u>
<b>(Loss) before income tax</b>	<u>(233,156)</u>
Income tax benefit/(expense)	
<b>(Loss) after income tax</b>	<u><u>(233,156)</u></u>
<b>Other comprehensive income</b>	
Revaluation adjustment of receivable from shareholders	(306,611)
<b>Other comprehensive income for the year, net of taxes</b>	<u>(306,611)</u>
<b>Total comprehensive income for the year</b>	<u><u>(539,767)</u></u>

Source: IBIS management accounts for the 9 month period ended 31 December 2011

Note: The income statement has been converted from USD to AUD using the exchange rate of 0.967 USD to 1 AUD, being the average for the 12 months to 31 December 2011. Source: [www.oanda.com](http://www.oanda.com)

We have not undertaken a review of IBIS's unaudited accounts in accordance with the Australian Auditing and Assurance Standard 2405 "Review of Historical Financial Information" and do not express an opinion on this financial information. However, nothing has come to our attention as a result of our procedures that would suggest the financial information within the management accounts has not been prepared on a reasonable basis.

## 7. Economic analysis

Growth in the world economy picked up in the early months of 2012, having slowed in the second half of 2011. But more recent indicators suggest further weakening in Europe and some further moderation in growth in China. Conditions in other parts of Asia have largely recovered from the effects of last year's natural disasters, but the ongoing trend is unclear and could be dampened by slower Chinese growth. The United States continues to grow at a moderate pace. Commodity prices have declined lately, though they are mostly still high. Australia's terms of trade similarly peaked about six months ago, though they remain historically high.

Financial market sentiment has deteriorated over the past month. The Reserve Bank of Australia Board has noted previously that Europe would remain a potential source of adverse shocks. Europe's economic and financial prospects have again been clouded by weakening growth, heightened political uncertainty and concerns about fiscal sustainability and the strength of some banks. Capital markets remain open to corporations and well-rated banks, but spreads have increased. Long-term interest rates faced by highly rated sovereigns, including Australia, have fallen to exceptionally low levels. Share markets have declined.

In Australia, available indicators suggest modest growth continued in the first part of 2012, with significant variation across sectors. Overall labour market conditions firmed a little, notwithstanding job shedding in some industries, and the rate of unemployment remains low. Nonetheless, both households and businesses continue to exhibit a degree of precautionary behaviour, which may continue in the near term.

There have been no new data for inflation since the previous meeting. Over the coming one to two years, and abstracting from the effects of the carbon price, inflation is expected to be in the 2-3 per cent range. In the near term, it is likely to be in the lower part of that range, though maintaining low inflation over the longer term will require growth in domestic costs to slow as the effects of the earlier high exchange rate wane.

As a result of earlier changes to monetary policy, interest rates for borrowers have declined to be a little below their medium-term averages. Business credit has increased more strongly in recent months, though credit growth remains modest overall. Housing prices had shown some signs of stabilising around the turn of the year, but have recently declined again. Generally, the housing market remains subdued. The exchange rate has declined over recent weeks, reflecting lower commodity prices, heightened risk aversion and expectations of lower interest rates.

Source: [www.rba.gov.au](http://www.rba.gov.au) Statement by Glenn Stevens, Governor: Monetary Policy Decision 6 June 2012

## 8. Industry analysis

### 8.1 Coal

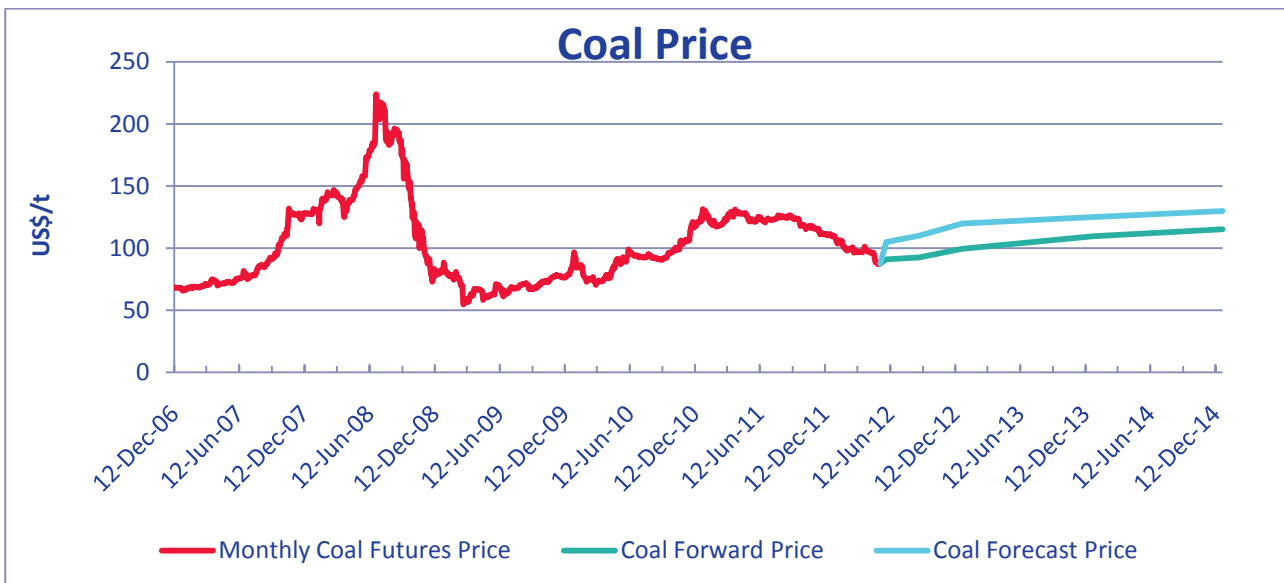
Coal deposits are found below the earth’s surface with the quality of a coal deposit determined by the length of time in formation, commonly known as its ‘organic maturity’, temperature and pressure. The rank of coal refers to the physical and chemical properties that coals of different maturities possess. 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.

#### 8.1.1 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. As a result coal is a highly marketable commodity, and with world consumption estimated to increase 60% by 2030, the long term price outlook is strong.

During 2007-2008, elevated demand for coal as the cheapest source of power caused prices to increase by around 200%. This diverged from historical trends where coal has generally traded at a lower, more stable price than more volatile commodities such as oil and gas. Speculation about sustainability of prices in light of the economic slowdown and a slackening steel market caused the correction from the highs experienced, however in comparison to an average between US\$20/tonne (“t”) to US\$40/t throughout the 1990’s, the current price is still well above historical levels.



Source: Bloomberg

Coal prices have retracted substantially since the commodity boom from 2005 to 2008. This spike was not only fuelled by the surge in demand from developing economies such as China but was also exacerbated by supply side factors. Disruptions to global supply occurred as a result of extremely heavy snowfall in China and long term power shortages in South Africa.

Prices are expected to remain fairly stable at current levels as is shown by the forecast in the chart above. This is primarily due to expectations of a recovery in the world economy over the coming years with the continued expansion of India and China in particular driving demand for both energy and iron and steel production.

### 8.1.2 Outlook

World coal consumption grew by 7.6% for 2010. This is the highest growth rate recorded since 2003 with total world consumption exceeding an oil equivalent amount of 3550 Million tonnes. Coal now accounts for 29.6% of global energy consumption, up from 25.6% 10 years ago (BP Statistical Review of World Energy June 2011).

As the major source of electricity generation (currently 41% of the world's electricity) and a vital input for the production of iron and steel, coal will continue to play a major role in the industry. Longer term, consumption of steam coal is projected to grow by 1.5 per cent per year until 2030 and demand for coking coal is expected to increase by 0.9 per cent per year over this period.

Growth is expected to be strongest in the steam and coking coal markets, stemming from electricity demand, car production, and demand for household appliances. Demand and supply are set to remain fairly tight into the future, substantiating a positive outlook for the industry

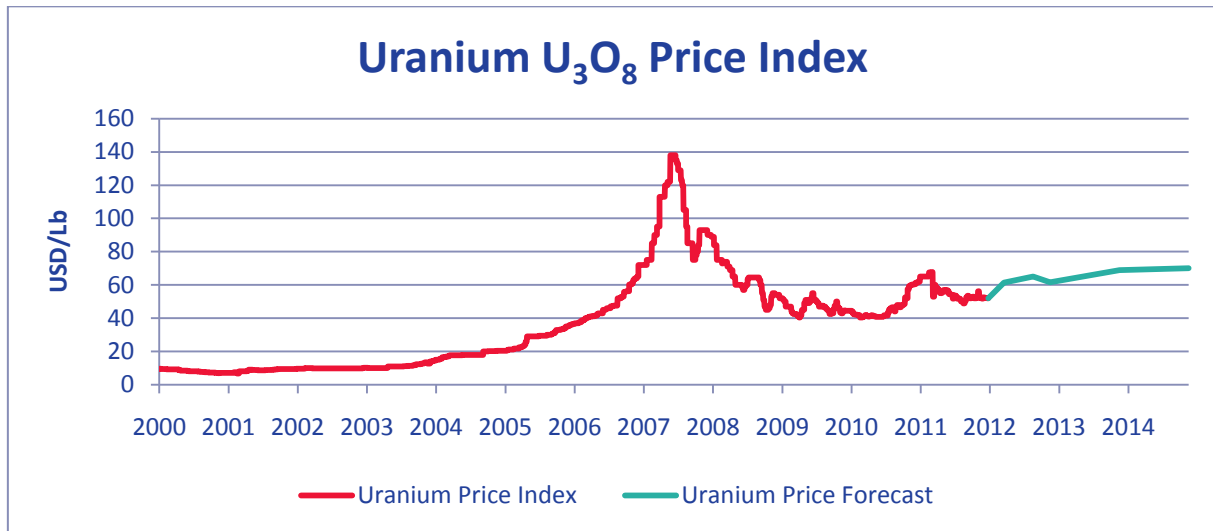
## 8.2 Uranium

Uranium is extracted as uranium ore. As uranium deposits are relatively scarce, mining is concentrated in a few countries worldwide. The most common method of extraction is open pit mining due to the volume intense nature of extraction. This is attributable to uranium ore mostly occurring at relatively low concentrations.

The state of the world's uranium market is almost wholly dependent on the global fortunes of the nuclear power generation industry. The Fukushima nuclear disaster cast an ominous shadow over the industry and rekindled divisive opinions over the use of uranium as an energy source. Australia's involvement in the uranium industry was further publicised in December 2011 the Australian Government voted to overturn its long-standing ban on exporting uranium to India (a country which has not signed the Nuclear Non-Proliferation Treaty).

### 8.2.1 Uranium Prices

The uranium spot price as at 30 March 2012 was US\$51.0/lb U<sub>3</sub>O<sub>8</sub>. The following table shows historical and forecast U<sub>3</sub>O<sub>8</sub> weekly spot prices since 2000:



Source: Bloomberg

Up until the Japanese nuclear power plant crisis, uranium prices were beginning to gain momentum after a steady decline from project delays caused by the global financial crisis and issues with over supply from production in Kazakhstan. The beginning of January 2011 had shown a significant spike in uranium prices as a result of expansion in Asia. Chinese demand is expected to keep uranium supply in a deficit and place upward pressure on prices in the short term. The long term price projections show a recovery to around US\$70.0/lb which is significantly lower than what would have been expected if the Japanese disaster had not occurred.

### 8.2.2 Outlook

Although the Japanese nuclear power plant crisis at Fukushima may have tarnished the general view of nuclear energy, the uranium industry as a whole has begun to show strong signs of recovery. Nuclear power offers a viable long term source of energy over fossil fuels which are becoming scarcer. Although Kazakhstan, Canada and Australia have historically been the key producers of uranium, Africa has shown enormous potential as being the next uranium superpower with many international uranium miners such as ARMZ, Uranium One and Paladin establishing operations there. Prices have also shown positive signs of growth as emerging economies look towards alternative energy sources.

### 8.3 African Mining Industry

Africa has considerable mineral deposits, including coal and uranium. The leading producers of uranium in Africa include Namibia and Niger while South Africa is the only significant coal producer to date. Both Namibia and Niger began commercial uranium mining in the 1970s and have strong government support for expanding uranium mining operations. Collectively the mines in these countries accounted for approximately 16% of global uranium production in 2010. African coal on the other hand contributed less than 4% of world production over the same period.

Many African countries are beginning to realise the diverse benefits from using nuclear energy creating internal future demand. South Africa has two nuclear reactors generating 5% of its electricity with plans of increasing this figure to 14% by 2030. Nigeria is the most populous country in Africa and has consistent power shortages. To remedy this, the Nigerian Nuclear Regulatory Authority has targeted to have a 1,000 Mega Watt (“MWe”) of nuclear capacity by 2019 and another 4,000 MWe by 2030.



Many foreign companies currently operate throughout Africa in an attempt to develop the already proven uranium and coal reserves. These companies include Areva (Niger), Rio Tinto (Namibia), Paladin Energy (Namibia and Malawi) and Forte Energy (Guinea and Mauritania). Although the political and economic risks of these countries are of concern for these businesses, the potential gains from the production of proven uranium reserves is extremely attractive.

## 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 our assessment of the value of Select shares we have chosen to employ the following methodologies:

- Quoted Market Price Basis (“QMP”)
- Net Asset Value (“NAV”)

We have chosen these methodologies for the following reasons:

- Select is listed on the ASX and this provides an indication of the market value where an observable market for the securities exists;
- The most significant assets in Panama and Shira are exploration assets and as such require a specialist valuation that may not be accurately provided by other methodologies.

We instructed Al Maynard & Associates (“Al Maynard”) to provide an independent specialist current market valuation of the mineral assets (32 licences) held by Panama and Shira required for our valuation of Select. We have also instructed Al Maynard to provide a conceptual range of values of coal and uranium mineralisation, equivalent to JORC inferred coal & uranium resource required for our valuation of the Performance shares if they were to convert into ordinary shares. Under the Agreement, Select will acquire ownership of 40 exploration licenses in Tanzania. We have been advised by Select that the additional 8 licences have an immaterial value.

Al Maynard applied the Empirical Method when valuing the Selous, Ruhuhu, Rukwa and Mhukuru projects;

- Select does not generate regular 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; and
- Select has no foreseeable future net cash inflows and therefore the application of DCF is not possible.

## 10. Valuation of Select prior to the Proposed Transaction

### 10.1 Net Tangible Asset Valuation of Select

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

Select - Statement of Financial Position	Note	Audited as at 31-Dec-11 \$	Adjusted valuation \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	1	775,667	1,610,673
Trade and other receivables		64,459	64,459
<b>TOTAL CURRENT ASSETS</b>		<b>840,126</b>	<b>1,675,132</b>
<b>TOTAL ASSETS</b>		<b>840,126</b>	<b>1,675,132</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		(27,538)	(27,538)
<b>TOTAL CURRENT LIABILITIES</b>		<b>(27,538)</b>	<b>(27,538)</b>
<b>TOTAL LIABILITIES</b>		<b>(27,538)</b>	<b>(27,538)</b>
<b>NET ASSETS</b>		<b>812,588</b>	<b>1,647,594</b>
Shares on issue	2	11,321,091	15,496,121
Value per share		\$	0.11

We have been advised that there has not been a significant change in the net assets of Select since 31 December 2011.

The table above indicates that the net asset value of a Select share prior to the Proposed Transaction is \$0.11

The following adjustments were made to the net assets of Select as at 31 December 2011 in arriving at our valuation.

#### Note 1

A\$835,006 cash will be raised if all of Select's unlisted options on issue at the date of this report are exercised. This amount has been added to the cash and cash equivalents balance. The exercise price of all of the options on issue is \$0.002 and therefore all of the options are in the money as at the date of this report based on the 10 day VWAP and it is therefore reasonable to believe that the options will be exercised.

#### Note 2

The number of shares on issue is shown on a consolidated basis of 100:1.



At the date of this report, all of the Options on issue are in the money. For this reason, all of the 4,175,030 Options (on a 100:1 consolidated basis) have been included in the number of diluted shares on issue.

## 10.2 Quoted Market Prices for Select Securities

To provide a comparison to the valuation of Select in Section 10.1, we have also assessed the quoted market price for a Select 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 that when considering the value of a company's shares for the purposes of approval under Item 7 of s611 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 Indigo will not hold 100% of the shares in Select after the Proposed Transaction, 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 Select 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 Select share is based on the pricing prior to the announcement of the Proposed Transaction. This is because the value of a Select share after the announcement may include the effects of any change in value as a result of the Proposed Transaction. However, we have considered the value of a Select share following the announcement when we have considered reasonableness in Section 13.

Information on the Proposed Transaction was announced to the market on 19 December 2011. Therefore, the following chart provides a summary of the share price movement over the year to 16 December 2011 which was the last trading day prior to the announcement.



Source: Bloomberg

The daily price of Select shares from 16 December 2010 to 16 December 2011 ranged from a low of \$0.003 on 6 December 2011 to a high of \$0.015 on 14 February 2011.

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)	
27-Oct-11	Appendix 4C - quarterly	0.004	(0%)	0.004	(0%)
24-Aug-11	Half Yearly Report and Accounts	0.005	(▼ 17%)	0.005	(0%)
20-Jul-11	Appendix 4C - quarterly	0.007	(▼ 13%)	0.006	(▼ 14%)
20-Apr-11	Appendix 4C - quarterly	0.008	(0%)	0.007	(▼ 13%)
28-Feb-11	Preliminary Final Report	0.011	(▲ 10%)	0.011	(0%)
31-Jan-11	Appendix 4C - quarterly	0.010	(▼ 9%)	0.010	(0%)

To provide further analysis of the market prices for a Select share, we have also considered the weighted average market price for 10, 30, 60 and 90 trading day periods to 16 December 2011.

	16 December 2011	10 Days	30 Days	60 Days	90 Days
Closing Price	\$ 0.0050				
Weighted Average		\$ 0.0047	\$ 0.0044	\$ 0.0042	\$ 0.0049

The above weighted average prices are prior to the date of the announcement of the Proposed Transaction, to avoid the influence of any increase in price of Select shares that has occurred since the offer was announced.

An analysis of the volume of trading in Select shares for the 180 trading days to 16 December 2011 is set out below:

	Share price low	Share price high	Cumulative Volume traded	As a % of Issued capital
1 day	\$ 0.0050	\$ 0.0050	1,000,000	0.09%
10 days	\$ 0.0030	\$ 0.0050	12,930,636	1.14%
30 days	\$ 0.0030	\$ 0.0050	32,950,636	2.91%
60 days	\$ 0.0030	\$ 0.0050	88,323,258	7.80%
90 days	\$ 0.0030	\$ 0.0070	181,046,600	15.99%
180 days	\$ 0.0030	\$ 0.0100	401,061,906	35.43%

This table indicates that Select's shares display a moderate level of liquidity, with 35.43% of the Company's current issued capital being traded over 180 trading days. 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;
- 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 Select, we consider there to be a moderate level of liquidity with 35.43% of shares being traded over 180 trading days.

Our assessment is that a range of values for Select shares based on market pricing, after disregarding post announcement trading is between \$0.0042 and \$0.0050.

## Control Premium

Since the sale of Select's vaccine technology in September 2010, Select has been pursuing new business opportunities. For this reason, we have reviewed the control premiums paid by acquirers of all companies listed on the ASX rather than a specific sector. We have summarised our findings below:

Transaction Period	Number of Transactions	Average Deal Value (A\$m)	Average Control Premium
2011	86	460.26	44.87
2010	137	521.44	37.05
2009	153	246.66	45.34
2008	157	437.19	31.39
2007	149	885.13	20.85
2006	40	1,173.02	25.94
	<b>Average</b>	<b>620.62</b>	<b>34.24</b>
	<b>Median</b>	<b>490.85</b>	<b>34.22</b>

Source: Bloomberg and BDO Analysis

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; and
- Level of liquidity in the trade of the acquiree's securities.

The average annual control premium paid for effective control transactions over 2006 to 2011 for ASX listed companies ranged between 20.85% and 45.34% with an average of 34.24%.

Taking the factors above into consideration in applying a control premium to Select's quoted market share price we believe an appropriate range to be 20% - 35%.

### Quoted market price including control premium

Applying a control premium to Select’s quoted market share price results in the following quoted market price value including a premium for control:

	Low	High
	\$	\$
Quoted market price value	0.0042	0.0050
Control premium	20%	35%
<b>Quoted market price valuation including a premium for control</b>	<b>0.0050</b>	<b>0.00675</b>
<b>QMP valuation on a consolidated basis (100:1)</b>	<b>0.500</b>	<b>0.675</b>

Therefore, our valuation of a Select share on a consolidated basis, based on the quoted market price method and including a premium for control is between \$0.500 and \$0.675.

### 10.3 Assessment of Select’s value prior to the Proposed Transaction

The results of the valuations performed are summarised in the table below:

	Low	High
	\$	\$
Net tangible assets (Section 10.1)	0.11	0.11
ASX market prices (Section 10.2)	0.500	0.675

We note that there is a substantial difference between the value of a Select share derived under each methodology used in the above table.

The low level of liquidity can result in the value derived under the QMP methodology not being considered a reliable reflection of the value of the Company shares to shareholders. Another reason for the discrepancy may be that current shareholders believe that the directors of the Company will be successful going forward with their new strategic direction.

Currently Select’s major asset is cash and because of this, a net asset valuation approach is more appropriate.

Based on the results above we consider the value of a Select share prior to the Proposed Transaction, on a consolidated basis (100:1), to be \$0.11.

## 11. Valuation of Select following the Proposed Transaction

We have valued shares in Select following the Proposed Transaction under four scenarios:

**Scenario 1:** If none of the Performance Shares are converted into ordinary shares.

**Scenario 2:** If all the Performance Shares convert into ordinary shares based on the JORC inferred coal resources being defined within five years.

**Scenario 3:** If all the Performance Shares convert into ordinary shares based on the JORC inferred uranium resources being defined within five years.

**Scenario 4:** If all the Performance Shares convert into ordinary shares based on the JORC inferred coal and uranium resources being defined within five years.

Please note that no coal or uranium resources exist at this time. Al Maynard has provided a conceptual range of values for coal and uranium mineralisation equivalent to JORC inferred coal and uranium resources to enable the valuation of a share in Select in the event that the Performance Share milestones are met. As yet, there is no reasonable basis to assume that a JORC inferred resource will be defined.

## 11.1 Scenario 1

Scenario 1 values a Select share immediately following the implementation of the Proposed Transaction and assumes that any JORC inferred coal and uranium resources are yet to be defined therefore no Performance shares are converted to ordinary shares.

In our valuation, we have assumed that the Cash Consideration is paid in full by the issue of 1,500,000 shares to Indigo in order for us to value the Company in its most diluted position.

The consideration for the acquisition of the Panama shares and the Shira shares will be:

- \$600,000 Cash Consideration. Indigo may elect to be paid the Cash Consideration, wholly or partly, in cash or in shares. If Indigo elects to be paid all, or some of the Cash Consideration in shares then the shares will be issued at \$0.40 per share. If the whole of the Cash Consideration is paid in shares then Indigo will be issued an additional 1,500,000 Consideration shares; and
- 14,750,000 Consideration Shares on a consolidated basis.

Select - Statement of Financial Position	Note	Post Low \$	Post Preferred \$	Post High \$
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	1	4,575,673	4,575,673	4,575,673
Trade and other receivables		64,459	64,459	64,459
<b>TOTAL CURRENT ASSETS</b>		<b>4,640,132</b>	<b>4,640,132</b>	<b>4,640,132</b>
<b>NON CURRENT ASSETS</b>				
Mining tenements	2	10,190,000	15,290,000	20,380,000
<b>TOTAL NON CURRENT ASSETS</b>		<b>10,190,000</b>	<b>15,290,000</b>	<b>20,380,000</b>
<b>TOTAL ASSETS</b>		<b>14,830,132</b>	<b>19,930,132</b>	<b>25,020,132</b>
<b>CURRENT LIABILITIES</b>				
Trade and other payables		(27,538)	(27,538)	(27,538)
<b>TOTAL CURRENT LIABILITIES</b>		<b>(27,538)</b>	<b>(27,538)</b>	<b>(27,538)</b>
<b>TOTAL LIABILITES</b>		<b>(27,538)</b>	<b>(27,538)</b>	<b>(27,538)</b>
<b>NET ASSETS</b>		<b>14,802,594</b>	<b>19,902,594</b>	<b>24,992,594</b>
Number of diluted shares	3	43,412,787	43,412,787	43,412,787
Value per share		0.34	0.46	0.58
Value per share (fully diluted)	4	0.34	0.44	0.49

### Note 1

The cash balance has been increased by \$2,965,000 being the net effect from the;

- increase by \$3,500,000 from the proposed capital raising. The capital raising is contingent on the Proposed Transaction proceeding.
- decrease in cash from the capital raising expenses of \$535,000.

The calculation above assumes that Indigo elects to be paid the Consideration Cash in shares.

### Note 2

We instructed Al Maynard to provide an independent specialist current market valuation of the mineral assets held by Panama and Shira.

Al Maynard considered a number of different valuation methods when valuing the exploration assets of Panama and Shira. Al Maynard applied the Empirical Method to the Selous, Ruhuhu, Rukwa and Mhukuru projects. We consider this method to be appropriate given the stage of development for Panama and Shira's exploration assets. The full Al Maynard report is set out in Appendix 5.

The range of values for each of Panama's and Shira's exploration assets as calculated by Al Maynard is set out below:

Tenement Type	Low	Preferred	High
	A\$M	A\$M	A\$M
Granted Coal	8.33	12.49	16.66
Granted Uranium	1.15	1.73	2.3
Granted Combined	9.48	14.22	18.96
Applications Coal	0.63	0.95	1.27
Applications Uranium	0.11	0.16	0.22
Applications Combined	0.74	1.11	1.48
All Coal	8.96	13.44	17.92
All Uranium	1.23	1.84	2.46
<b>All Combined</b>	<b>10.19</b>	<b>15.29</b>	<b>20.38</b>

The table above indicates a range of values between \$10.19 million and \$20.38 million, with a preferred value of \$15.29 million.

### Note 3

The numbers of shares on issue has been diluted by 27,916,667 shares (on a 100:1 consolidated basis) to account for the following:

- 14,750,000 Consideration shares issued
- 1,500,000 shares issued as the Cash Consideration
- 11,666,667 shares issued as part of the capital raising

The value of a Select share under Scenario 1 is detailed below.



Scenario 1	Low	Preferred	High
	\$	\$	\$
Value of a Select share: scenario 1	0.34	0.46	0.58

Note: the value of a Select share is the same if the Cash Consideration is settled by the payment of cash or the issue of shares.

Note: The value of a Select share is higher than the range shown above if the capital raising is not successful.

#### Note 4

Under Scenario 1, the Underwriter and Loyalty options to be issued in conjunction with the capital raising will be in the money under the preferred and high value and it is therefore reasonable to believe that the options will be exercised. The options are listed below.

	Number of Options	Exercise Price (\$)	Cash raised if exercised
Underwriter options	5,833,333	0.400	\$2,333,333
Loyalty options	21,706,394	0.400	\$8,682,558
Secondary options	27,539,727	0.450	\$12,392,877
<b>Total options issued from capital raising</b>	<b>55,079,454</b>	<b>\$</b>	<b>23,408,768</b>

The value of a Select share in Scenario 1, assuming all of the Underwriter and Loyalty options are exercised is shown below. This value takes into account both the cash raised (\$11,015,891) from the exercise of the options and the dilutionary effect from the issue of 27,539,727 shares upon exercise.

Scenario 1 (Underwriter & Loyalty options exercised)	Low	Preferred	High
	\$	\$	\$
Value of a Select share: scenario 1 if Underwriter & Loyalty options are exercised	0.34	0.44	0.51

Under the terms of the capital raising, Secondary options will be issued to all Underwriter and Loyalty option holders who convert their options before the expiry date. Under the scenario shown above, the Secondary options would be in the money if the value of a Select share is in the high range.

The table below shows the value of a Select share following the exercise of the Secondary options. This value takes into account both the cash raised (\$12,392,877) from the exercise of the options and the dilutionary effect from the issue of 27,539,727 shares upon exercise.

Scenario 1 (all options exercised)	Low	Preferred	High
	\$	\$	\$
Value of a Select share: scenario 1 if Underwriter, Loyalty and Secondary options are exercised	0.34	0.44	0.49

## 11.2 Scenario 2

In Scenario 2, we have valued Select immediately following the implementation of the Proposed Transaction and also included the conceptual value of a coal mineralisation equivalent to a JORC inferred coal resource defined within five years which results in the conversion of the A Class Performance shares into ordinary shares. Scenario 2 assumes that no JORC inferred uranium resources have been defined.

The consideration for the acquisition of the Panama shares and the Shira shares will be:

- \$600,000 Cash Consideration. Indigo may elect to be paid the Cash Consideration, wholly or partly, in cash or in shares. If Indigo elects to be paid all, or some of the Cash Consideration in shares then the shares will be issued at \$0.40 per share. If the whole of the Cash Consideration is paid in shares then Indigo will be issued an additional 1,500,000 Consideration shares;
- 14,750,000 Consideration Shares (on a 100:1 consolidated basis); and
- 25,000,000 Class A Performance Shares (on a post consolidation basis), 2,500,000 of which convert on the achievement of at least 100 million tonnes of a JORC Inferred coal Resource being defined on the Tenements. Thereafter, for any subsequent resource of 1000 tonnes of coal in all JORC categories being defined on the Tenements, 25 Class A Performance Shares will convert into Select Shares on a one for one basis up to a maximum of 1 billion tonnes of coal.

Select - Statement of Financial Position	Note	Post Low \$	Post Mid \$	Post High \$
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	1	4,575,673	4,575,673	4,575,673
Trade and other receivables		64,459	64,459	64,459
<b>TOTAL CURRENT ASSETS</b>		<b>4,640,132</b>	<b>4,640,132</b>	<b>4,640,132</b>
<b>NON CURRENT ASSETS</b>				
Mining tenements	2	10,190,000	15,290,000	20,380,000
Conceptual coal mineralisation equivalent to a JORC inferred coal resource	2	-	375,000,000	1,000,000,000
<b>TOTAL NON CURRENT ASSETS</b>		<b>10,190,000</b>	<b>390,290,000</b>	<b>1,020,380,000</b>
<b>TOTAL ASSETS</b>		<b>14,830,132</b>	<b>394,930,132</b>	<b>1,025,020,132</b>
<b>CURRENT LIABILITIES</b>				
Trade and other payables		(27,538)	(27,538)	(27,538)
<b>TOTAL CURRENT LIABILITIES</b>		<b>(27,538)</b>	<b>(27,538)</b>	<b>(27,538)</b>
<b>TOTAL LIABILITIES</b>		<b>(27,538)</b>	<b>(27,538)</b>	<b>(27,538)</b>
<b>NET ASSETS</b>		<b>14,802,594</b>	<b>394,902,594</b>	<b>1,024,992,594</b>
Number of diluted shares	3	43,412,787	55,912,787	68,412,787
Value per share		0.34	7.06	14.98
Value per share (fully diluted)	4	0.34		8.49

#### Note 1

The cash balance has been increased by \$2,965,000 being the net effect from the;

- increase by \$3,500,000 from the capital raising.
- decrease in cash from the capital raising expenses of \$535,000

The calculation above assumes that Indigo elects to be paid the Consideration Cash in shares.

#### Note 2

We instructed Al Maynard to provide an independent specialist market valuation of the mineral assets held by Panama and Shira, covering the following:

- the current market valuation of the mineral assets held by Panama and Shira.
- the conceptual market value of a coal mineralisation of 1 billion tonnes equivalent to a JORC inferred coal resource of 1 billion tonnes defined within five years;

The range of values for each of Panama's and Shira's exploration assets as calculated by Al Maynard is set out below:

Tenement Type	Low	Preferred	High
	A\$M	A\$M	A\$M
Granted Coal	8.33	12.49	16.66
Granted Uranium	1.15	1.73	2.3
Granted Combined	9.48	14.22	18.96
Applications Coal	0.63	0.95	1.27
Applications Uranium	0.11	0.16	0.22
Applications Combined	0.74	1.11	1.48
All Coal	8.96	13.44	17.92
All Uranium	1.23	1.84	2.46
<b>All Combined</b>	<b>10.19</b>	<b>15.29</b>	<b>20.38</b>

The table above indicates a range of values between \$10.19 million and \$20.38 million, with a preferred value of \$15.29 million.

Al Maynard's conceptual value of a coal mineralisation equivalent to a JORC inferred coal resource is shown below:

Conceptual value of a coal mineralisation equivalent to a JORC Inferred Coal Resource (per tonne)	
Low	\$ 0.50
Preferred	\$ 0.75
High	\$ 1.00

Please note that no coal resources exist at this time. Al Maynard has provided a conceptual range of values for the coal mineralisation equivalent to a JORC inferred coal resource to enable the valuation of a share in Select in the event that the Performance Share milestones are met. As yet, there is no reasonable basis to assume that a JORC inferred resource will be defined.

In the valuation above, we have adopted the preferred value per tonne when valuing the mid range value and adopted the high value per tonne to value the high value of a Select share.

The values have been calculated as low, mid and high values under the following circumstance:

- Low: No JORC inferred coal resources are defined within five years = \$nil
- Mid: 500 million tonnes of JORC inferred coal resources are defined within five years = \$375,000,000
- High: 1 billion tonnes of JORC inferred coal resources are defined within five years = \$1,000,000,000

### Note 3

The numbers of shares on issue has been diluted to account for the following:

- 14,750,000 Consideration shares issued
- 1,500,000 shares issued as the Cash Consideration
- 11,666,667 shares issued as part of the capital raising

- Mid value: 12,500,000 Performance shares converted
- High value: 25,000,000 Performance shares converted

The value of a Select share under Scenario 2 is detailed below.

Scenario 2	Low \$	High \$
Value of a Select share: scenario 2	0.34	14.98

The full valuation workings are shown in appendix 4.

Note: The value of a Select share is higher than the range shown above if the capital raising is not successful.

#### Note 4

Under Scenario 2, the Underwriter and Loyalty options to be issued in conjunction with the capital raising will be in the money under the high value and it is therefore reasonable to believe that the options will be exercised. The options are listed below.

	Number of Options	Exercise Price (\$)	Cash raised if exercised
Underwriter options	5,833,333	0.400	\$2,333,333
Loyalty options	21,706,394	0.400	\$8,682,558
Secondary options	27,539,727	0.450	\$12,392,877
<b>Total options issued from capital raising</b>	<b>55,079,454</b>	<b>\$</b>	<b>23,408,768</b>

The value of a Select share in Scenario 2, assuming all of the Underwriter and Loyalty options are exercised is shown below. This value takes into account both the cash raised (\$11,015,891) from the exercise of the options and the dilutionary effect from the issue of 27,539,727 shares upon exercise.

Scenario 2 (Underwriter & Loyalty options exercised)	Low \$	High \$
Value of a Select share: scenario 2 if Underwriter & Loyalty options are exercised	0.34	10.80

Under the terms of the capital raising, Secondary options will be issued to all Underwriter and Loyalty option holders who convert their options before the expiry date. Under the scenario shown above, the Secondary options would be in the money if the value of a Select share is in the high range.

The table below shows the value of a Select share following the exercise of the Secondary options. This value takes into account both the cash raised (\$12,392,877) from the exercise of the options and the dilutionary effect from the issue of 27,539,727 shares upon exercise.

Scenario 2 (all options exercised)	Low \$	High \$
Value of a Select share: scenario 2 if Underwriter, Loyalty and Secondary options are exercised	0.34	8.49

### 11.3 Scenario 3

In Scenario 3, we have valued Select immediately following the implementation of the Proposed Transaction and also included the conceptual value of a uranium mineralisation equivalent to a JORC inferred uranium resources defined within five years which results in the conversion of the B Class Performance shares into ordinary shares. Scenario 3 assumes that no JORC inferred coal resources have been defined.

The consideration for the acquisition of the Panama shares and the Shira shares will be:

- \$600,000 Cash Consideration. Indigo may elect to be paid the Cash Consideration, wholly or partly, in cash or in Shares. If Indigo elects to be paid all, or some of the Cash Consideration in Shares then the Shares will be issued at \$0.40 per Share. If the whole of the Cash Consideration is paid in Shares then Indigo will be issued an additional 1,500,000 Consideration Shares;
- 14,750,000 Consideration Shares (on a 100:1 consolidated basis);
- 25,000,000 Class B Performance Shares (on a post consolidation basis), 2,500,000 of which convert on the achievement of at least 5 million pounds of a JORC Inferred uranium Resource being defined on the Tenements. Thereafter, for any subsequent resource of ten pounds of uranium in all JORC categories being defined on the Tenements, 5 Class B Performance Shares will convert into Select shares on a one for one basis up to a maximum of 50 million pounds of uranium.

Select - Statement of Financial Position	Note	Post Low \$	Post Mid \$	Post High \$
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	1	4,575,673	4,575,673	4,575,673
Trade and other receivables		64,459	64,459	64,459
<b>TOTAL CURRENT ASSETS</b>		<b>4,640,132</b>	<b>4,640,132</b>	<b>4,640,132</b>
<b>NON CURRENT ASSETS</b>				
Mining tenements	2	10,190,000	15,290,000	20,380,000
Conceptual uranium mineralisation equivalent to a JORC inferred uranium resource	2	-	18,750,000	50,000,000
<b>TOTAL NON CURRENT ASSETS</b>		<b>10,190,000</b>	<b>34,040,000</b>	<b>70,380,000</b>
<b>TOTAL ASSETS</b>		<b>14,830,132</b>	<b>38,680,132</b>	<b>75,020,132</b>
<b>CURRENT LIABILITIES</b>				
Trade and other payables		(27,538)	(27,538)	(27,538)
<b>TOTAL CURRENT LIABILITIES</b>		<b>(27,538)</b>	<b>(27,538)</b>	<b>(27,538)</b>
<b>TOTAL LIABILITIES</b>		<b>(27,538)</b>	<b>(27,538)</b>	<b>(27,538)</b>
<b>NET ASSETS</b>		<b>14,802,594</b>	<b>38,652,594</b>	<b>74,992,594</b>
Number of diluted shares	3	43,412,787	55,912,787	68,412,787
Value per share		0.34	0.69	1.10
Value per share (fully diluted)	4	0.34		0.80

#### Note 1

The cash balance has been increased by \$2,965,000 being the net effect from the;

- increase by \$3,500,000 from the capital raising.
- decrease in cash from the capital raising expenses of \$535,000

The calculation above assumes that Indigo elects to be paid the Consideration Cash in shares.

#### Note 2

We instructed Al Maynard to provide an independent specialist market valuation of the mineral assets held by Panama and Shira, covering the following:

- the current market valuation of the mineral assets held by Panama and Shira.

- the conceptual market value of a uranium mineralisation of 1 billion tonnes equivalent to a JORC inferred uranium resource of 1 billion tonnes defined within five years;

The range of values for each of Panama's and Shira's exploration assets as calculated by Al Maynard is set out below:

Tenement Type	Low	Preferred	High
	A\$M	A\$M	A\$M
Granted Coal	8.33	12.49	16.66
Granted Uranium	1.15	1.73	2.3
Granted Combined	9.48	14.22	18.96
Applications Coal	0.63	0.95	1.27
Applications Uranium	0.11	0.16	0.22
Applications Combined	0.74	1.11	1.48
All Coal	8.96	13.44	17.92
All Uranium	1.23	1.84	2.46
<b>All Combined</b>	<b>10.19</b>	<b>15.29</b>	<b>20.38</b>

The table above indicates a range of values between \$10.19 million and \$20.38 million, with a preferred value of \$15.29 million.

Al Maynard's conceptual value of a uranium mineralisation equivalent to a JORC inferred uranium resource is shown below:

Conceptual value of a uranium mineralisation equivalent to a JORC Inferred Uranium Resource (per pound)	
Low	\$ 0.50
Preferred	\$ 0.75
High	\$ 1.00

Please note that no uranium resources exist at this time. Al Maynard has provided a conceptual range of values for a uranium mineralisation equivalent to a JORC inferred uranium resource to enable the valuation of a share in Select in the event that the Performance Share milestones are met. As yet, there is no reasonable basis to assume that a JORC inferred resource will be defined.

In the valuation above, we have adopted the preferred value per pound when valuing the mid range value and adopted the high value per pound to value the high value of a Select share.

The values have been calculated as low, mid and high values under the following circumstance:

- Low: No JORC inferred uranium resources are defined within five years = \$nil
- Mid: 25 million pounds of JORC inferred uranium resources are defined within five years = \$18,750,000
- High: 50 million pounds of JORC inferred uranium resources are defined within five years = \$50,000,000

### Note 3

The numbers of shares on issue has been diluted to account for the following:

- 14,750,000 Consideration shares issued



- 1,500,000 shares issued as the Cash Consideration
- 11,666,667 shares issued as part of the capital raising
- Mid value: 12,500,000 Performance shares converted
- High value: 25,000,000 Performance shares converted

The value of a Select share under Scenario 3 is detailed below.

Scenario 3	Low \$	High \$
Value of a Select share: scenario 3	0.34	1.10

The full valuation workings are shown in appendix 4.

Note: The value of a Select share is higher than the range shown above if the capital raising is not successful.

#### Note 4

Under Scenario 3, the Underwriter and Loyalty options to be issued in conjunction with the capital raising will be in the money under the high value and it is therefore reasonable to believe that the options will be exercised. The options are listed below.

	Number of Options	Exercise Price (\$)	Cash raised if exercised
Underwriter options	5,833,333	0.400	\$2,333,333
Loyalty options	21,706,394	0.400	\$8,682,558
Secondary options	27,539,727	0.450	\$12,392,877
<b>Total options issued from capital raising</b>	<b>55,079,454</b>	<b>\$</b>	<b>23,408,768</b>

The value of a Select share in Scenario 3, assuming all of the Underwriter and Loyalty options are exercised is shown below. This value takes into account both the cash raised (\$11,015,891) from the exercise of the options and the dilutionary effect from the issue of 27,539,727 shares upon exercise.

Scenario 3 (Underwriter & Loyalty options exercised)	Low \$	High \$
Value of a Select share: scenario 3 if Underwriter & Loyalty options are exercised	0.34	0.90

Under the terms of the capital raising, Secondary options will be issued to all Underwriter and Loyalty option holders who convert their options before the expiry date. Under the scenario shown above, the Secondary options would be in the money if the value of a Select share is in the high range.

The table below shows the value of a Select share following the exercise of the Secondary options. This value takes into account both the cash raised (\$12,392,877) from the exercise of the options and the dilutionary effect from the issue of 27,539,727 shares upon exercise.

	Low	High
<b>Scenario 3 (all options exercised)</b>	\$	\$
Value of a Select share: scenario 3 if Underwriter, Loyalty and Secondary options are exercised	0.34	0.80

## 11.4 Scenario 4

In Scenario 4, we have valued Select immediately following the implementation of the Proposed Transaction and also included the conceptual value of a coal and uranium mineralisation equivalent to JORC inferred coal & uranium resources defined within five years which results in the conversion of the A and B Class Performance shares into ordinary shares.

The consideration for the acquisition of the Panama shares and the Shira shares will be:

- \$600,000 Cash Consideration. Indigo may elect to be paid the Cash Consideration, wholly or partly, in cash or in Shares. If Indigo elects to be paid all, or some of the Cash Consideration in Shares then the Shares will be issued at \$0.40 per Share. If the whole of the Cash Consideration is paid in Shares then Indigo will be issued an additional 1,500,000 Consideration Shares;
- 14,750,000 Consideration Shares (on a 100:1 consolidated basis);
- 25,000,000 Class A Performance Shares (on a post consolidation basis), 2,500,000 of which convert on the achievement of at least 100 million tonnes of a JORC Inferred coal Resource being defined on the Tenements. Thereafter, for any subsequent resource of 1000 tonnes of coal in all JORC categories being defined on the Tenements, 25 Class A Performance Shares will convert into Select Shares on a one for one basis up to a maximum of 1 billion tonnes of coal;
- 25,000,000 Class B Performance Shares (on a post consolidation basis), 2,500,000 of which convert on the achievement of at least 5 million pounds of a JORC Inferred uranium Resource being defined on the Tenements. Thereafter, for any subsequent resource of ten pounds of uranium in all JORC categories being defined on the Tenements, 5 Class B Performance Shares will convert into Select shares on a one for one basis up to a maximum of 50 million pounds of uranium.

Select - Statement of Financial Position	Note	Post Low \$	Post Mid \$	Post High \$
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	1	4,575,673	4,575,673	4,575,673
Trade and other receivables		64,459	64,459	64,459
<b>TOTAL CURRENT ASSETS</b>		<b>4,640,132</b>	<b>4,640,132</b>	<b>4,640,132</b>
<b>NON CURRENT ASSETS</b>				
Mining tenements	2	10,190,000	15,290,000	20,380,000
Conceptual coal mineralisation equivalent to a JORC inferred coal resource	2	-	375,000,000	1,000,000,000
Conceptual uranium mineralisation equivalent to a JORC inferred uranium resource	2	-	18,750,000	50,000,000
<b>TOTAL NON CURRENT ASSETS</b>		<b>10,190,000</b>	<b>409,040,000</b>	<b>1,070,380,000</b>
<b>TOTAL ASSETS</b>		<b>14,830,132</b>	<b>413,680,132</b>	<b>1,075,020,132</b>
<b>CURRENT LIABILITIES</b>				
Trade and other payables		(27,538)	(27,538)	(27,538)
<b>TOTAL CURRENT LIABILITIES</b>		<b>(27,538)</b>	<b>(27,538)</b>	<b>(27,538)</b>
<b>TOTAL LIABILITIES</b>		<b>(27,538)</b>	<b>(27,538)</b>	<b>(27,538)</b>
<b>NET ASSETS</b>		<b>14,802,594</b>	<b>413,652,594</b>	<b>1,074,992,594</b>
Number of diluted shares	3	43,412,787	68,412,787	93,412,787
Value per share		0.34	6.05	11.51
Value per share (fully diluted)	4	0.34		7.40

#### Note 1

The cash balance has been increased by \$2,965,000 being the net effect from the;

- increase by \$3,500,000 from the capital raising.
- decrease in cash from the capital raising expenses of \$535,000

The calculation above assumes that Indigo elects to be paid the Consideration Cash in shares.

#### Note 2

We instructed Al Maynard to provide an independent specialist market valuation of the mineral assets held by Panama and Shira, covering the following:

- Current market value of the mineral assets;

- the conceptual market value if both a coal mineralisation and uranium mineralisation equivalent to a JORC inferred coal resource of 1 billion tonnes and JORC inferred uranium resource of 5 million pounds are defined within five years.

The range of values for each of Panama's and Shira's exploration assets as calculated by Al Maynard is set out below:

Tenement Type	Low	Preferred	High
	A\$M	A\$M	A\$M
Granted Coal	8.33	12.49	16.66
Granted Uranium	1.15	1.73	2.3
Granted Combined	9.48	14.22	18.96
Applications Coal	0.63	0.95	1.27
Applications Uranium	0.11	0.16	0.22
Applications Combined	0.74	1.11	1.48
All Coal	8.96	13.44	17.92
All Uranium	1.23	1.84	2.46
<b>All Combined</b>	<b>10.19</b>	<b>15.29</b>	<b>20.38</b>

The table above indicates a range of values between \$10.19 million and \$20.38 million, with a preferred value of \$15.29 million.

Al Maynard's conceptual value of a coal mineralisation and a uranium mineralisation equivalent to a JORC inferred coal and uranium resource is shown below:

**Conceptual value of a coal mineralisation equivalent to a JORC Inferred Coal Resource (per tonne)**

Low	\$ 0.50
Preferred	\$ 0.75
High	\$ 1.00

**Conceptual value of a uranium mineralisation equivalent to a JORC Inferred Uranium Resource (per pound)**

Low	\$ 0.50
Preferred	\$ 0.75
High	\$ 1.00

Please note that no coal or uranium resources exist at this time. Al Maynard has provided a conceptual range of values for coal and uranium mineralisation equivalent to JORC inferred coal and uranium resources to enable the valuation of a share in Select in the event that the Performance Share milestones are met. As yet, there is no reasonable basis to assume that a JORC inferred resource will be defined.

In the valuation above, we have adopted the preferred value per tonne/pound when valuing the mid range value and adopted the high value per tonne/pound to value the high value of a Select share.

The values have been calculated as low, mid and high values under the following circumstance:

- Low: No JORC inferred coal or uranium resources are defined within five years
- Mid: 500 million tonnes of JORC inferred coal and 25 million pounds of JORC inferred uranium resources are defined within five years

- High: 1 billion tonnes of JORC inferred coal and 50 million pounds of JORC inferred uranium resources are defined within five years

### Note 3

The numbers of shares on issue has been diluted to account for the following:

- 14,750,000 Consideration shares issued
- 1,500,000 shares issued as the Cash Consideration
- 11,666,667 shares issued as part of the capital raising
- Mid value: 25,00,000 Performance shares converted
- High value: 50,000,000 Performance shares converted

The value of a Select share under Scenario 4 is detailed below.

	Low	High
Scenario 4	\$	\$
Value of a Select share: scenario 4	0.34	11.51

The full valuation workings are shown in appendix 4.

Note: The value of a Select share is higher than the range shown above if the capital raising is not successful.

### Note 4

Under Scenario 4, the Underwriter and Loyalty options will be issued in conjunction with the capital raising will be in the money under the high value and it is therefore reasonable to believe that the options will be exercised. The options are listed below.

	Number of Options	Exercise Price (\$)	Cash raised if exercised
Underwriter options	5,833,333	0.400	\$2,333,333
Loyalty options	21,706,394	0.400	\$8,682,558
Secondary options	27,539,727	0.450	\$12,392,877
<b>Total options issued from capital raising</b>	<b>55,079,454</b>	<b>\$</b>	<b>23,408,768</b>

The value of a Select share in Scenario 4, assuming all of the Underwriter and Loyalty options are exercised is shown below. This value takes into account both the cash raised (\$11,015,891) from the exercise of the options and the dilutionary effect from the issue of 27,539,727 shares upon exercise.

Scenario 4 (Underwriter & Loyalty options exercised)	Low	High
	\$	\$
Value of a Select share: scenario 4 if Underwriter & Loyalty options are exercised	0.34	8.98

Under the terms of the capital raising, Secondary options will be issued to all Underwriter and Loyalty option holders who convert their options before the expiry date. Under the scenario shown above, the Secondary options would be in the money if the value of a Select share is in the high range.

The table below shows the value of a Select share following the exercise of the Secondary options. This value takes into account both the cash raised (\$12,392,877) from the exercise of the options and the dilutionary effect from the issue of 27,539,727 shares upon exercise.

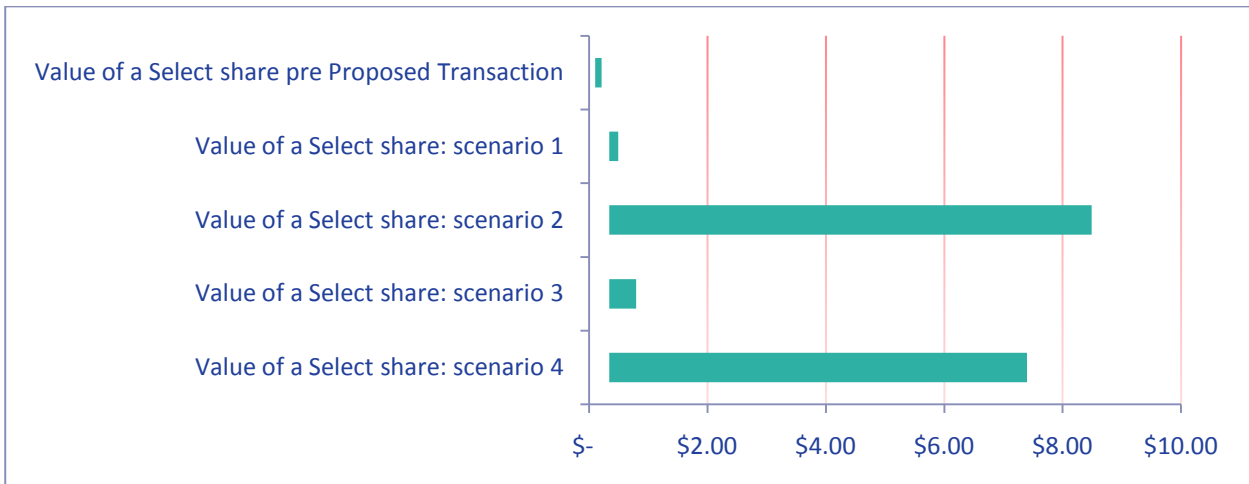
	Low	High
<b>Scenario 4 (all options exercised)</b>	<b>\$</b>	<b>\$</b>
Value of a Select share: scenario 4 if Underwriter, Loyalty and Secondary options are exercised	0.34	7.40

## 12. Is the Proposed Transaction fair?

In section 10.3 we determined the value of a Select share prior to the Proposed Transaction and in section 11 determined the value of a Select share post the Proposed Transaction. The comparison is detailed hereunder.

	Ref	Low \$	Preferred \$	High \$
Value of a Select share pre Proposed Transaction	10.3	0.11	0.11	0.11
Value of a Select share: scenario 1	11.1	0.34	0.44	0.49
Value of a Select share: scenario 2	11.2	0.34	N/A	8.49
Value of a Select share: scenario 3	11.3	0.34	N/A	0.80
Value of a Select share: scenario 4	11.4	0.34	N/A	7.40

The value of a Select share pre and post the Proposed Transaction is compared below:



We note from the table above that the value of a Select share after the Proposed Transaction under all four scenarios is greater than the value of a Select share prior to the Proposed Transaction. Therefore, we consider that the Proposed Transaction is fair.

Please note that no coal or uranium resources exist at this time. The valuation of a Select share in scenario 2, 3 and 4 includes a conceptual value of coal and uranium mineralisation equivalent to a JORC inferred coal and uranium resource which may or may not be defined in the future. As yet, there is no reasonable basis to assume that a JORC inferred resource will be defined.



## 13. Is the Proposed Transaction reasonable?

### 13.1 Alternative proposals

We are unaware of any alternative proposals that might offer the Shareholders of Select a premium over the value resulting from the Proposed Transaction.

### 13.2 Practical level of control

If the Proposed Transaction is approved then Indigo could hold a maximum interest of approximately 81% in Select.

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 requires 75% of shares on issue to be voted in favour to approve a matter. If the Proposed Transaction is approved and Indigo hold their maximum possible interest of 81% in Select, Indigo will be able to pass special resolutions.

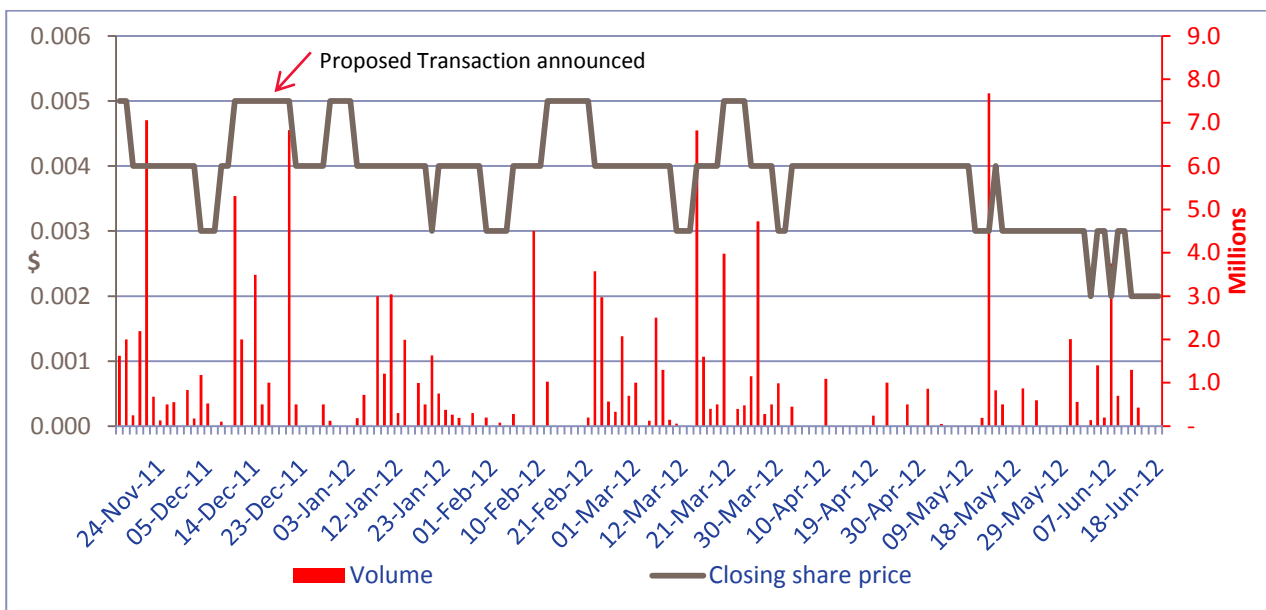
Select's Board currently comprises four directors. Two of Select's directors are also directors of Indigo.

Indigo's control of Select following the Proposed Transaction will be significant when compared to all other shareholders with a maximum of 81% of the issued capital being held by them. Therefore, in our opinion, Indigo will be able to control the activities of Select. As such, Indigo should be expected to pay a similar premium for control as if it were acquiring 100% of Select.

### 13.3 Consequences of not approving the Proposed Transaction

#### Potential decline in share price

We have analysed movements in Select's share price since the Proposed Transaction was announced on 19 December 2011. A graph of Select's share price since the announcement is set out below.



Source: Bloomberg

The share price fluctuated since the date of the announcement. However, it closed at \$0.002 on 18 June 2012, which is a 60% decrease on the closing price prior to the announcement of the Proposed Transaction.

Select's ASX announcements after 19 December 2011 are shown in Appendix 3.

The above analysis indicates that if the Proposed Transaction is not approved then Select's share price is unlikely to decline.

### 13.4 Advantages of approving the Proposed Transaction

We have considered the following advantages when assessing whether the Proposed Transaction is reasonable.

Advantage	Description
The Proposed Transaction is fair	As set out in Section 12, the Proposed Transaction is fair. RG 111 states that an offer is reasonable if it is fair.
Acquisition of new prospecting licenses with potential upside	<p>Currently Select has no operations. If the Proposed Transaction is approved, Select shareholders will be exposed to the potential upside from the 40 licenses.</p> <p>Select will be able to increase its value if it is able to achieve exploration success in either uranium or coal.</p>
Increased attractiveness of Select shares to new investors	<p>The acquisition of the prospecting licences may result in a more compelling investment proposition with the Company pursuing a new strategic direction.</p> <p>Greater attractiveness may lead to an increased liquidity and greater trading depth than currently experienced by Select shareholders.</p>
Potential capital raising	<p>At the general meeting the Company will seek approval to issue 11,666,667 ordinary shares at 30 cents a share to raise \$3,500,000.</p> <p>Select shareholders may be exposed to further debt and equity opportunities that it did not have prior to the Proposed Transaction.</p>

### 13.5 Disadvantages of approving the Proposed Transaction

If the Proposed Transaction is approved, in our opinion, the potential disadvantages to Shareholders include those listed in the table below:

Disadvantage	Description
Dilution effect to Select's existing shareholders	<p>Select shareholders currently hold 100% of the Company. If the Proposed Transaction is approved, the issue of the shares to satisfy the Cash Consideration and Share Consideration will have a dilutionary effect on Select's existing shareholders. Indigo could own up to 81% of the shares in Select.</p> <p>Indigo will have effective control of Select. After the approval of the Proposed Transaction, Select's existing shareholders will have limited capacity to influence the operations of the Company.</p>
Potential for further dilution	<p>As part of the consideration, Select can potentially issue up to 50 million shares through the conversion of the Performance Shares.</p> <p>If all Performance shares are converted and Indigo exercise their Loyalty and Secondary options, existing Shareholders' interest may potentially reduce to 25%.</p>

## 14. Conclusion

We have considered the terms of the Proposed Transaction as outlined in the body of this report and have concluded that the Proposed Transaction is fair and reasonable to the Shareholders of Select.

## 15. Sources of information

This report has been based on the following information:

- Draft Notice of General Meeting and Explanatory Statement on or about the date of this report;
- Share Sale and Purchase Agreement;
- Audited financial statements of Select for the years ended 31 December 2010 and 31 December 2011;
- Unaudited management accounts of Shira and Panama for the period ended 31 December 2011;
- Share registry information;
- Al Maynard & Associates independent valuation;
- Bloomberg;
- Information in the public domain; and
- Discussions with Directors and Management of Select.

## 16. Independence

BDO Corporate Finance (WA) Pty Ltd is entitled to receive a fee of \$35,000 (excluding GST and reimbursement of out of pocket expenses). 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 Select in respect of any claim arising from BDO Corporate Finance (WA) Pty Ltd's reliance on information provided by the Select, 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 Select and Indigo 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 Select and Indigo and their respective associates.

Neither the two signatories to this report nor BDO Corporate Finance (WA) Pty Ltd, have had within the past two years any professional relationship with Select, or their associates, other than in connection with the preparation of this report.

The provision of our services is not considered a threat to our independence as auditors under Professional Statement APES 110 - Professional Independence. The services provided have no material impact on the financial report of Select.

A draft of this report was provided to Select and its advisors for confirmation of the factual accuracy of its contents. No significant changes were made to this report as a result of this review.

BDO is the brand name for the BDO International network and for each of the BDO Member firms.

BDO (Australia) Ltd, an Australian company limited by guarantee, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of Independent Member Firms. BDO in Australia, is a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International).

## 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 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 150 public company independent expert's reports under the Corporations Act or ASX Listing Rules. These experts' reports cover a wide range of industries in Australia. Sherif Andrawes is the Chairman of BDO in Western Australia.

Adam Myers is a member of the Australian Institute of Chartered Accountants. Adam's career spans 13 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 Select Vaccines Limited for inclusion in the Notice of Meeting which will be sent to all Select Shareholders. Select engaged BDO Corporate Finance (WA) Pty Ltd to prepare an independent expert's report to consider the Proposed Transaction to acquire 100% of the issued capital in Panama Resources Limited and Shira Resources Limited which are wholly owned subsidiaries of Indigo Metals Limited.

BDO Corporate Finance (WA) Pty Ltd hereby consents to this report accompanying the above Notice of Meeting. 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 Notice of Meeting other than this report.

BDO Corporate Finance (WA) Pty Ltd has not independently verified the information and explanations supplied to us, nor has it conducted anything in the nature of an audit or review of Panama and Shira in accordance with standards issued by the Auditing and Assurance Standards Board. However, we have no reason to believe that any of the information or explanations so supplied 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 Panama and Shira.

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 Proposed Transaction, tailored to their own particular circumstances. Furthermore, the advice provided in this report does not constitute legal or taxation advice to the Shareholders of Select, or any other party.

BDO Corporate Finance (WA) Pty Ltd has also considered and relied upon independent valuations for mineral assets held by Panama and Shira.

The valuer engaged for the mineral asset valuation, Al Maynard & Associates, possesses the appropriate qualifications and experience in the industry to make such assessments. The approaches adopted and assumptions made in arriving at their valuation are considered appropriate for this report. We have received consent from Al Maynard and Associates for the use of their 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
Al Maynard	Al Maynard & Associates Pty Ltd
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
BDO	BDO Corporate Finance (WA) Pty Ltd
The Company	Select Vaccines Limited
DCF	Discounted Future Cash Flows
FME	Future Maintainable Earnings
Indigo	Indigo Metals Limited
RG111	Content of expert reports (March 2011)
RG112	Independence of experts (March 2011)
ROC	Return of Capital
NAV	Net Asset Value
Our Report	This Independent Expert's Report prepared by BDO
Panama	Panama Resources Limited
The Proposed Transaction	The Proposed Transaction to acquire 100% of the issued capital of Panama and Shira for consideration comprised of cash, ordinary shares in Select and performance shares in Select.
Shareholders	Shareholders of Select Vaccines Limited
Shira	Shira Resources Limited
VWAP	Volume Weighted Average Price

## Appendix 2 - Valuation Methodologies

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.

## Appendix 3 - Select's ASX announcements after 19 December 2011

Date	Announcement	Closing Share Price Following Announcement \$ (movement)		Closing Share Price Three Days After Announcement \$ (movement)	
18-May-12	Select appoints Managing Director Elect	0.003	0%	0.003	0%
30-Apr-12	Appendix 4C - quarterly	0.004	0%	0.004	0%
19-Mar-12	Select Signs Share Sale Agreement with Indigo Metals	0.004	0%	0.005	▲ 25%
29-Feb-12	Appendix 4E ( 2011 Full Year Results)	0.004	0%	0.004	0%
31-Jan-12	Appendix 4C - quarterly	0.003	▼ -25%	0.003	0%
20-Dec-11	Reinstatement to Official Quotation	0.005	0%	0.004	▼ -20%



## Appendix 4 - Conceptual value attributed to shares contingent upon achieving performance milestones

The table below shows the conceptual range of values calculated on a per share basis if a coal mineralisation equivalent to a JORC Inferred Coal Resource is defined and increased in increments of 100 million tonnes.

Conceptual value of a coal mineralisation equivalent to a JORC Inferred Coal Resource (per tonne)												
Low	\$		0.50									
Preferred	\$		0.75									
High	\$		1.00									
Conceptual coal mineralisation equivalent to a JORC Inferred Coal Resource												
Conceptual coal mineralisation equivalent to a JORC Inferred Coal Resource (million tonnes)		100	200	300	400	500	600	700	800	900	1,000	
Low	Value of coal resource	\$ 50,000,000	\$ 100,000,000	\$ 150,000,000	\$ 200,000,000	\$ 250,000,000	\$ 300,000,000	\$ 350,000,000	\$ 400,000,000	\$ 450,000,000	\$ 500,000,000	
Mid	Value of coal resource	\$ 75,000,000	\$ 150,000,000	\$ 225,000,000	\$ 300,000,000	\$ 375,000,000	\$ 450,000,000	\$ 525,000,000	\$ 600,000,000	\$ 675,000,000	\$ 750,000,000	
High	Value of coal resource	\$ 100,000,000	\$ 200,000,000	\$ 300,000,000	\$ 400,000,000	\$ 500,000,000	\$ 600,000,000	\$ 700,000,000	\$ 800,000,000	\$ 900,000,000	\$ 1,000,000,000	
	# Performance shares issued	2,500,000	5,000,000	7,500,000	10,000,000	12,500,000	15,000,000	17,500,000	20,000,000	22,500,000	25,000,000	
Low	Net assets: Scenario 1	\$ 14,802,594	\$ 14,802,594	\$ 14,802,594	\$ 14,802,594	\$ 14,802,594	\$ 14,802,594	\$ 14,802,594	\$ 14,802,594	\$ 14,802,594	\$ 14,802,594	\$ 14,802,594
Mid	Net assets: Scenario 1	\$ 19,902,594	\$ 19,902,594	\$ 19,902,594	\$ 19,902,594	\$ 19,902,594	\$ 19,902,594	\$ 19,902,594	\$ 19,902,594	\$ 19,902,594	\$ 19,902,594	\$ 19,902,594
High	Net assets: Scenario 1	\$ 24,992,594	\$ 24,992,594	\$ 24,992,594	\$ 24,992,594	\$ 24,992,594	\$ 24,992,594	\$ 24,992,594	\$ 24,992,594	\$ 24,992,594	\$ 24,992,594	\$ 24,992,594
Low	Net assets including coal resource	\$ 64,802,594	\$ 114,802,594	\$ 164,802,594	\$ 214,802,594	\$ 264,802,594	\$ 314,802,594	\$ 364,802,594	\$ 414,802,594	\$ 464,802,594	\$ 514,802,594	
Mid	Net assets including coal resource	\$ 94,902,594	\$ 169,902,594	\$ 244,902,594	\$ 319,902,594	\$ 394,902,594	\$ 469,902,594	\$ 544,902,594	\$ 619,902,594	\$ 694,902,594	\$ 769,902,594	
High	Net assets including coal resource	\$ 124,992,594	\$ 224,992,594	\$ 324,992,594	\$ 424,992,594	\$ 524,992,594	\$ 624,992,594	\$ 724,992,594	\$ 824,992,594	\$ 924,992,594	\$ 1,024,992,594	
	Total number of shares before Performance shares convert	43,412,787	43,412,787	43,412,787	43,412,787	43,412,787	43,412,787	43,412,787	43,412,787	43,412,787	43,412,787	
	Total number of shares after Performance shares convert	45,912,787	48,412,787	50,912,787	53,412,787	55,912,787	58,412,787	60,912,787	63,412,787	65,912,787	68,412,787	
Low	Value per share	\$ 1.41	\$ 2.37	\$ 3.24	\$ 4.02	\$ 4.74	\$ 5.39	\$ 5.99	\$ 6.54	\$ 7.05	\$ 7.52	
Mid	Value per share	\$ 2.07	\$ 3.51	\$ 4.81	\$ 5.99	\$ 7.06	\$ 8.04	\$ 8.95	\$ 9.78	\$ 10.54	\$ 11.25	
High	Value per share	\$ 2.72	\$ 4.65	\$ 6.38	\$ 7.96	\$ 9.39	\$ 10.70	\$ 11.90	\$ 13.01	\$ 14.03	\$ 14.98	



The table below shows the conceptual range of values calculated on a per share basis if a uranium mineralisation equivalent to a JORC Inferred Uranium Resource is defined and increased in increments of 5 million pounds.

Conceptual value of a uranium mineralisation equivalent to a JORC Inferred Uranium Resource (per pound)												
Low	\$	0.50										
Preferred	\$	0.75										
High	\$	1.00										
			Conceptual uranium mineralisation equivalent to a JORC Inferred Uranium Resource									
Conceptual uranium mineralisation equivalent to a JORC Inferred Uranium Resource (million pounds)			5	10	15	20	25	30	35	40	45	50
Low	Value of uranium resource	\$	2,500,000	\$ 5,000,000	\$ 7,500,000	\$ 10,000,000	\$ 12,500,000	\$ 15,000,000	\$ 17,500,000	\$ 20,000,000	\$ 22,500,000	\$ 25,000,000
Mid	Value of uranium resource	\$	3,750,000	\$ 7,500,000	\$ 11,250,000	\$ 15,000,000	\$ 18,750,000	\$ 22,500,000	\$ 26,250,000	\$ 30,000,000	\$ 33,750,000	\$ 37,500,000
High	Value of uranium resource	\$	5,000,000	\$ 10,000,000	\$ 15,000,000	\$ 20,000,000	\$ 25,000,000	\$ 30,000,000	\$ 35,000,000	\$ 40,000,000	\$ 45,000,000	\$ 50,000,000
	# Performance shares issued		2,500,000	5,000,000	7,500,000	10,000,000	12,500,000	15,000,000	17,500,000	20,000,000	22,500,000	25,000,000
Low	Net assets: Scenario 1	\$	14,802,594	\$ 14,802,594	\$ 14,802,594	\$ 14,802,594	\$ 14,802,594	\$ 14,802,594	\$ 14,802,594	\$ 14,802,594	\$ 14,802,594	\$ 14,802,594
Mid	Net assets: Scenario 1	\$	19,902,594	\$ 19,902,594	\$ 19,902,594	\$ 19,902,594	\$ 19,902,594	\$ 19,902,594	\$ 19,902,594	\$ 19,902,594	\$ 19,902,594	\$ 19,902,594
High	Net assets: Scenario 1	\$	24,992,594	\$ 24,992,594	\$ 24,992,594	\$ 24,992,594	\$ 24,992,594	\$ 24,992,594	\$ 24,992,594	\$ 24,992,594	\$ 24,992,594	\$ 24,992,594
Low	Net assets including uranium resource	\$	17,302,594	\$ 19,802,594	\$ 22,302,594	\$ 24,802,594	\$ 27,302,594	\$ 29,802,594	\$ 32,302,594	\$ 34,802,594	\$ 37,302,594	\$ 39,802,594
Mid	Net assets including uranium resource	\$	23,652,594	\$ 27,402,594	\$ 31,152,594	\$ 34,902,594	\$ 38,652,594	\$ 42,402,594	\$ 46,152,594	\$ 49,902,594	\$ 53,652,594	\$ 57,402,594
High	Net assets including uranium resource	\$	29,992,594	\$ 34,992,594	\$ 39,992,594	\$ 44,992,594	\$ 49,992,594	\$ 54,992,594	\$ 59,992,594	\$ 64,992,594	\$ 69,992,594	\$ 74,992,594
	Total number of shares before Performance shares convert		43,412,787	43,412,787	43,412,787	43,412,787	43,412,787	43,412,787	43,412,787	43,412,787	43,412,787	43,412,787
	Total number of shares after Performance shares convert		45,912,787	48,412,787	50,912,787	53,412,787	55,912,787	58,412,787	60,912,787	63,412,787	65,912,787	68,412,787
Low	Value per share	\$	0.38	\$ 0.41	\$ 0.44	\$ 0.46	\$ 0.49	\$ 0.51	\$ 0.53	\$ 0.55	\$ 0.57	\$ 0.58
Mid	Value per share	\$	0.52	\$ 0.57	\$ 0.61	\$ 0.65	\$ 0.69	\$ 0.73	\$ 0.76	\$ 0.79	\$ 0.81	\$ 0.84
High	Value per share	\$	0.65	\$ 0.72	\$ 0.79	\$ 0.84	\$ 0.89	\$ 0.94	\$ 0.98	\$ 1.02	\$ 1.06	\$ 1.10

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*Appendix 5 – Independent specialist valuation of Shira’s and Panama’s mineral assets*

**AL MAYNARD & ASSOCIATES Pty Ltd**  
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*Australian & International Exploration & Evaluation of Mineral Properties*

**INDEPENDENT VALUATION  
OF  
PANAMA & SHIRA  
MINERAL ASSETS**

*Located in the Republic of Tanzania*

PREPARED FOR

*BDO Corporate Finance (WA) Pty Ltd*

BDO have concluded that the Proposed Transaction  
is fair and reasonable to Select shareholders

Author: Brian J Varndell BSc(SpecHonsGeol), FAusIMM  
Company: Al Maynard & Associates Pty Ltd  
Date: 8<sup>th</sup> March, 2012  
Revised: 24<sup>th</sup> May, 2012

## EXECUTIVE SUMMARY

This independent valuation has been prepared by Al Maynard & Associates Pty Ltd (“AM&A”) at the request of BDO Corporate Finance (WA) Pty Ltd (“BDO”) in order to provide a cash valuation of the mineral assets held by Panama Resources Limited (“Panama”) and Shira Resources Limited (“Shira”) in the Republic of Tanzania.

For the purpose of the valuation described below, a valuation date of 28<sup>th</sup> February, 2012 is used.

Panama and Shira advise that they are the beneficial owners of all 32 licences or applications through their 100% owned subsidiaries WTF Resources Limited and IBIS Resources Limited as listed in Appendix I. Based on enquiries made by AM&A, AM&A confirms that the tenement schedule is correct at the reporting date and is satisfied that Panama and Shira have beneficial ownership of the ground. It is noted that four of the applications have recently been offered to be granted and another two have been rejected, however none of these changes has any effect on the valuation.

The licences cover a variety of geological terranes with underlying Karroo sediments that are variously prospective for coal or uranium.

The total current cash value for a 100% interest in the **coal** potential is ascribed at A\$13.4M from within the ranges of A\$9.0M to A\$17.9M.

The total current cash value for a 100% interest in the **uranium** potential is ascribed at A\$1.8M from within the ranges of A\$1.2M to A\$2.5M.

The total current cash value for a 100% interest in the **combined** coal and uranium potential of the properties is ascribed at A\$15.3M from within the ranges of A\$10.2M to A\$20.4M.

## CONCLUSION

The current cash values, as at 28<sup>th</sup> February, 2012, for the combined coal and uranium potential of the properties is ascribed at A\$15.3M from within the ranges of A\$10.2M to A\$20.4M.

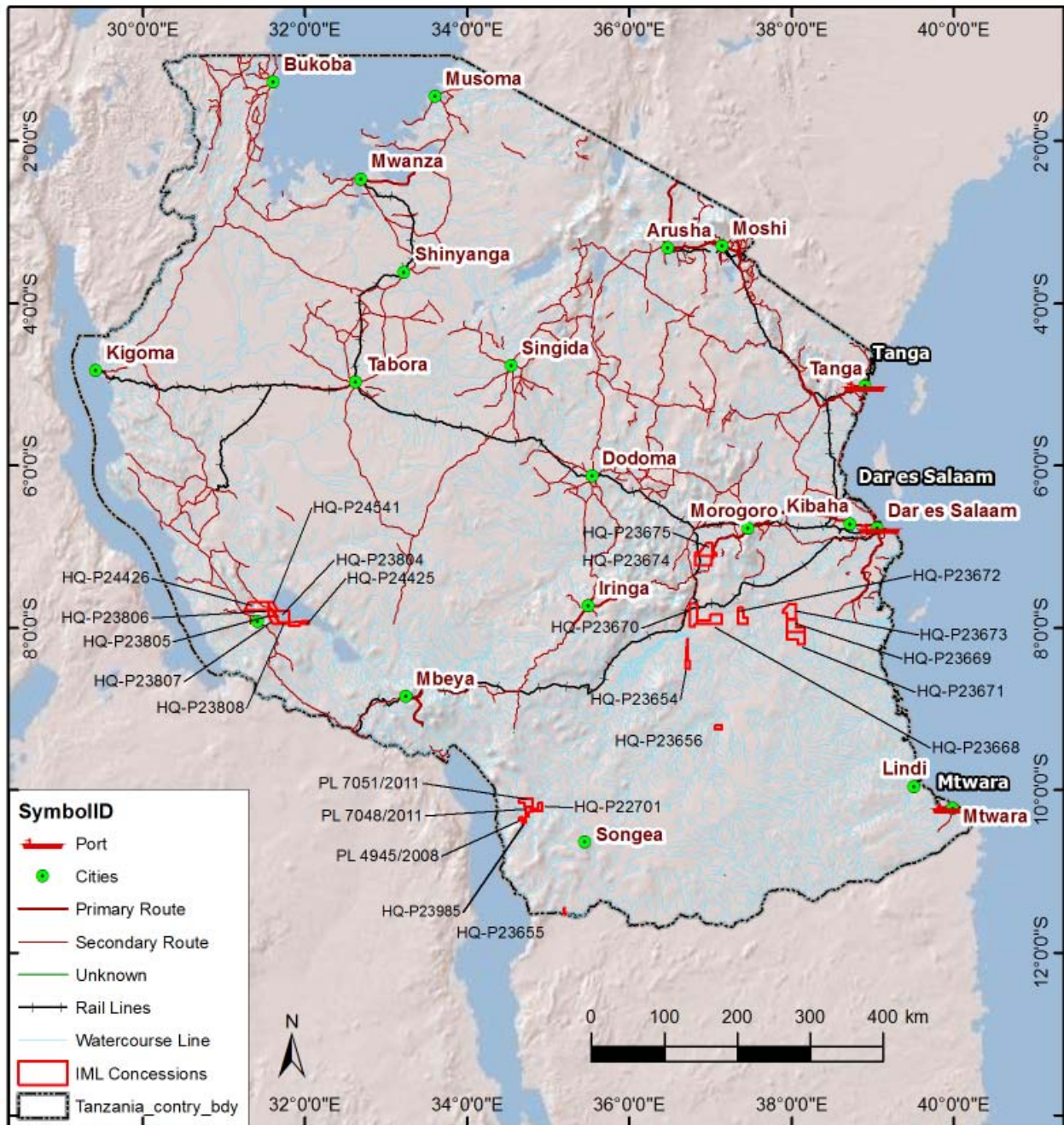


Figure 1: Panama’s & Shira’s Tanzania Projects Locality Map.

*Contents*

<b>1.0 INTRODUCTION.....</b>	<b>143</b>
1.1 SCOPE AND LIMITATIONS.....	143
1.2 STATEMENT OF COMPETENCE.....	144
<b>2.0 VALUATION OF THE MINERAL ASSETS – METHODS AND GUIDES .....</b>	<b>145</b>
2.1 GENERAL VALUATION METHODS.....	145
2.2 DISCOUNTED CASH FLOW/NET PRESENT VALUE.....	145
2.3 JOINT VENTURE TERMS.....	145
2.4 SIMILAR TRANSACTIONS.....	146
2.5 MULTIPLE OF EXPLORATION EXPENDITURE.....	146
2.6 RATINGS SYSTEM OF PROSPECTIVITY (KILBURN).....	146
2.7 EMPIRICAL METHODS (YARDSTICK – REAL ESTATE).....	146
2.8 GENERAL COMMENTS.....	147
2.9 ENVIRONMENTAL IMPLICATIONS.....	147
2.10 OTHER CLAIMS.....	147
2.11 COMMODITIES-METAL PRICES.....	147
2.12 RESOURCE/RESERVE SUMMARY.....	147
2.13 PREVIOUS VALUATIONS.....	147
2.14 ENCUMBRANCES/ROYALTY.....	147
<b>3.0 BACKGROUND INFORMATION.....</b>	<b>148</b>
3.1 INTRODUCTION.....	148
3.2 SPECIFIC VALUATION METHODS.....	148
<b>4.0 SUMMARY OF THE TANZANIA PROJECTS.....</b>	<b>148</b>
4.1 INTRODUCTION.....	148
4.2 REGIONAL GEOLOGICAL SETTING.....	148
4.3 SELOUS PROJECT.....	150
4.4 RUHUHU PROJECT.....	150
4.5 RUKWA PROJECT.....	150
4.6 MHUKURU PROJECT.....	151
<b>5.0 VALUATION OF THE PROJECTS.....</b>	<b>151</b>
5.1 EMPIRICAL METHOD.....	151
5.2 EMPIRICAL METHOD DETAILS.....	151
<b>6.0 CONCLUSION.....</b>	<b>153</b>
<b>7.0 SELECTED REFERENCES.....</b>	<b>154</b>
<b>8.0 GLOSSARY.....</b>	<b>155</b>

**List of Figures**

Figure 1: Panama’s & Shira’s Tanzania Projects Locality Map.....	141
Figure 2: Regional Geology of Southern Tanzania with Tenements.....	149

**List of Tables**

Table 1: Current cash value ranges for the Coal and Uranium Projects.....	153
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**Appendices**

Appendix 1: Project Tenements Schedule 28 <sup>th</sup> February, 2012.....	157
Appendix 2: Tenement Valuation Summary 28 <sup>th</sup> February, 2012.....	159



The Directors  
BDO Corporate Finance (WA) Pty Ltd,  
38 Station Street, Subiaco, WA 6008  
AUSTRALIA

24<sup>th</sup> May, 2012

Dear Sirs,

## **1.0 Introduction**

This report has been prepared by Al Maynard and Associates (“AM&A”) at your request to provide an independent appraisal of the cash value of Panama’s and Shira’s relevant interests in properties prospective for both coal and uranium in the Republic of Tanzania, as at 28<sup>th</sup> February, 2012.

## **1.1 Scope and Limitations**

This independent valuation and its accompanying geological description have been prepared at the request of BDO to provide the writer’s opinion of the current cash value of the 32 licences and applications listed in this report.

This valuation has been prepared in accordance with the requirements of the Valmin code (2005) as adopted by the Australian Institute of Geoscientists (‘AIG’) and the Australasian Institute of Mining and Metallurgy (‘AusIMM’).

This valuation is valid as at 28<sup>th</sup> February, 2012 and refers to the writer’s opinion of the value of the mineral assets at this date. This valuation can be expected to change over time having regard to political, economic, market and legal factors. The valuation can also vary due to the success or otherwise of any mineral exploration that is conducted either on the properties concerned or by other explorers on prospects in the near environs. The valuation could also be affected by the consideration of other exploration data, not in the public domain, affecting the properties which have not been made available to the author.

In order to form an opinion as to the value of any property, it is necessary to make assumptions as to certain future events, which might include economic and political factors and the likely exploration success. The writer has taken all reasonable care in formulating these assumptions to ensure that they are appropriate to the case. These assumptions are based on the writers’ technical training and experience in the mining industry. The opinions expressed represent the writer’s fair professional opinion at the time of this report. These opinions are not however, forecasts as it is never possible to predict accurately the many variable factors that need to be considered in forming an opinion as to the value of any mineral property.

The valuation methodology of mineral properties is exceptionally subjective. If an economic reserve or resource is subsequently identified then this valuation will be dramatically low relative to any later valuations, or alternatively if further exploration is unsuccessful it is likely to decrease the value of the tenements.

The valuation presented in this document is restricted to a statement of the fair value of the tenement package. The values obtained are estimates of the amount of money, or cash equivalent, which would be likely to change hands between a willing buyer and a willing seller in an arms' length transaction, wherein each party had acted knowledgeably, prudently and without compulsion. This is the required basis for the estimation to be in accordance with the provisions of the Valmin Code.

There are a number of generally accepted procedures for establishing the value of mineral properties with the method employed depending upon the circumstances of the property. When relevant, AM&A uses the appropriate methods to enable a balanced analysis. Values are presented as a range and the preferred value is identified.

The readers should form their own opinion as to the reasonableness of the assumptions made and the consequent likelihood of the values being achieved. The information presented in this report is based on technical reports provided by Select Vaccines supplemented by our own inquiries. At the request of AM&A copies of relevant technical reports and agreements were made available.

Select Vaccines will be invoiced and expected to pay a fee for the preparation of this report. This fee comprises a normal, commercial daily rate plus expenses. Payment is not contingent of the results of this report or the success of any subsequent public fundraising. Except for these fees, neither the writer nor his family nor associates have any interest neither in the property reported upon nor in Panama and Shira. Panama and Shira have confirmed in writing that all technical data known to be in the public domain is available to the writer.

It should be noted that in all cases, the fair valuation of the mineral properties presented is analogous with the concept of "valuation in use" commonly applied to other commercial valuations. This concept holds that the properties have a particular value only in the context of the usual business of the company as a going concern. This value will invariably be significantly higher than the disposal value, where, there is not a willing seller. Disposal values for mineral assets may be a small fraction of going concern values.

In accordance with the Valmin Code, we have prepared the "Range of Values" as shown in Section 6.0. Regarding the project it is considered that sufficient geotechnical data has been provided from the reports covering the area to enable an understanding of the geology. This, coupled with general knowledge and site visits of the area provides sufficient information to form an opinion as to the current value of the mineral assets.

## **1.2 Statement of Competence**

This report has been prepared by Brian J. Varndell BSc(SpecHonsGeol) and FAusIMM, a geologist with over 40 years in the industry and 35 years in mineral asset valuation. The writer holds the appropriate qualifications, experience and independence to qualify as an independent "Expert" under the definitions of the Valmin Code. The writer conducted a field trip to the project area during 2012.

## 2.0 Valuation of the Mineral Assets – Methods and Guides

With only exploration potential on the tenements it is very difficult to place a singular dollar value on any mining tenement portfolio. However, with due regard to the guidelines for assessment and valuation of mineral assets and mineral securities as adopted by the AusIMM Mineral Valuation Committee on 17<sup>th</sup> February, 1995 – the Valmin Code (updated 1999 & 2005) – we have derived the estimates listed below using the appropriate method for the current technical value of the mineral exploration properties as described.

The following ASIC publications have also been duly referred to and considered in relation to the valuation procedure: ‘Regulatory Guidelines’ 111 & 112.

The subjective nature of the valuation task is kept as objective as possible by the application of the guideline criteria of a “fair value”. This is a value that an informed, willing, but not anxious, arms’ length purchaser will pay for a mining (or other) property in a transaction devoid of “forced sale” circumstances.

### 2.1 General Valuation Methods

The Valmin Code identifies various methods of valuing mineral assets, including:-

- Discounted cash flow,
- Joint Venture and farm-in terms for arms’ length transactions,
- Precedents from similar asset sales/valuations,
- Multiples of exploration expenditure,
- Ratings systems related to perceived prospectivity,
- Real estate value and,
- Empirical Method (Rule of thumb or Yardstick approach).

### 2.2 Discounted Cash Flow/Net Present Value

This method provides an indication of the value of a property with identified reserves. It utilises an economic model based upon known resources, capital and operating costs, commodity prices and a discount for risk estimated to be inherent in the project. The discount is subjective according to the valuer’s opinion. The percentages used will vary according to the details of any particular deposit such as grade, waste: ore ratio, metallurgical recovery and other relevant factors. Alternatively a value can be assigned on a royalty basis commensurate with the *insitu* contained metal value.

Net present value (‘NPV’) is determined from discounted cash flow (‘DCF’) analysis where reasonable mining and processing parameters can be applied to an identified ore reserve. It is a process that allows perceived capital costs, operating costs, royalties, taxes and project financing requirements to be analysed in conjunction with a discount rate to reflect the perceived technical and financial risks and the depleting value of the mineral asset over time. The NPV method relies on reasonable estimates of capital requirements, mining and processing costs.

### 2.3 Joint Venture Terms

The terms of a proposed joint venture agreement may be used to provide a market value based upon the amount an incoming partner is prepared to spend

to earn an interest in part or all of the property. This pre-supposes some form of subjectivity on the part of the incoming party when grass roots properties are involved.

#### **2.4 Similar Transactions**

When commercial transactions concerning properties in similar circumstances have recently occurred, the market value precedent may be applied in part or in full to the property under consideration.

#### **2.5 Multiple of Exploration Expenditure**

The multiple of exploration expenditure method ('MEE') is used whereby a subjective factor (also called the prospectivity enhancement multiplier or 'PEM') is based on previous expenditure on a tenement with or without future committed exploration expenditure and is used to establish a base value from which the effectiveness of exploration can be assessed. Where exploration has produced documented positive results a MEE multiplier can be selected that takes into account the valuer's judgment of the prospectivity of the tenement and the value of the database. MEEs can typically range from 0 to 3.0 and occasionally up to 5.0 (where exceptional results are yielded) applied to previous exploration expenditure to derive a dollar value.

#### **2.6 Ratings System of Prospectivity (Kilburn)**

The most readily accepted method of this type is the modified Kilburn Geological Engineering/Geoscience Method and is a rating method based on the basic acquisition cost ('BAC') of the tenement that applies incremental, fractional or integer ratings to a BAC cost with respect to various prospectivity factors to derive a value. Under the Kilburn method the valuer is required to systematically assess four key technical factors which enhance, downgrade or have no impact on the value of the property. The factors are then applied serially to the BAC of each tenement in order to derive a value for the property. The factors used are; off-property attributes on-property attributes, anomalies and geology. A fifth factor that may be applied is the current state of the market.

#### **2.7 Empirical Methods (Yardstick – Real Estate)**

The market value determinations may be made according to the independent expert's knowledge of the particular property. This can include a discount applied to values arrived at by considering conceptual target models for the area. The market value may also be rated in terms of a dollar value per unit area or dollar value per unit of resource in the ground. This includes the range of values that can be estimated for an exploration property based on current market prices for equivalent properties, existing or previous joint venture and sale agreements, the geological potential of the properties, regarding possible exploration potential, and the probability of present value being derived from individual recognised areas of mineralisation. This method is termed a "Yardstick" or a "Real Estate" approach. Both methods are inherently subjective according to technical considerations and the informed opinion of the valuer.

## **2.8 General Comments**

The aims of the various methods are to provide an independent opinion of a “fair value” for the property under consideration and to provide as much detail as possible of the manner in which the value is reached. It is necessarily subjective according to the degree of risk perceived by the property valuer in addition to all other commercial considerations. Efforts to construct a transparent valuation using sophisticated financial models are still hindered by the nature of the original assumptions where a known resource exists and are not applicable to properties without an identified resource.

The values derived for this report have been concluded after taking into account:-

- The general geological environment of the property under consideration is taken into account to determine the exploration potential;
- Current commodity prices.

## **2.9 Environmental implications**

Information to date indicates that the project areas have not been reviewed by an environmental specialist for their fauna or flora species regarded as being rare, threatened or endangered. This will need to be reviewed.

## **2.10 Other Claims**

No other claims are apparent at this point in time.

## **2.11 Commodities-Metal prices**

Where appropriate, current metal prices are used sourced from the usual metal market publications or commodity price reviews. (eg; “Kitco.com”).

## **2.12 Resource/Reserve Summary**

There are no identified JORC Code compliant resources within the Project tenements.

## **2.13 Previous Valuations**

AM&A is not aware of any previous valuations on the projects.

## **2.14 Encumbrances/Royalty**

No royalty payments are considered in this valuation.

### **3.0 Background Information**

#### **3.1 Introduction**

This valuation has been provided by way of helicopter assisted site visits (13<sup>th</sup> to 18<sup>th</sup> February, 2012) and a detailed study of information provided by Panama & Shira on the projects up until to 28<sup>th</sup> February, 2012.

#### **3.2 Specific Valuation Methods**

There are several methods available for the valuation of a mineral prospect ranging from the most favoured DCF analysis of identified Reserves to the more subjective rule-of-thumb assessments such as the Yardstick or Empirical methods or Comparative Value/Similar Transactions method. These methods are discussed above in Section 2.0.

### **4.0 Summary of the Tanzania Projects**

#### **4.1 Introduction**

The tenements are held by two 100% owned subsidiaries, Ibis Resources Limited (“Ibis”) or WTF Resources Limited (“WTF”) with one tenement application belonging to Aziza Kiombile (“Aziza”) that will be transferred to Ibis when the application is approved. All are located in the southern part of Tanzania and have been grouped into four main geographical project areas (Fig 1 & 2). At 28<sup>th</sup> February, 2012, the portfolio comprised the following with details shown in Appendix 1:-

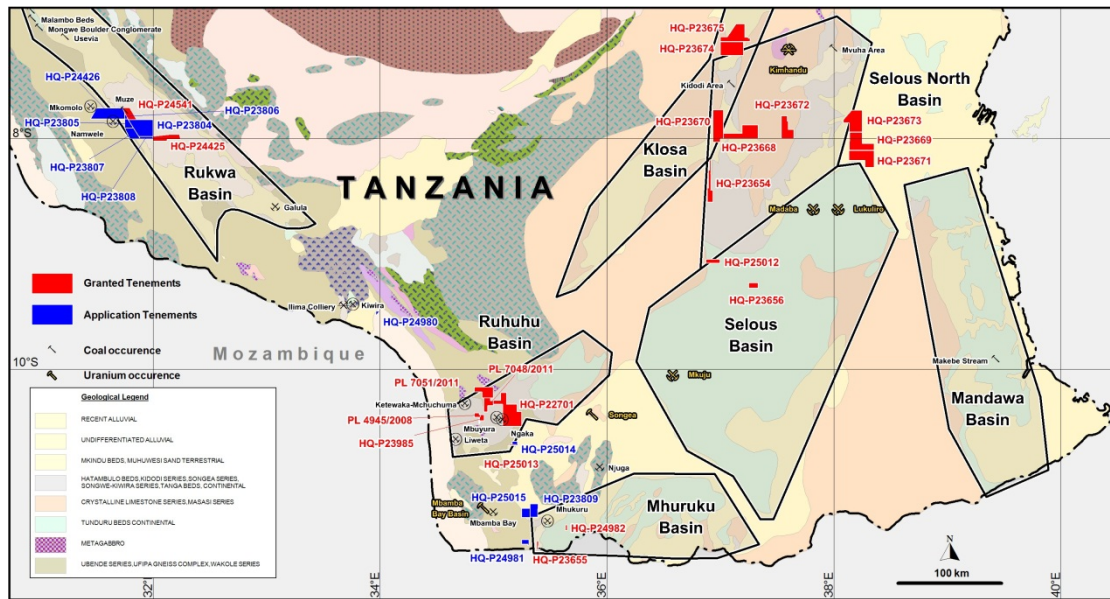
- Selous Coal Project comprising 11 tenements all held by Ibis in the Selous-Kilosa and the Rufiji sub-basins in the central and eastern parts of Tanzania.
- Ruhuhu Basin Coal Project comprising eight tenements with seven held by Ibis and one by Aziza Kiombile in the Ruhuhu Basin in SW Tanzania.
- Sumbagawa Coal Project comprises eight contiguous tenements held by WTF in the Rukwa Basin, in the south western part of Tanzania.
- Mhukuru Coal Project comprising five tenements with two held by Ibis and three held by WTF in the extreme southern portion of the Selous Basin in SW Tanzania, near the border with Mozambique.

Based on enquiries made by AM&A, AM&A is satisfied that Panama and Shira have beneficial ownership of the ground.

#### **4.2 Regional Geological Setting**

The geology of Tanzania comprises Precambrian metamorphic basement rocks and much younger late Palaeozoic, Mesozoic and minor Cainozoic sedimentary sequences overlying the basement complexes.

The Northern and Southern Highland Regions are part of the major East African Rift System that extends northwards through Kenya and Ethiopia. This rift system developed over the last 30 million years through extreme crustal tension with rift faulting and associated volcanic activity. The Central Plateau that covers most of central and northern Tanzania is composed of Precambrian crystalline basement rocks.



**Figure 2: Regional Geology of Southern Tanzania with Tenements.**

Much of southern Tanzania is covered by sedimentary material of various ages from Palaeozoic to Recent and includes significant Karoo sequences that extend from the coast at the Kenyan border in the north SW to Lake Nyasa (Malawi) on the Mozambique border. The coastal plain consists of largely unconsolidated Quaternary sediments as beach sands, dunes and salt marsh together with minor limestone deposits. Unconsolidated Quaternary sediments also infill depressions and valleys in parts of central Tanzania.

Coal is confined to the lower part of the Karoo Supergroup. Sediments in this sequence are of Permian age where the coal measures setting is comparable to other Gondwana related coal deposits found in South America, India, Australia and Antarctica. The term “Karoo” has been extrapolated from the type sequence from the Karoo Basin in South Africa to describe the sedimentary fill, using local sequence names, of all the other basins of similar age across the Gondwana super-continent. The location of the Karoo Basins in Tanzania with IML tenements and application areas is shown in Figure 2.

Broad lithostratigraphic correlations can be drawn between the various Karoo Basins, but the lithostratigraphic character of these sequence changes significantly across the African continent in response to local climatic conditions. Karoo Supergroup sediments were deposited rapidly on the underlying Precambrian basement complexes. The Karoo sequence in Tanzania is mainly terrestrial, although thin marine intercalations occur in the east-central part of the country. The Ruhuhu Basin in the southwest of the country is the northernmost documented of the Karoo basins that still contains a fairly complete succession of typical Karoo litho-facies units. However to the north the full sequence is yet to be exposed or tested via drilling.

In Tanzania, the Karoo Supergroup succession is known as the Songea Group and is preserved in narrow, elongated, partly fault-controlled and disconnected graben and half-graben areas that rest unconformably on crystalline basement of Precambrian age. The Karoo sequence displays overlapping and overstepping relationships on the basement, particularly in the southwest and west, reflecting the relief of the pre-Karoo surface.

The known coal measures in Tanzania occur in the SE of the country in a series of unconnected Karroo basins that extend southeast from Lake Rukwa down, on the east side of Lake Malawi towards the international border with Mozambique. In addition to the Permian coal deposits, a number of occurrences of lignite occur in Jurassic and Tertiary age sediments in the coastal plains region.

In Tanzania the Karroo stratigraphy consists of 8 subdivisions numbered K1 through K8, with K1 being the oldest subdivision and K8 the youngest that broadly correlate with the southern Africa nomenclature.

Coal measures occur in the K2 and K4 Formations as the lower and upper coal measures which have been named the Mchuchuma Formation (K2) and Mhukuru Formation (K4). In all but one of the coalfields, the better developed coal is found in the Lower Permian age Mchuchuma Formation (K2). The K4 sequence is also the site of the precipitation of several roll front uranium deposits in the Tanzanian Karroo-Songea sediments where the presence of carbonaceous material in the sandstones provided a reducing environment interface in some areas with an oxidising uranium-rich groundwater flow. Fault controlled uranium mineralisation is also possible in both the Precambrian Basement and the sediments but this style has not been considered in this valuation.

#### NOTES ON THICKNESS OF KARROO COAL SEAMS AND URANIUM BEDS

Uranex quote coal thicknesses ranging from <1.0m up to 7.5m (ASX Release 7<sup>th</sup> April, 2011).

Intra Energy Corp quote Indicated Resources based on three seams of 0.5m; 2.1m & 6.2m thickness.

Mantra Resources block modelling shows >200ppm U<sub>3</sub>O<sub>8</sub> from blocks ranging from 3.0m thick to 30m thick.

### **4.3 Selous Project**

The Selous Project tenements are in a central portion of the elongated part of the Karroo Basin that stretches north eastwards from the Mozambique border towards Dar es Salaam. Generally this is a mature part of the basin with Upper Karroo sediments cropping out over most of the area which implies that if coal measures are present they will likely occur at an as yet unknown depth. There are a few isolated fault controlled subsidiary basins in the area that have Lower Karroo rocks outcropping and consequently have greater potential to host shallow coal measures.

### **4.4 Ruhuhu Project**

The Ruhuhu Project is a sub-set to the west of the main Selous Basin where Lower Karroo K4 outcrops dominate. The K1 coal measures, if present, are likely to be at exploitable depths. The presence of many strike parallel faults increases the possibility for there to be up-faulted blocks of the more basal Karroo sequence.

### **4.5 Rukwa Project**

The Rukwa Project area is in the western arm of the rift valley where the rifting has dislocated the remnant Karroo outcrops into smaller sub-basins with generally steeper dips. The Rukwa Lake, which is a broad, shallow feature with associated Quaternary sediment, also masks potential sub-crops of Karroo sequences.



In the outcrops visited in the upper rift rim zone dips are sub vertical so if coal seams are present they could be considered for underground mining using a “shrink stope” approach. Available tonnage potential is not high.

#### **4.6 Mhukuru Project**

This small area occurs at the southern extent of the Selous Basin near the Mozambique border. One visited outcrop is of K3 material and indicates the possibility for nearby K2 sequences to outcrop. Mapping is required to indicate where the K2 outcrop or sub-crop will occur in relation to the tenements. Potential for shallow coal is good.

### **5.0 Valuation of the Projects**

To determine a fair market value several aspects need to be considered. As there is only exploration potential the DCF method is not applicable. The Kilburn Method is considered to generate such a wide range of values that it is not relevant here. Therefore a form of the Empirical Method is considered appropriate and described below.

#### **5.1 Empirical Method**

The reference to the ‘Valuation & Performance Data’ section on Page 10 of the March Quarter, 2012, report from Resource Capital Research (“RCR”) on the “Uranium Sector Review; Exploration Development and Production” was referred to for the purpose of obtaining an overall view of the average insitu “Resources/Reserves” value of uranium in the ground for a range of recent insitu valuations using various companies’ market capitalisation.

This in ground value is a direct reflection of, the ‘Enterprise Value’ (“EV”) of any given publicly listed company.

The EV is determined by using a company’s ‘Market Capitalisation’ (=total diluted shares on issue multiplied by the share price and adjusted for assets and liabilities), which then theoretically represents what value “The Market” is placing on the mineral assets of the company on any share market trading day.

The ‘Market’ perception of any company may be a very ephemeral phenomena as illustrated when various stocks have an upwards ‘Run’ on their share price without any change to the known insitu mineralisation. Consequently, this sort of circumstance will automatically reflect the EV in a positive manner and conversely will have a negative effect on the EV when high volume selling takes place and the same shares reduce in value for any reason at all.

This technical valuation of the mineral assets does not take into account such market factors as short-medium-long-term market outlooks, commodity price and currency fluctuations and thus has retained a ‘neutral’ view point as attempting to forecast such factors is well outside of the scope of this report and our expertise, although a valuer may consider such issues in addition to the technical details.

#### **5.2 Empirical Method Details**

##### **CONCEPTUAL RANGES:**

**URANIUM:** The current Uranium price is approximately US\$51/lb (A\$49.00). The RCR report on insitu uranium values states a range from US\$1.65 to \$1.57 (mid-range US\$1.61) per pound in the ground which is from A\$1.58 to A\$1.51/lb (mid-range A\$1.54). (A\$1.00=US\$1.04). This is equivalent to 3.2% for the mid-range value. For this valuation the

selected prices were \$0.50, low to \$1.00 high with a preferred value of \$0.75 which is equivalent to 1.5% for the mid-range value.

So, for conceptual uranium mineralisation, assuming these are identified, we have applied this further discount to the RCR range above for conservatism and thus adopted a range from A\$0.50 to A\$1.00/lb U<sub>3</sub>O<sub>8</sub> with a preferred mid-point value of A\$0.75 (49% mid-range discount) per pound irrespective of how many millions of pounds are estimated in the future.

**COAL:** In a similar manner, for the conceptual coal, with the current coal price ranging from A\$110 to A\$140 per tonne (mid-point \$125) we have adopted an insitu low value of A\$0.50 to a high of A\$1.00/t with a preferred mid-point value of A\$0.75 per tonne (equivalent to 0.6% of a mid-point coal price per tonne) for every tonne irrespective of how many millions of tonnes are estimated in the future.

#### **CURRENT VALUE RANGES:**

We consider the “Exploration Potential” as a measure of worth by applying a very high discount to the theoretical potential value of insitu mineralisation to then represent a cash value range for the various properties.

Each tenement was considered from the geological point of view; firstly for the area of outcropping or sub-cropping Karroo sequences and then, appropriate discounting factors were applied to reduce the total land area of each licence to an area considered, from the authors personal field experience (B. Varndell) plus any relevant technical data, to hold coal potential.

If the likelihood for coal measures was considered reasonable having regard to the lithology and structure then an the exploration potential was estimated by applying a notional thickness (four metres) of coal to obtain a volume and then a specific gravity of 1.5 was applied to the volume numbers to generate a tonnage estimate (See Appendix 2). It is known from Mr Varndell’s field work for other clients over the previous 30 years that some coal seams in this northern ‘Karoo’ setting have a seam width range from 1.0 to 4.0 metres in individual thickness and at various locations there can be several (two to four ‘stacked’, separate sequences in the K2 horizon). In the K4 horizons seams are generally thinner and the number of seams more varied. Thus, applying a notional thickness of only four metres is considered to be conservative.

This potential tonnage was then discounted heavily for geological and mining risk to represent reality and coal prices were applied to the residual potential tonnage of coal to provide low, high and preferred values. Please note that the exploration potentials are conceptual in nature and future work may or may not delineate these in whole or in part.

A similar approach of discounting the land area to arrive at a potential prospective area and then the volume and tonnage calculations applied plus further discounts for risk was used to estimate the exploration potential of the K4 Formation that hosts the uranium potential.

It is acknowledged that the SG of 3.0 shown in the spreadsheet (Appendix 2) for the ‘uranium potential’ is on the high side compared with an SG of 2.5 or 2.7 for typical Karroo sediments but the thickness used of less than three metres is again very conservative as other known deposits of uranium elsewhere in the Karroo have thicknesses ranging from 1.0 to 30.0 metres (pers Comm– Namibian and Sth. African Client; from drilling) and public domain information (Titley, 2011). Therefore the column thickness-SG multiplier factor in the valuation spreadsheet is also still very conservative. The complete ‘working details’ are shown below in Appendix 2.

The results of this estimation process are summarised in Table 2. A comparable transactions, or other method, is not considered applicable here as we are valuing the exploration potential and not resources and have not sighted any recent similar comparable transactions.

Accordingly, for the exploration potentials, it is the writer's opinion that the current cash value for 100% of Panama's and Shira's tenements is considered to be A\$15.29 million from within the range of A\$10.19 million to A\$20.38 million as at 28th February, 2012.

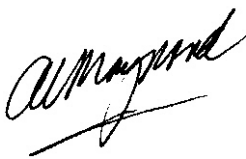
<b>Tenement Type</b>	<b>Preferred</b>	<b>Low</b>	<b>High</b>
	<b>A\$M</b>	<b>A\$M</b>	<b>A\$M</b>
Granted Coal	12.49	8.33	16.66
Granted Uranium	1.73	1.15	2.30
Granted Combined	14.22	9.48	18.96
Applications Coal	0.95	0.63	1.27
Applications Uranium	0.16	0.11	0.22
Applications Combined	1.11	0.74	1.48
All Coal	13.44	8.96	17.92
All Uranium	1.84	1.23	2.46
<b>All Combined</b>	<b>15.29</b>	<b>10.19</b>	<b>20.38</b>

**Table 1: Current cash value ranges for the Coal and Uranium Projects.**

## **6.0 CONCLUSION**

The current cash values, as at 28th February, 2012, for the relevant variable proportions are summarised in Table 1 with the combined coal and uranium values ascribed at A\$15.3M within the range of A\$10.2M to A\$20.4M.

Yours faithfully,



Allen J. Maynard

BAppSc(Geol), MAIG, MAusIMM.

## 7.0 Selected References

AusIMM, (2004): "Australasian Code for Reporting of Mineral Resources and Ore Reserves (JORC Code), prepared by the Joint Ore Reserves Committee (JORC) of the AusIMM, the Australian Institute of Geoscientists (AIG) and the Minerals Council of Australia (MCA), effective December 2004.

AusIMM. (2005): "Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports (the VALMIN Code)" 2005 Edition.

AusIMM, (1998): "Valmin 94 - Mineral Valuation Methodologies". Conference Proceedings.

CIM, (April 2001), "CIM Special Committee on Valuation of Mineral Properties (CIMVAL)" Discussion paper.

CIM, (2003): - "Standards and Guidelines for Valuation of Mineral Properties. Final Version, February 2003".Special Committee of the Canadian Institute of Mining, Metallurgy and Petroleum on Valuation of Mineral Properties (CIMVAL).

Kilburn, LC, 1990: "Valuation of Mineral Properties which do not contain Exploitable Reserves" CIM Bulletin, August 1990.

Mantra Resources: <http://asx.com.au/asxpdf/20101229/pdf/41vylqvldt82r0.pdf>

Resource Capital Research, April, 2012: "Uranium Sector Review", Exploration Development and Production.

Titley, M, 2010: NI 43-101 Technical Report on the "November, 2010 Resource Update, Mkuju River Project, Tanzania". Prepared for Mantra Resources Limited.

URANEX LIMITED : The coal seams themselves range from <1m to 7.5m, (Source : ASX ANNOUNCEMENT 7 April 2011) [www.uranex.com.au/.../Quarterly%20Report](http://www.uranex.com.au/.../Quarterly%20Report)).

### **INTRA ENERGY CORP**

Seam A2 = 6.2 metres (Indicated Resources 52.8 million tonnes)

Seam B = 0.5 metres (Indicated Resources 5.6 million tonnes)

Seam C = 2.1 metres (Indicated Resources 16.3 million tonnes)

<http://www.intraenergycorp.com.au/irm/ShowStaticCategory.aspx?CategoryID=218&HideTopLine=True&masterpage=4>

## 8.0 Glossary

<b>Alteration Zone</b>	Zone within which rock-forming minerals have been chemically changed.
<b>Anomaly</b>	Value higher or lower than the expected or norm.
<b>Axis</b>	Hinge-line of a fold.
<b>Country rock</b>	A general term applied to rock surrounding or penetrated by mineral veins.
<b>Dip</b>	The angle at which a rock layer, fault or any other planar structure is inclined from the horizontal.
<b>Domain</b>	The areal extent of given lithology or environment.
<b>Dyke</b>	A tabular intrusive body of igneous rock that cuts across bedding at a high angle.
<b>Fault</b>	A fracture in rocks on which there has been movement on one of the sides relative to the other, parallel to the fracture.
<b>Fold</b>	A bend in the rock strata or planar structure.
<b>Geophysics</b>	Study of the earth by quantitative physical methods.
<b>Igneous</b>	Formed by solidification from a molten or partly molten state.
<b>Inferred Resource</b>	A resource inferred from geoscientific evidence, drillholes, underground openings or other sampling procedures where lack of data is such that continuity cannot be predicted with confidence and where geoscientific data may not be known with a reasonable level of reliability.
<b>JORC Code</b>	Joint Ore Reserves Committee- Australasian Code for Reporting for Identified Resources and Ore Reserves.
<b>Metamorphism</b>	The mineralogical, structural and chemical changes induced within solid rocks through the actions of heat, pressure or the introduction of new chemicals. Rocks so altered are prefixed "meta" as in "metabasalt".
<b>Mineralisation</b>	In economic geology, the introduction of valuable elements into a rock body.
<b>Opencut</b>	Descriptive of a mine worked open from the surface.
<b>Ore</b>	A mixture of minerals, host rock and waste material which is expected to be mineable at a profit.
<b>Orebody</b>	A continuous, well-defined mass of ore.
<b>Outcrop</b>	The surface expression of a rock layer (verb: to crop out).
<b>Primary mineralisation</b>	Mineralisation which has not been affected by near-surface oxidising processes.
<b>RAB</b>	<b>Rotary Air Blast</b> (as related to drilling)—A drilling technique in which the sample is returned to the surface outside the rod string by compressed air.
<b>RC</b>	<b>Reverse Circulation</b> (as relating to drilling)—A drilling technique in which the cuttings are recovered through the internal drill rods thus minimising sample losses and contamination.
<b>Resource</b>	In-situ mineral occurrence from which valuable or useful minerals may be recovered, but from which only a broad knowledge of the geological character of the deposit is based on relatively few samples or measurements.
<b>Reverse Fault</b>	A fracture in rocks in which the strata above the fracture have been displaced up the fracture plane relative to the strata below the fracture.
<b>Shear (zone)</b>	A zone in which shearing has occurred on a large scale so that the rock is crushed and brecciated.
<b>Silicified</b>	Containing a high proportion of silicon dioxide.
<b>Soil sampling</b>	Systematic collection of soil samples at a series of different locations in order to study the distribution of soil geochemical values.
<b>Strike</b>	The direction or bearing of the outcrop of an inclined bed or structure on a level surface.
<b>Strike-slip fault</b>	Faults parallel to the strike of the rock strata.
<b>Stringer</b>	A narrow vein or irregular filament of mineral traversing a rock mass.
<b>Subcrop</b>	The surface expression of a mostly concealed rock layer.

<b>Syncline</b>	A fold where the rock strata dip inwards towards the axis (antonym: anticline).
<b>Unconformity</b>	Lack of parallelism between rock strata in sequential contact, caused by a time break in sedimentation.
<b>Vein</b>	A narrow intrusive mineral body.

**Abbreviations**

g	gram (= 1.0 ppm).	kg	kilogram
km	kilometre	km <sup>2</sup>	square kilometre
lb	pound weight		
m	metre	m <sup>2</sup>	square metre
m <sup>3</sup>	cubic metre	mm	millimetre
MMI	Mobile Metal Ions	t	tonne
ppb	parts per billion	ppm	parts per million

**Appendix 1: Project Tenements Schedule 28<sup>th</sup> February, 2012**

Project	Tenement	Km2	District	Status*	Applied	Granted	Expires	Holder
	HQ-P23655	11.41	Mbinga	Granted	27/05/2011	23/08/2011	22/08/2015	Ibis Resources Ltd
	HQ-P24982	9.84	Songea	Application	16/12/2011	N/A	N/A	WTF Resources Ltd
Mhukuru	HQ-P24981	33.16	Mbinga	Application	15-12-2-11	?	?	WTF Resources Ltd
	HQ-P25015	71.26	Mbinga-Songea	Application	27/12/2011	?	?	Ibis Resources Ltd
	HQ-P23809	98.12	Songea	Application	23/06/2011	?	?	WTF Resources Ltd
	PL 4945/2008	25.97	Mbinga	Granted	14/08/2007	16/11/2011	3/04/2015	Ibis Resources Ltd
	PL 7051/2011	148.14	Ludewa&Mbinga	Granted	25/07/2008	21/04/2011	20/04/2015	Ibis Resources Ltd
	PL 7048/2011	81.49	Ludewa&Mbinga	Granted	13/10/2010	21/04/2011	20/04/2015	Ibis Resources Ltd
Ruhuhu	HQ-P22701	191.67	Mbinga	Granted	25/10/2010	Await	?	KIOMBILE (being transferred to Ibis Resources Ltd)
	HQ-P23985	23.85	Mbinga	Application	25/07/2011	27/07/2011	25/07/2015	Ibis Resources Ltd
	HQ-P25013	7.11	Mbinga	Grant offered	27/12/2011	N/A	N/A	Ibis Resources Ltd
	HQ-P25014	16.58	Mbinga	Application	27/12/2011	?	?	Ibis Resources Ltd
	HQ-P24425	127.84	Sumbawanga	Grant offered	1/04/2011	N/A	N/A	WTF Resources Ltd
	HQ-P24541	87.15	Sumbawanga	Grant offered	19/01/2011	N/A	N/A	WTF Resources Ltd
	HQ-P23804	302.47	Sumbawanga	Application	23/06/2011	?	?	WTF Resources Ltd
	HQ-P23805	51.83	Sumbawanga	Application	23/06/2011	?	?	WTF Resources Ltd
Rukwa	HQ-P23806	10.05	Sumbawanga	Application	10/04/2011	Await	?	WTF Resources Ltd
	HQ-P23807	95.67	Sumbawanga	Application	23/06/2011	?	?	WTF Resources Ltd
	HQ-P23808	28.69	Sumbawanga	Application	23/06/2011	?	?	WTF Resources Ltd
	HQ-P24426	326.59	Sumbawanga	Application	10/04/2011		?	WTF Resources Ltd
	HQ-P24980	6.5	Kyela	Application	16/12/2011	?	?	WTF Resources Ltd
	HQ-P23654	116.59	Ulanga	Granted	27/05/2011	23/08/2011	22/08/2015	Ibis Resources Ltd
	HQ-P23656	48.08	Liwage&Ulanga	Granted	27/05/2011	23/08/2011	22/08/2015	Ibis Resources Ltd
	HQ-P23668	295.48	Kilombero	Granted	30/05/2011	23/08/2011	22/08/2015	Ibis Resources Ltd
	HQ-P23669	294	Rufiji	Granted	30/05/2011	23/08/2011	22/08/2015	Ibis Resources Ltd
	HQ-P23670	269.08	Kilombero - Ulanga	Granted	30/05/2011	23/08/2011	22/08/2015	Ibis Resources Ltd
Selous	HQ-P23671	292.07	Rufiji&Liwale	Granted	30/05/2011	23/08/2011	22/08/2015	Ibis Resources Ltd
	HQ-P23672	197.15	Kilombero	Granted	30/05/2011	23/08/2011	22/08/2015	Ibis Resources Ltd
	HQ-P23673	296.77	Rufiji	Granted	30/05/2011	23/08/2011	22/08/2015	Ibis Resources Ltd
	HQ-P23674	298.31	Kilosa	Granted	30/05/2011	23/08/2011	22/08/2015	Ibis Resources Ltd
	HQ-P23675	295.56	Kilosa	Granted	27/05/2011	23/08/2011	22/08/2015	Ibis Resources Ltd
	HQ-P25012	50.96	Ulanga	Grant offered	27/12/2011	N/A	N/A	Ibis Resources Ltd

**\*NOTE:**

At the effective date of this valuation (28<sup>th</sup> February, 2012) the above schedule was correct and complete as advised by the companies (Panama & Shira). It is also understood that recently an additional eight licences have been added to the total tenement portfolio since the date of the valuation for no additional consideration.

However, on 28<sup>th</sup> February, 2012 these new tenements had no material effect on the valuation conclusions with regards to the sub-surface geology as this ground was not considered in this appraisal.

Based on enquiries made by AM&A, AM&A is satisfied that Panama and Shira have beneficial ownership of the ground.



## Appendix 2: Tenement Valuation Summary 28th February, 2012.

Please note that the exploration potentials are conceptual in nature and future work may or may not delineate these in whole or in part.

*Notes to explain the 'workings':-*

As described above we rate the total area of a tenement for prospectivity considering the lithology and structure. This rating as a percentage is shown in column 5 as 'Prospective % / km<sup>2</sup>'. From the initial total area of each tenement (col 3), a reduced area is thus derived (col 6).

To this reduced area (col 6) we apply a notional thickness to derive a volume and then multiply this volume by an assumed specific gravity (SG) for coal and uranium; column 7 shows the product of the notional thickness and the SG. Column 8 shows the derived 'working or Reduced tonnage' as the product of columns 6\*7. With further consideration of the prospectivity from all available geological data we then assign a 'prospectivity discount factor' listed in column 9.

This very large discount (col 9) is used to value the 'Exploration Potential' as a measure of worth to derive the 'Residual tonnage' (col 10). To the total of these combined discounts (col 10) we apply a range of values from low (col 11) to high (col 12) and assign a preferred value per tonne for coal or pounds for uranium (col13). In the case for uranium the discount allows for tonnes of potential host rock to be converted to pounds of uranium. This process then generates the ranges of values (col 14, 15 & 16) which are then summed to provide our conclusions regarding the total current value ranges.

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
No	Lic ID	km2	Status	Prospective % / km2	Pros km2	Coal m* SG 1.5	Reduced Mt	% Factor discount	Residual Mt	Low \$/t	High \$/t	Pref \$/t	Low M\$	High M\$	Pref M\$
<b>COAL</b>															
1	PL 4945/2008	25.97	Granted												
2	PL 7048/2011	81.49	Granted												
3	PL 7051/2011	148.14	Granted												
4	HQ-P22701	191.67	Granted												
6	HQ-P23985	23.85	Application												
		471.12		60	282.67	6	1696	99.85	2.54	0.5	1	0.75	1.27	2.54	1.91
7	HQ-P25013	7.11	Grant offered												
8	HQ-P25014	16.58	Application												
		23.69		60	14.214	6	85.28	99.75	0.21	0.5	1	0.75	0.11	0.21	0.16
5	HQ-P24980	6.50	Application												

		6.50		0	0	6	0	99.75	0	0.5	1	0.75	0.00	0.00	0.00
9	HQ-P23804	302.47	Application												
10	HQ-P23805	51.83	Application												
11	HQ-P23806	10.05	Application												
12	HQ-P23807	95.67	Application												
13	HQ-P23808	28.69	Application												
14	HQ-P24425	127.84	Grant offered												
15	HQ-P24426	326.59	Application												
16	HQ-P24541	87.15	Grant offered												
		1030.29		20	206.06	3	618.2	99.9	0.62	0.5	1	0.75	0.31	0.62	0.46
17	HQ-P23654	116.59	Granted												
		116.59		02	2.3318	6	13.99	99.95	0.01	0.5	1	0.75	0.00	0.01	0.01
18	HQ-P23656	48.08	Granted												
27	HQ-P25012	50.96	Grant offered												
		99.04		50	49.52	6	297.1	99.85	0.45	0.5	1	0.75	0.22	0.45	0.33
19	HQ-P23668	295.48	Granted												
21	HQ-P23670	269.08	Granted												
		564.56		75	423.42	6	2541	99.8	5.08	0.5	1	0.75	2.54	5.08	3.81
20	HQ-P23669	294.00	Granted												
22	HQ-P23671	292.07	Granted												
24	HQ-P23673	296.77	Granted												
		882.84		50	441.42	6	2649	99.85	3.97	0.5	1	0.75	1.99	3.97	2.98
23	HQ-P23672	197.15	Granted												
		197.15		01	1.9715	6	11.83	99.99	0	0.5	1	0.75	0.00	0.00	0.00
25	HQ-P23674	298.31	Granted												
26	HQ-P23675	295.56	Granted												
		593.87		80	475.1	6	2851	99.85	4.28	0.5	1	0.75	2.14	4.28	3.21
28	HQ-P23655	11.41	Granted												
30	HQ-P24981	33.16	Application												
		44.57		75	33.428	6	200.6	99.75	0.5	0.5	1	0.75	0.25	0.50	0.38
29	HQ-P23809	98.12	Application												
32	HQ-P25015	71.26	Application												
		169.38		50	84.69	6	508.1	99.95	0.25	0.5	1	0.75	0.13	0.25	0.19
31	HQ-P24982	9.84	Application												
		9.84		10	0.984	6	5.904	99.85	0.01	0.5	1	0.75	0.00	0.01	0.01
													8.96	17.92	13.44

Uranium															
No	Lic ID	km2	Status	Prospective % / km2	Pros km2	U m* SG 3.0	Mt	Factor discount	Residual Mlb	Low \$/lb	High \$/lb	Pref \$/lb	Low M\$	High M\$	Pref M\$
1	PL 4945/2008	25.97	Granted												
2	PL 7048/2011	81.49	Granted												
3	PL 7051/2011	148.14	Granted												
4	HQ-P22701	191.67	Granted												
6	HQ-P23985	23.85	Application												
		471.12		50	235.56	3	706.7	99.75	1.77	0.5	1	0.75	0.88	1.77	1.33
7	HQ-P25013	7.11	Grant offered												
8	HQ-P25014	16.58	Application												
		23.69		50	11.845	3	35.54	99.75	0.09	0.5	1	0.75	0.04	0.09	0.07
5	HQ-P24980	6.50	Application												
		6.50		0	0	0	0	99.75	0	0.5	1	0.75	0.00	0.00	0.00
9	HQ-P23804	302.47	Application												
10	HQ-P23805	51.83	Application												
11	HQ-P23806	10.05	Application												
12	HQ-P23807	95.67	Application												
13	HQ-P23808	28.69	Application												
14	HQ-P24425	127.84	Grant offered												
15	HQ-P24426	326.59	Application												
16	HQ-P24541	87.15	Grant offered												
		1030.29		0	0	3	0	99.9	0	0.5	1	0.75	0.00	0.00	0.00
17	HQ-P23654	116.59	Granted												
		116.59		02	2.3318	3	6.995	99.95	0	0.5	1	0.75	0.00	0.00	0.00
18	HQ-P23656	48.08	Granted												
27	HQ-P25012	50.96	Grant offered												
		99.04		50	49.52	6	297.1	99.85	0.45	0.5	1	0.75	0.22	0.45	0.33
19	HQ-P23668	295.48	Granted												
21	HQ-P23670	269.08	Granted												
		564.56		0	0	6	0	99.75	0	0.5	1	0.75	0.00	0.00	0.00

20	HQ-P23669	294.00	Granted												
22	HQ-P23671	292.07	Granted												
24	HQ-P23673	296.77	Granted												
		882.84		0	0	6	0	99.75	0	0.5	1	0.75	0.00	0.00	0.00
23	HQ-P23672	197.15	Granted												
		197.15		01	1.9715	3	5.915	99.99	0	0.5	1	0.75	0.00	0.00	0.00
25	HQ-P23674	298.31	Granted												
26	HQ-P23675	295.56	Granted												
		593.87		0	0	6	0	99.75	0	0.5	1	0.75	0.00	0.00	0.00
28	HQ-P23655	11.41	Granted												
30	HQ-P24981	33.16	Application												
		44.57		0	0	6	0	99.75	0	0.5	1	0.75	0.00	0.00	0.00
29	HQ-P23809	98.12	Application												
32	HQ-P25015	71.26	Application												
		169.38		30	50.814	6	304.9	99.95	0.15	0.5	1	0.75	0.08	0.15	0.11
31	HQ-P24982	9.84	Application												
		9.84		0	0	6	0	99.85	0	0.5	1	0.75	0.00	0.00	0.00
													1.23	2.46	1.84
													<b>10.19</b>	<b>20.38</b>	<b>15.29</b>

NOTE: "Rounding" errors may occur.